



中華汽車有限公司
China Motor Bus Co. Ltd.

2016 - 2017
INTERIM REPORT

Stock Code: 026

The Board of Directors announces that the unaudited consolidated profit after taxation of China Motor Bus Company, Limited (“the Company”) and its subsidiaries (together referred to as “the Group”) for the six months ended 31st December, 2016 amounted to HK\$307.27 million, compared with HK\$110.62 million for the period ended 31st December, 2015, and the unaudited consolidated operating profit of the Group for the six months ended 31st December, 2016 was HK\$10.09 million, compared with HK\$38.62 million for the period ended 31st December, 2015. These interim results have not been audited but have been reviewed by both the Company’s auditors and the Company’s audit committee. The independent review report of the auditors is attached.

CONSOLIDATED INCOME STATEMENT
for the six months ended 31st December, 2016 - unaudited

(Expressed in Hong Kong dollars)

		Six months ended	
		31st December,	
		2016	2015
	<i>Note</i>	<i>\$'000</i>	<i>\$'000</i>
Turnover	2	40,752	49,464
Finance expenses	4	(15,052)	(9,793)
Other income	5	3,250	17,462
Staff costs		(5,034)	(5,057)
Depreciation		(151)	(137)
Other operating expenses		(13,676)	(13,318)
Operating profit	3 & 6	10,089	38,621
Share of results of joint ventures	7	228,291	49,622
Share of results of associates		(28)	(20)
Net valuation gains on investment properties		72,000	31,400
Profit before taxation		310,352	119,623
Income tax	8	(3,080)	(8,999)
Profit after taxation attributable to shareholders		307,272	110,624
Earnings per share (basic and diluted)	9	HK\$6.78	HK\$2.44

The notes on pages 6 to 15 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 13.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 31st December, 2016 - unaudited
(Expressed in Hong Kong dollars)

	Six months ended	
	31st December,	
	2016	2015
	\$'000	\$'000
Profit for the period	307,272	110,624
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on consolidation	<u>(99,428)</u>	<u>(72,827)</u>
	<u>(99,428)</u>	<u>(72,827)</u>
Total comprehensive income for the period attributable to shareholders	<u>207,844</u>	<u>37,797</u>

The notes on pages 6 to 15 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2016 - unaudited

(Expressed in Hong Kong dollars)

		At 31st December, 2016 \$'000	At 30th June, 2016 \$'000
	<i>Note</i>		
Non-current assets			
Fixed assets		2,282,185	2,271,301
Interest in joint ventures		2,778,012	2,537,521
Interest in associates		33,696	33,724
Other investments		13,963	12,373
		<u>5,107,856</u>	<u>4,854,919</u>
Current assets			
Assets held for sale	10	850,000	1,043,440
Debtors, deposits and prepayments	11	4,837	5,421
Deposits with banks		1,950,987	1,801,564
Cash at banks and in hand		68,961	94,028
		<u>2,874,785</u>	<u>2,944,453</u>
Current liabilities			
Creditors and accruals	12	116,398	122,222
Defined benefit obligation		1,432	1,432
Taxation		8,306	13,146
Dividends payable		67,962	13,592
		<u>194,098</u>	<u>150,392</u>
Net current assets		<u>2,680,687</u>	<u>2,794,061</u>
Total assets less current liabilities		7,788,543	7,648,980
Non-current liabilities			
Deferred taxation		39,437	39,756
Net assets		<u>7,749,106</u>	<u>7,609,224</u>
CAPITAL AND RESERVES			
Share capital	13(b)	92,537	92,537
Other reserves		7,656,569	7,516,687
Total equity		<u>7,749,106</u>	<u>7,609,224</u>

The notes on pages 6 to 15 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 31st December, 2016 - unaudited
(Expressed in Hong Kong dollars)

	Other reserves						
	Share capital	Other properties revaluation reserve	Deferred profits reserve	General reserve	Retained profits	Subtotal	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1st July, 2015	92,537	5,589	441,197	380,000	6,640,406	7,467,192	7,559,729
Dividends declared/ approved in respect of the previous financial year (note 13(a)(ii))	-	-	-	-	(77,023)	(77,023)	(77,023)
Realisation of other properties revaluation reserve	-	(14)	-	-	14	-	-
	-	(14)	-	-	(77,009)	(77,023)	(77,023)
Profit for the period	-	-	-	-	110,624	110,624	110,624
Other comprehensive income	-	-	-	-	(72,827)	(72,827)	(72,827)
Total comprehensive income for the period	-	-	-	-	37,797	37,797	37,797
At 31st December, 2015	92,537	5,575	441,197	380,000	6,601,194	7,427,966	7,520,503
At 1st July, 2016	92,537	5,562	441,197	390,000	6,679,928	7,516,687	7,609,224
Dividends declared/ approved in respect of the previous financial year (note 13(a)(ii))	-	-	-	-	(67,962)	(67,962)	(67,962)
Realisation of other properties revaluation reserve	-	(14)	-	-	14	-	-
	-	(14)	-	-	(67,948)	(67,962)	(67,962)
Profit for the period	-	-	-	-	307,272	307,272	307,272
Other comprehensive income	-	-	-	-	(99,428)	(99,428)	(99,428)
Total comprehensive income for the period	-	-	-	-	207,844	207,844	207,844
At 31st December, 2016	92,537	5,548	441,197	390,000	6,819,824	7,656,569	7,749,106

Included in retained profits is a deficit of \$261,377,000 (at 31st December, 2015: \$53,338,000) arising from the translation of financial statements of foreign operations.

The notes on pages 6 to 15 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 31st December, 2016 - unaudited
(Expressed in Hong Kong dollars)

	Six months ended	
	31st December,	
	2016	2015
	\$'000	\$'000
Cash generated from operations	5,857	120,734
Tax paid		
- Hong Kong Profits Tax paid	(4,961)	(4,365)
- Overseas tax paid	(3,278)	(4,060)
Net cash (outflow)/inflow from operating activities	(2,382)	112,309
Investing activities		
Increase in deposits with banks with maturity more than three months	(473,480)	(633,121)
Interest received	5,835	3,661
Advance of loans to an associate	-	(19,100)
Advance of loans to a joint venture	(30,200)	(41,550)
Repayment of loans by a joint venture	18,000	37,000
Proceeds from sales of assets held for sale	190,902	-
Other cash flows arising from investing activities	157	1,324
Net cash outflow from investing activities	(288,786)	(651,786)
Financing activity		
Dividends paid	(13,592)	(13,592)
Net cash outflow from financing activity	(13,592)	(13,592)
Decrease in cash and cash equivalents	(304,760)	(553,069)
Effect of foreign exchange rate changes	(44,364)	(32,281)
Cash and cash equivalents at 1st July	1,162,718	1,658,778
Cash and cash equivalents at 31st December	813,594	1,073,428
	At 31st December,	
	2016	2015
	\$'000	\$'000
Analysis of the balances of cash and cash equivalents		
Deposits with banks	1,950,987	1,873,495
Less: Deposits with banks with maturity more than three months	(1,206,354)	(880,565)
Cash at banks and in hand	68,961	80,498
	813,594	1,073,428

The notes on pages 6 to 15 form part of this interim financial report.

NOTES ON UNAUDITED INTERIM FINANCIAL REPORT (Expressed in Hong Kong dollars)

1. Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 30th June, 2016.

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group’s performance and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG’s independent review report to the board of directors is included on page 24.

1. Basis of preparation (continued)

The financial information relating to the financial year ended 30th June, 2016 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 30th June, 2016 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

2. Turnover

The principal activities of the Group are property development and investment. Turnover represents rental income.

	Six months ended	
	31st December,	
	2016	2015
	\$'000	\$'000
Rentals from investment properties	<u>40,752</u>	<u>49,464</u>

3. Segment information

The Group manages its businesses according to the nature of the operations and the services and products provided. Management has determined that the reportable operating segments for measuring performance and allocating resources are the same as those reported previously. The segments are property development and investment and treasury management.

Property development and investment segment encompasses activities relating to the development, construction, sale and marketing of the Group's trading properties primarily in Hong Kong and property leasing. Currently, the Group's properties portfolio, which consists of retail, office and apartments, are located in Hong Kong and London.

Treasury management segment includes activities for managing the Group's listed investments, financial assets and other treasury operations.

3. Segment information (continued)

Management evaluates performance primarily based on operating profit as well as the equity share of results of joint ventures and associates of each segment.

Segment assets principally comprise all tangible assets and current assets directly attributable to each segment with the exception of corporate assets. Segment liabilities include all liabilities directly attributable to and managed by each segment with the exception of defined benefit obligation, income tax liabilities, dividends payable, deferred taxation and other corporate liabilities.

(a) Segment results, assets and liabilities

Six months ended 31st December, 2016				
	Property development and investment \$'000	Treasury management \$'000	Unallocated \$'000	Consolidated \$'000
Turnover	40,752	-	-	40,752
Finance expenses	-	(15,052)	-	(15,052)
Other income	3,000	-	250	3,250
Total revenue	<u>43,752</u>	<u>(15,052)</u>	<u>250</u>	<u>28,950</u>
Segment results	<u>36,317</u>	<u>(15,052)</u>		21,265
Net unallocated expenses				<u>(11,176)</u>
Operating profit				10,089
Share of results of joint ventures	228,291	-		228,291
Share of results of associates	(28)	-		(28)
Net valuation gains on investment properties	72,000	-		<u>72,000</u>
Profit before taxation				<u>310,352</u>

At 31st December, 2016				
	Property development and investment \$'000	Treasury management \$'000	Unallocated \$'000	Consolidated \$'000
Segment assets (including interest in joint ventures and associates)	5,926,387	2,036,241	20,013	7,982,641
Segment liabilities	2,811,708			2,811,708
	108,416	-	125,119	233,535

3. Segment information (continued)

Six months ended 31st December, 2015				
	Property development and investment \$'000	Treasury management \$'000	Unallocated \$'000	Consolidated \$'000
Turnover	49,464	-	-	49,464
Finance expenses	-	(9,793)	-	(9,793)
Other income	16,020	-	1,442	17,462
Total revenue	<u>65,484</u>	<u>(9,793)</u>	<u>1,442</u>	<u>57,133</u>
Segment results	59,312	(9,793)		49,519
Net unallocated expenses				(10,898)
Operating profit				38,621
Share of results of joint ventures	49,622	-		49,622
Share of results of associates	(20)	-		(20)
Net valuation gains on investment properties	31,400	-		31,400
Profit before taxation				<u>119,623</u>

At 30th June, 2016				
	Property development and investment \$'000	Treasury management \$'000	Unallocated \$'000	Consolidated \$'000
Segment assets	5,868,913	1,910,359	20,100	7,799,372
(including interest in joint ventures and associates)	2,571,245			2,571,245
Segment liabilities	112,190	-	77,958	190,148

(b) Geographical information

	Group turnover		Operating profit/(loss)	
	Six months ended 31st December, 2016	2015	Six months ended 31st December, 2016	2015
	\$'000	\$'000	\$'000	\$'000
Geographical location of operations				
Hong Kong	25,345	25,543	(284)	18,429
United Kingdom	15,407	23,921	10,373	20,192
	<u>40,752</u>	<u>49,464</u>	<u>10,089</u>	<u>38,621</u>

In addition, the turnover of the joint ventures attributable to the Group for the period amounted to \$42,714,000 (2015: \$44,089,000).

4. Finance expenses

	Six months ended 31st December,	
	2016	2015
	\$'000	\$'000
Interest income	5,771	3,922
Dividend income from other investments	272	257
Exchange losses	(22,685)	(12,270)
Net unrealised gains / (losses) on other investments at fair value	1,590	(1,702)
	<u>(15,052)</u>	<u>(9,793)</u>

Note: Exchange losses primarily related to unrealised losses in the Group's Sterling deposits.

5. Other income

	Six months ended 31st December,	
	2016	2015
	\$'000	\$'000
Management fee	248	248
Profit on disposal of fixed assets	-	1,193
Write-back of development costs accruals	3,000	16,020
Sundry income	2	1
	<u>3,250</u>	<u>17,462</u>

6. Operating profit

	Six months ended 31st December,	
	2016	2015
	\$'000	\$'000
Operating profit is arrived at after charging:		
Property expenses	<u>2,420</u>	<u>5,714</u>

7. Share of results of joint ventures

	Six months ended 31st December,	
	2016	2015
	\$'000	\$'000
Share of operating profit of joint ventures	29,592	30,942
Share of net valuation gains on investment properties	203,596	23,818
Share of taxation	(4,897)	(5,138)
Share of results of joint ventures	<u>228,291</u>	<u>49,622</u>

8. Income tax

	Six months ended 31st December,	
	2016	2015
	\$'000	\$'000
Current tax - Provision for Hong Kong Profits Tax		
Tax for the period	2,770	4,904
Current tax - Overseas		
Tax for the period	2,583	3,635
Over-provision in respect of prior years	(1,954)	(409)
	<u>629</u>	<u>3,226</u>
Deferred taxation		
Origination and reversal of temporary differences	(319)	869
	<u>3,080</u>	<u>8,999</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the six months ended 31st December, 2016. Taxation for overseas subsidiaries is similarly calculated at the appropriate current rates of taxation ruling in the relevant countries.

A tax charge of \$4,897,000 (2015: \$5,138,000) being share of taxation of joint ventures for the six months ended 31st December, 2016 is included in share of results of joint ventures in the consolidated income statement.

9. Earnings per share

The calculation of basic and diluted earnings per share is based on the earnings attributable to shareholders of \$307,272,000 (2015: \$110,624,000) and the weighted average of 45,308,056 ordinary shares (2015: 45,308,056 shares) in issue during the period.

10. Assets held for sale

The property No. 391 Chai Wan Road, Chai Wan, wholly owned by the Company, was held for sale to an associate at 30th June, 2015. The sale was approved by the Company's shareholders on 16th July, 2015 and a deposit of 10% (\$85,000,000) has been received. The effective completion is subject to certain conditions and rights as set out in the Company's circular relating to the transaction dated 29th May, 2015, and shall not be earlier than 1st July, 2017.

In June 2016, the Group resolved to dispose of Thanet House. Subsequently on 26th July, 2016, Communication Properties Limited ("CPL"), an indirectly wholly owned subsidiary entered into a sale and purchase agreement with an independent third party, pursuant to which CPL agreed to sell the property at a cash consideration of GBP18,500,000. The disposal of Thanet House was completed on 6th September, 2016.

11. Debtors, deposits and prepayments

Included in debtors, deposits and prepayments are trade debtors with the following ageing analysis, based on invoice date:

	At 31st December, 2016 \$'000	At 30th June, 2016 \$'000
Within 1 month	586	1,005
1 to 3 months	41	141
Over 3 months	-	41
Total trade debtors	627	1,187
Deposits, prepayments and other receivables	4,210	4,234
	4,837	5,421

A defined credit policy is maintained within the Group.

An amount of \$1,290,000 (at 30th June, 2016: \$1,303,000) included in debtors, deposits and prepayments under current assets is expected to be recovered after more than one year.

12. Creditors and accruals

Included in creditors and accruals are trade creditors with the following ageing analysis, based on invoice date:

	At 31st December, 2016 \$'000	At 30th June, 2016 \$'000
Within 1 month	32	41
1 to 3 months	-	-
Over 3 months	<u>201</u>	<u>201</u>
Total trade creditors	233	242
Deposit received	85,000	85,000
Other payables and accruals	<u>31,165</u>	<u>36,980</u>
	<u><u>116,398</u></u>	<u><u>122,222</u></u>

Deposit received represented 10% of the agreed selling price for the sale of the property No. 391 Chai Wan Road, Chai Wan (see note 10).

An amount of \$6,181,000 (at 30th June, 2016: \$8,150,000) included in other payables and accruals under current liabilities is expected to be settled after more than one year.

13. Capital, reserves and dividends

(a) Dividends

- (i) Dividends payable to equity shareholders of the Company attributable to the interim period:

	Six months ended 31st December, 2016 2015 \$'000 \$'000	
Interim dividend declared after the interim period end of \$0.10 (2015: \$0.10) per share	4,531	4,531
Special dividend declared with interim dividend after the interim period end of \$1.00 (2015: \$0.50) per share	<u>45,308</u>	<u>22,654</u>
	<u><u>49,839</u></u>	<u><u>27,185</u></u>

The interim dividends declared after the interim period end have not been recognised as liabilities at the interim period end date.

13. Capital, reserves and dividends (continued)

(a) **Dividends (continued)**

- (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, declared/approved during the interim period:

	Six months ended	
	31st December,	
	2016	2015
	\$'000	\$'000
Second interim dividend in respect of previous financial year declared after the end of the reporting period of \$Nil (2015: \$0.30) per share	-	13,592
Final dividend approved in respect of previous financial year of \$0.10 (2015: \$0.10) per share	4,531	4,531
Special dividend approved with final dividend in respect of previous financial year of \$1.40 (2015: \$1.30) per share	63,431	58,900
	<u>67,962</u>	<u>77,023</u>

(b) **Share capital**

	At 31st December,		At 30th June,	
	2016		2016	
	<i>No. of shares</i>		<i>No. of shares</i>	
		<i>\$'000</i>		<i>\$'000</i>
Ordinary shares, issued and fully paid:				
At 31st December/30th June	<u>45,308,056</u>	<u>92,537</u>	<u>45,308,056</u>	<u>92,537</u>

14. Fair value measurement of financial instruments

(a) Financial instruments measured at fair value

Fair value hierarchy

HKFRS 13, *Fair value measurement*, categorises fair value measurements into a three-level hierarchy. The level into which fair value is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair values measured using significant unobservable inputs

At 31st December, 2016 and 30th June, 2016, the only financial instrument of the Group carried at fair value were other investments of \$13,963,000 (at 30th June, 2016: \$12,373,000) listed on the Stock Exchange of Hong Kong. These instruments are measured at fair value on a recurring basis and their fair value measurements fall into Level 1 of the fair value hierarchy described above.

During the six months ended 31st December, 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2015: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(b) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31st December, 2016 and 30th June, 2016.

15. Material related party transactions

Interest in joint ventures and interest in associates at 31st December, 2016 included loans to the joint ventures and loan to an associate amounting to \$1,091,007,000 and \$33,770,000 respectively (30th June, 2016: \$1,078,807,000 and \$33,770,000 respectively) which are unsecured, interest-free and have no fixed terms of repayment.

INTERIM DIVIDENDS

The Board has resolved to pay an interim dividend of HK\$0.10 per share in respect of the year ending 30th June, 2017. The Board has also resolved to pay a special dividend of HK\$1.00 per share in respect of the year ending 30th June, 2017. The aggregate dividend of HK\$1.10 per share will be paid to shareholders whose names appear in the Company's register of members at the close of business on 22nd March, 2017.

Dividend warrants will be posted to shareholders on or about 27th June, 2017.

In resolving to pay the aforesaid dividend and special dividend, the Board has taken careful note of the operating results of the Company, its future profits projections and the current and future cash position of the Company.

The Board also noted the funding needs, from the Company's cash at bank, for the ongoing redevelopment of Aberdeen Inland Lot No. 461, the redevelopment of Chai Wan Inland Lot No. 88, and for the Group to exploit further investment opportunities. At an Extraordinary Meeting of the Company held on 7th June, 2013, the CMB shareholders approved the funding, from the Company's internal resources, of CMB's proportionate share of the land premium and construction costs for the redevelopment of Aberdeen Inland Lot No. 461. At another Extraordinary Meeting of the Company held on 16th July, 2015, the CMB shareholders approved the funding, from the Company's internal resources, of CMB's proportionate share of the land premium and construction costs of Chai Wan Inland Lot No. 88.

When determining the payment of dividends, the Board seeks to strike a balance between the amount of return to shareholders and the needs for the Company's future development, or the long term future of the Group.

Since the Company's cash at bank has increased as a result of the sale of the Thanet House property in London in 2016, the Board has decided to use part of the sale proceeds to enhance the special dividend to be paid at the same time as the first interim dividend.

The Board will continue to carefully monitor its dividend policy and act in the best interests of all the shareholders as a whole.

CLOSURE OF REGISTER

The register of members will be closed from 21st March, 2017 to 22nd March, 2017 (both days inclusive) during which period no share transfer will be effected. To qualify for the interim dividend and the special dividend, all unregistered transfers should be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, at 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 20th March, 2017.

REVIEW OF OPERATIONS

The unaudited profit after taxation attributable to shareholders for the six months ended 31st December, 2016 after including the effect of investment properties revaluation and the share of results of joint ventures and associates was HK\$307.27 million, compared with HK\$110.62 million for the same period last year. This reflects the revaluation gains on investment properties held by the Group and the Group's joint ventures. The unaudited operating profit of the Group for the same period before including the effect of investment properties revaluation and share of results of joint ventures and associates was HK\$10.09 million, compared with HK\$38.62 million for the same period of the previous year. This reflects the effect of the exchange losses arising from the depreciation of Sterling against the Hong Kong dollar in the current period and the decrease in rental income from Thanet House as a result of the sale of the property during the current period.

HIGHLIGHTS OF PROPERTY DEVELOPMENT AND INVESTMENTS ARE SUMMARIZED BELOW: -

Aberdeen Inland Lot No. 461, Wong Chuk Hang Road, Aberdeen

The redevelopment of the Property by Hareton Limited, a joint venture company whose issued share capital is held as to 50% by the Company through its wholly owned subsidiary, Heartwell Limited, and as to the remaining 50% by Swire Properties Limited, through its wholly owned subsidiary, Amber Sky Ventures Limited, into a 28 storeyed Grade A office building for long term investment purpose is currently ongoing. Excavation, foundation work and the basement floors are completed. Super structure work is progressing and the development is expected to be completed in the last quarter of 2018. It is targeted that a sole leasing agent will be appointed in the third quarter of 2017 to begin the pre-leasing exercise. In light of the recent opening of the MTR South Island Line with Wong Chuk Hang Station within walking distance of the development, the completion and subsequent letting of the development which has 381,799 square feet GFA of office space, 700 square feet GFA of retail space and 137 car parking spaces, will have a significant positive effect on the Group's income.

Chai Wan Inland Lot No. 88, No. 391 Chai Wan Road, Chai Wan

Steady progress has been made by Joyful Sincere Limited ("JVCo"), the joint venture company set up by Swire Properties Limited and the CMB Group to undertake the redevelopment of the Property, in discharging the planning conditions imposed by Town Planning Board under the planning permission granted on 13th September, 2013 for the redevelopment of the Property (the "Planning Conditions"), together with certain adjoining land presently used as a public transport terminus (the "PTT Site"), into a residential and commercial complex comprising 3 residential towers with shops, a covered public transport terminus and open space.

JVCo has succeeded in overcoming many of the challenges posed by the Planning Conditions although some challenges remain. Among other things, the design proposal for the pedestrian link-bridge over Sheung On Street has been approved by the Advisory

Committee on the Appearance of Bridges and Associated Structures, the Contamination Assessment Plan for conducting the Land Contamination Assessment for the Property has been approved by the Environmental Protection Department/Planning Department, the required 3 meter set back of the proposed development at Chai Wan Road have been accepted by Transport Department and Planning Department, and the condition requiring designation of drainage and/or water main reserve within the site has been discharged. The issue of the co-existence of the adjacent LPG station with the proposed development is now considered feasible by the Lands Department and approval is now pending for the Quantitative Risk Assessment for the proposed development.

The General Building Plans for the proposed development are pending re-submission upon resolution of the key Planning Conditions, while the land exchange application made to the Lands Department is ongoing. In the normal course of events, once a basic terms offer for the land exchange has been made by Lands Department and accepted by JVCo, an assessment of the land premium which will be payable to Government for the land exchange will then be made by JVCo.

Pursuant to Ground Investigation and Site Investigation Works Contract awarded in Q4 2016, both ground investigation works (for the entire site) and site investigation works (for those parts of the site other than the PTT Site) have been completed.

Under the terms of the Agreement for Sale and Purchase of the Property between the Company and JVCo of 29th May, 2015, inter alia, the earliest date for the Company to hand over possession of the Property to JVCo will be in August 2017.

In accordance with the development scheme approved by the Town Planning Board, the redevelopment will provide 780 residential units with a maximum residential GFA of approximately 64,314 m², and a maximum retail GFA of 186 m².

UK Properties

Albany House and Scorpio House, the Group's freehold investment properties in Central London, remain fully let.

OUTLOOK

While US Federal Reserve raised interest rate by 25bps in December 2016 and most people expect further increases in 2017, it is a widely held belief that interest rates will still remain low given the Federal Reserve's overriding objective to lift inflation.

Although the Group's finance income has been affected by the continuing low interest environment and the weakness of the Pound Sterling following the Brexit referendum vote, the Directors believe that the low interest rate which Hong Kong presently enjoys should help to support capital values in the Hong Kong property market. In the London commercial real estate market, the turbulence following the UK vote to leave EU appears to have calmed, and estate agents have reported a general improvement in sentiment and signs of recovering overseas interest, helped by the drop in the Pound Sterling.

For the local office leasing market, there are increasing signs of tenants in Central relocating to Kowloon East, Island East and Island South, and the Group is expected to benefit from its investment properties in both Island East and Island South. In particular, continuing rental growth has been reported in Wong Chuk Hang following the commencement of the MTR South Island Line. The Directors currently expect pre-leasing of the Grade A office building now under construction at Aberdeen Inland Lot No. 461 at Wong Chuk Hang Road, in which the Group has a 50% interest, to commence before the end of the current calendar year.

Having regard to the uncertainty in US economic policies and in the 2017 global economy, the Directors believe that the Group will be well served by its strong liquid assets position, which will allow the Group to exploit any new opportunities that may present themselves.

DIRECTORS' INTEREST IN SHARES

As at 31st December, 2016, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) were as follows:

	Ordinary shares			Total ordinary shares held	Percentage of total issued shares
	Personal interests	Family interests	Other interests		
NGAN Kit-ling	4,848,345	-	33,468 (Note)	4,881,813	10.77%
Dr. NGAN Kit-keung	6,941,013	1,250	33,468 (Note)	6,975,731	15.40%
Dr. Henry NGAN	7,173,125	250	33,468 (Note)	7,206,843	15.91%
Fritz HELMREICH	50,000	-	-	50,000	0.11%
Anthony Grahame STOTT	20,600	-	-	20,600	0.05%
Stephen TAN	600	-	-	600	-
Dr. CHAU Ming-tak	4,137	-	-	4,137	0.01%

Note : The 33,468 shares in the Company are included in the estate of the late Madam WONG Yick-mui.

DIRECTORS' INTEREST IN SHARES (continued)

All the interests disclosed above represent long positions as at 31st December, 2016.

Save as disclosed above, as at 31st December, 2016, none of the directors or chief executive of the Company or any of their spouses or children under 18 years of age had held any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO.

DISCLOSURE OF CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rules 13.51B(1) and 13.51B(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the changes in directors' information are set out as follows:

Ngan Kit-ling receives an emolument package comprising director's fee, contribution to retirement benefit scheme, and salary and other benefits having reference to her position as the Company's Chairman and Managing Director. Ngan Kit-ling's monthly salary will be increased from HK\$223,060 to HK\$232,400 which will take effect from 1st March, 2017, all other benefits remaining unchanged.

Dr. Ngan Kit-keung receives an emolument package comprising director's fee, contribution to retirement benefit scheme, and salary and other benefits having reference to his position as the Company's Assistant Managing Director. Dr. Ngan's monthly salary and housing allowance will be increased from HK\$126,247 to HK\$131,500 which will take effect from 1st March, 2017, all other benefits remaining unchanged.

Mr. Stephen Tan has ceased to be the Chairman of the Cantonese Opera Development Fund Investment Committee of the Hong Kong Special Administrative Region with effect from 1st October, 2016.

Other than those disclosed above, there is no other information in respect of the above directors and any other directors of the Company required to be disclosed pursuant to Rules 13.51B(1) and 13.51B(3) of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

The Company has been notified of the following interests in the Company's issued shares at 31st December, 2016, amounting to 5% or more of the shares in issue:

Substantial shareholders	Ordinary shares held	Percentage of total issued shares
NGAN Kit-ling	4,881,813 (<i>Note A</i>)	10.77%
Dr. NGAN Kit-keung	6,975,731 (<i>Note A</i>)	15.40%
Dr. Henry NGAN	7,206,843 (<i>Note A</i>)	15.91%
CHAN Kwan Shat	5,553,200 (<i>Note B</i>)	12.26%
Other persons		
CHING Yung Yu	2,496,200	5.51%

Note A: There is a duplication of 33,468 shares which are included in the estate of the late Madam WONG Yick-mui.

Note B: The number of shares held by CHAN Kwan Shat includes 2,767,200 shares held by CHAN Kwan Shat as administrator of the estate of the late Madam WONG Wai Gin.

All the interests disclosed above represent long positions as at 31st December, 2016.

Save as disclosed above, so far as the directors are aware, as at 31st December, 2016, none of the above shareholders had held any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation as defined in the SFO.

Apart from the foregoing, as at 31st December, 2016, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 31st December, 2016, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the Company's listed securities.

DISCLOSURE PURSUANT TO LISTING RULES 13.20 AND 13.22

At 31st December, 2016, the Group had the following loans to its affiliated companies (as defined by the Listing Rules):

Name of affiliated company	Group's attributable interest	Amount of unutilised loan facility \$'000	Amount of advances made by the Group under the loan facility \$'000	Amount of other advances made by the Group \$'000	Total financial assistance given by the Group \$'000
Hareton Limited	50%	1,155,250	644,750	205,407	2,005,407
Island Land Development Limited	50%	N/A	N/A	240,850	240,850
Joyful Sincere Limited	20%	1,924,230	33,770	-	1,958,000

The financial assistance and other advances mentioned in the above are unsecured, interest free and have no fixed terms of repayment except that a certain portion of the financial assistance to Joyful Sincere Limited would bear interest of 4.5% p.a. if and to the extent that Joyful Sincere Limited shall have surplus funds after payment of development costs and other liabilities as stipulated in a Funding Agreement dated 29th May, 2015.

The combined statement of financial position of the above affiliated companies at 31st December, 2016 is as follows:

	\$'000
Non-current assets	4,898,072
Current assets	289,524
Current liabilities	(68,545)
	<u>220,979</u>
Non-current liabilities	(58,012)
	<u><u>5,061,039</u></u>

Attributable interest to the Group at 31st December, 2016 in the above affiliated companies amounted to \$2,479,929,000 (at 30th June, 2016: \$2,244,197,000).

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all the directors of the Company, the Company has been advised that all of its directors have complied with the required standard as set out in the Model Code applicable during the six months ended 31st December, 2016.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company complied with the code provisions (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 31st December, 2016, except the following:

- (i) The Company has not separated the roles of the Chairman of the Board and the Chief Executive as required under code provision A2.1 of the Code. The Company believes that separation of Chairman and the Chief Executive would not result in enhanced efficiency and improved governance. The balance of power and authority between the Chief Executive and the Board is ensured by regular discussion and meetings of the full Board and active participation of independent non-executive directors.
- (ii) Code A4.2 provides that all directors including those appointed for a specified term should retire by rotation at least every three years. Certain executive directors of the Company do not rotate as there are specific provisions governing the rotation of directors in the Company’s Articles of Association.
- (iii) Code A5.1 provides that the Company should establish a nomination committee. The Company does not have a nomination committee as the role and the function of such a committee are performed by the Board. The Chairman and the other directors review from time to time the composition of the Board. The Board makes recommendations to shareholders on directors standing for re-election, providing information on directors to enable shareholders to make an informed decision on the re-election, and where necessary, to appoint directors to fill casual vacancies.
- (iv) Code A1.8 provides that the Company should arrange appropriate insurance cover in respect of legal action against its directors. Historically, the Company has not effected insurance cover in respect of legal action, if any, against its directors. As at 31st December, 2016, this matter was being further considered.
- (v) Code C2.5 provides that the Company should have an internal audit function. Given the structure and size of the Group’s business, the Board believes that there is no need to establish an internal audit function.

NGAN Kit-ling
Chairman

Hong Kong, 21st February, 2017



REVIEW REPORT TO THE BOARD OF DIRECTORS OF CHINA MOTOR BUS COMPANY, LIMITED

(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 1 to 15 which comprises the consolidated statement of financial position of China Motor Bus Company, Limited as of 31st December, 2016 and the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 31st December, 2016 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

21st February, 2017