



華 廈 置 業 有 限 公 司

WAH HA REALTY COMPANY LIMITED

(Stock Code: 278)

INTERIM REPORT

for the six months ended 30th September 2011

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cheung Kee Wee (*Chairman*)

Mr. Cheung Lin Wee

Mr. Cheung Ying Wai, Eric

Non-executive Directors

Mr. John Ho

Mr. Ng Kwok Tung

Independent Non-executive Directors

Mr. Lam Hon Keung, Keith

Mr. Chan Woon Kong

Mr. Soo Hung Leung, Lincoln

AUDIT COMMITTEE

Mr. Lam Hon Keung, Keith (*Chairman*)

Mr. John Ho

Mr. Ng Kwok Tung

Mr. Chan Woon Kong

Mr. Soo Hung Leung, Lincoln

REMUNERATION COMMITTEE

Mr. Soo Hung Leung, Lincoln (*Chairman*)

Mr. Lam Hon Keung, Keith

Mr. John Ho

Mr. Ng Kwok Tung

Mr. Chan Woon Kong

COMPANY SECRETARY

Mr. Chu Wing Man, Raymond

AUTHORISED REPRESENTATIVES

Mr. Cheung Kee Wee

Mr. Chu Wing Man, Raymond

BANKER

The Bank of East Asia, Limited

AUDITOR

PricewaterhouseCoopers

SHARE REGISTRARS

Hongkong Managers and

Secretaries Limited

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STOCK CODES

The Stock Exchange of Hong Kong Limited

278

Reuters

0278.HK

WEBSITE

<http://www.wahha.com>

The Board of Directors of Wah Ha Realty Company Limited (the "Company") announces that the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") and its associated companies for the six months ended 30th September 2011, with comparative figures of the previous period, are as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September 2011

		Six months ended 30th September 2011 HK\$	2010 HK\$
	<i>Note</i>		
Revenues	5	4,591,089	6,454,152
Changes in fair value of investment properties		200,000	16,340,000
Net fair value (losses)/gains on financial assets at fair value through profit or loss		(613,439)	11,912,812
Fair value losses on derivative financial instruments		–	(4,049,136)
Other gains	6	1,538,163	431,491
Direct outgoings in relation to properties that generate income		(168,837)	(662,138)
Cost of completed properties sold		–	(232,350)
Staff costs		(2,059,021)	(1,966,912)
Other operating expenses		(631,895)	(615,274)
		<hr/>	<hr/>
Operating profit		2,856,060	27,612,645
Share of profits less losses of associated companies (including share of fair value gain on investment properties net of related tax of HK\$49,174,443 (2010: HK\$57,575,150))		58,561,412	67,647,485
		<hr/>	<hr/>
Profit before income tax		61,417,472	95,260,130
Income tax expense	7	(58,598)	(4,179,905)
		<hr/>	<hr/>
Profit and total comprehensive income attributable to equity holders of the Company		61,358,874	91,080,225
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share (Basic and diluted)	8	0.51	0.75
		<hr/> <hr/>	<hr/> <hr/>
Dividends	9	12,096,000	6,048,000
		<hr/> <hr/>	<hr/> <hr/>

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET*As at 30th September 2011*

	30th September 2011	31st March 2011
<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
ASSETS		
Non-current assets		
Investment properties	65,000,000	64,800,000
Investments in associated companies	480,690,643	423,493,053
Amounts due from associated companies	31,199,701	41,968,200
Available-for-sale financial assets	250,448	250,448
Deferred income tax assets	768	800
	577,141,560	530,512,501
Current assets		
Completed properties held for sale	6,524,147	6,524,147
Amounts due from associated companies	48,844,741	40,071,682
Trade and other receivables	<i>10</i> 1,759,312	1,415,056
Tax recoverable	3,852,335	2,832,215
Financial assets at fair value through profit or loss	<i>11</i> 1,941,824	2,555,263
Cash and bank balances	346,943,288	375,584,483
	409,865,647	428,982,846
Total assets	987,007,207	959,495,347

		30th September 2011 HK\$	31st March 2011 HK\$
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	12	<u>78,624,000</u>	<u>78,624,000</u>
Retained profits	13		
– Interim dividend		12,096,000	–
– Proposed final dividend		–	36,288,000
– Others		866,725,186	817,462,312
		<u>878,821,186</u>	<u>853,750,312</u>
Total equity		<u>957,445,186</u>	<u>932,374,312</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		<u>10,047,648</u>	<u>10,092,550</u>
Current liabilities			
Amounts due to associated companies		16,594,048	14,187,367
Trade and other payables	14	2,700,395	2,682,020
Tax payable		219,930	159,098
		<u>19,514,373</u>	<u>17,028,485</u>
Total liabilities		<u>29,562,021</u>	<u>27,121,035</u>
Total equity and liabilities		<u>987,007,207</u>	<u>959,495,347</u>
Net current assets		<u>390,351,274</u>	<u>411,954,361</u>
Total assets less current liabilities		<u>967,492,834</u>	<u>942,466,862</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30th September 2011*

	Six months ended	
	30th September	
	2011	2010
	HK\$	HK\$
Total equity at beginning of the period	932,374,312	793,438,153
Profit and total comprehensive income for the period	61,358,874	91,080,225
Dividends	(36,288,000)	(8,467,200)
Total equity at end of the period	<u>957,445,186</u>	<u>876,051,178</u>

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30th September 2011*

	Six months ended	
	30th September	
	2011	2010
	<i>HK\$</i>	<i>HK\$</i>
Net cash generated from operating activities	1,880,862	6,409,288
Net cash generated from investing activities	12,953,600	14,954,522
Net cash used in financing activities	<u>(36,288,000)</u>	<u>(8,467,200)</u>
Net (decrease)/increase in cash and cash equivalents	(21,453,538)	12,896,610
Cash and cash equivalents at beginning of the period	<u>298,590,720</u>	<u>230,891,825</u>
Cash and cash equivalents at end of the period	<u><u>277,137,182</u></u>	<u><u>243,788,435</u></u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is Room 2500, Dominion Centre, 43-59 Queen's Road East, Wanchai, Hong Kong.

The principal activities of the Group and its associated companies are investment holding and property development, investment and management in Hong Kong.

The unaudited condensed consolidated interim financial information ("interim financial information") are presented in Hong Kong dollars (HK\$), unless otherwise stated. The interim financial information has been approved for issue by the Board of Directors on 24th November 2011.

2. BASIS OF PREPARATION

The interim financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, derivative financial instruments and investment properties, which are carried at fair value, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". The interim financial information should be read in conjunction with the annual financial statements for the year ended 31st March 2011 which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The accounting policies and methods of computation applied in the preparation of the interim financial information are consistent with those applied in the annual financial statements for the year ended 31st March 2011, except as stated below.

(a) *Adoption of revised standards and amendments to existing standards and interpretations*

The Group adopted the revised standards and amendments to existing standards and interpretations below, which are relevant to its operations.

HKFRS 3 (Revised)	Business Combinations
HKAS 24 (Amendment)	Related Party Disclosure
HKAS 34 (Amendment)	Interim Financial Reporting
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The Group has assessed the impact of the adoption of these revised standards, amendments and interpretations and considered that there were no significant impact on the Group's results and financial position or substantial changes in the Group's accounting policies and presentation of the financial information.

(b) *Standards, amendments to existing standards and interpretations that are not yet effective*

		Effective for accounting periods beginning on or after
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets	1st July 2011
HKAS 1 (Amendment)	Presentation of Financial Statements	1st July 2012
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets	1st January 2012
HKFRS 9	Financial Instruments	1st January 2013
HKFRS 10	Consolidated Financial Statements	1st January 2013
HKFRS 11	Joint arrangements	1st January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1st January 2013
HKFRS 13	Fair Value Measurement	1st January 2013
HK (IFRIC) – Int 14 Amendment	Prepayments of a Minimum Funding Requirement	1st January 2013

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

2. BASIS OF PREPARATION (Continued)

(b) *Standards, amendments to existing standards and interpretations that are not yet effective* (Continued)

The Group has already commenced an assessment of the impact of these new/ revised standards, amendments and interpretations and considers that they will not have any significant impact on its results of operations and financial position, except for the amendment to HKAS 12.

This amendment provides an exception to the principles in the existing standard for measuring deferred tax assets or liabilities when an investment property is measured at fair value. The amendment introduces a presumption that an investment property measured at fair value will be recovered entirely through sale rather than over time through operations. The implication is that deferred tax liabilities are not provided as capital gains upon sale are not taxed in Hong Kong. The amendment is effective for the financial periods beginning on or after 1st January 2012 and full retrospective application will be required.

At 30th September 2011, the Group has provided deferred income tax liabilities of HK\$71.3 million (31st March 2011: HK\$61.2 million) in relation to fair value gains on investment properties, of which HK\$10.0 million (31st March 2011: HK\$10.0 million) relates to the Group's investment properties and HK\$61.3 million (31st March 2011: HK\$51.2 million) relates to the Group's share in associated companies' investment properties.

For the period ended 30th September 2011, the Group also recognised respective deferred income tax charge in the statement of comprehensive income of HK\$10.1 million (2010: HK\$14.0 million), of which HK\$0.03 million (2010:HK\$2.7 million) relates to the Group's investment properties and HK\$10.1 million (2010: HK\$11.3 million) relates to the Group's share in associated companies' investment properties.

Taking into account the tax consequence of presuming to recover the value of investment properties through sale, the deferred income tax liabilities mentioned above will be reversed upon adoption of the amendment to HKAS 12.

3. FINANCIAL RISK MANAGEMENT

All aspects of the financial risk management objectives and policies of the Group are consistent with those disclosed in the annual financial statements for the year ended 31st March 2011.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions applied in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 31st March 2011.

5. REVENUES AND SEGMENTAL INFORMATION

The principal activities of the Group include those relating to investment holding, property development, investment and management in Hong Kong. There is no other significant identifiable separate business. In accordance with the Group's internal financial reporting provided to the chief operating decision-maker for the purpose of allocating resources, assessing performance of the operating segments and making strategic decision, the reportable operating segments are property development, investment and management and investments.

Segment assets consist of investment properties, available-for-sale financial assets, financial assets at fair value through profit or loss, receivables and completed properties held for sale and exclude items such as cash and bank balances, tax recoverable and deferred income tax assets. Segment liabilities comprise operating liabilities and exclude items such as tax payable and deferred income tax liabilities.

Revenues represent turnover recognised during the period and comprise the following:

	Six months ended	
	30th September	
	2011	2010
	HK\$	HK\$
Rental income	2,162,260	1,866,804
Sales of completed properties held for sale	–	1,094,000
Management fee income	589,987	554,546
Bank interest income	1,718,269	427,144
Dividend income – Listed investments	26,773	2,300,958
Construction supervision fee income	93,800	210,700
	4,591,089	6,454,152

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)**5. REVENUES AND SEGMENTAL INFORMATION** (Continued)

The segment results for the six months ended 30th September 2011 are as follows:

	Property development, investment and management HK\$	Investments HK\$	Total HK\$
Revenues	<u>2,846,047</u>	<u>1,745,042</u>	<u>4,591,089</u>
Segment results	<u>2,151,901</u>	<u>2,669,766</u>	4,821,667
Unallocated costs			<u>(1,965,607)</u>
Operating profit			2,856,060
Share of profits less losses of associated companies	58,561,412	-	<u>58,561,412</u>
Profit before income tax			61,417,472
Income tax expense			<u>(58,598)</u>
Profit attributable to the equity holders of the Company			<u>61,358,874</u>
Changes in fair value of investment properties	200,000	-	<u>200,000</u>

The segment assets and liabilities at 30th September 2011 are as follows:

	Property development, investment and management HK\$	Investments HK\$	Total HK\$
Segment assets	152,987,322	2,532,851	155,520,173
Associated companies	480,690,643	-	480,690,643
Unallocated assets			<u>350,796,391</u>
Total assets			<u>987,007,207</u>
Segment liabilities	19,006,242	-	19,006,242
Unallocated liabilities			<u>10,555,779</u>
Total liabilities			<u>29,562,021</u>

The segment results for the six months ended 30th September 2010 are as follows:

	Property development, investment and management <i>HK\$</i>	Investments <i>HK\$</i>	Total <i>HK\$</i>
Revenues	<u>3,726,050</u>	<u>2,728,102</u>	<u>6,454,152</u>
Segment results	<u>18,493,608</u>	<u>11,020,408</u>	29,514,016
Unallocated costs			<u>(1,901,371)</u>
Operating profit			27,612,645
Share of profits less losses of associated companies	67,647,485	–	<u>67,647,485</u>
Profit before income tax			95,260,130
Income tax expense			<u>(4,179,905)</u>
Profit attributable to the equity holders of the Company			<u>91,080,225</u>
Changes in fair value of investment properties	16,340,000	–	<u>16,340,000</u>

The segment assets and liabilities at 31st March 2011 are as follows:

	Property development, investment and management <i>HK\$</i>	Investments <i>HK\$</i>	Total <i>HK\$</i>
Segment assets	154,380,355	3,204,441	157,584,796
Associated companies	423,493,053	–	423,493,053
Unallocated assets			<u>378,417,498</u>
Total assets			<u>959,495,347</u>
Segment liabilities	16,614,041	–	16,614,041
Unallocated liabilities			<u>10,506,994</u>
Total liabilities			<u>27,121,035</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

6. OTHER GAINS

	Six months ended 30th September	
	2011	2010
	<i>HK\$</i>	<i>HK\$</i>
Net exchange gains	1,538,163	428,630
Sundries	–	2,861
	<u>1,538,163</u>	<u>431,491</u>

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the Group's estimated assessable profit for the period.

	Six months ended 30th September	
	2011	2010
	<i>HK\$</i>	<i>HK\$</i>
Hong Kong profits tax		
Provision for the period	103,468	228,156
Deferred income tax (credit)/expense	<u>(44,870)</u>	<u>3,951,749</u>
	<u>58,598</u>	<u>4,179,905</u>

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to equity holders of the Company of HK\$61,358,874 (2010: HK\$91,080,225) and on 120,960,000 shares (2010: 120,960,000 shares) in issue during the period. The diluted earnings per share equals to the basic earnings per share since there are no dilutive potential shares in issue during both periods.

9. DIVIDENDS

	Six months ended 30th September	
	2011	2010
	<i>HK\$</i>	<i>HK\$</i>
Interim dividend declared of HK10 cents (2010: HK5 cents) per share	<u>12,096,000</u>	<u>6,048,000</u>

The Board of Directors has resolved to declare an interim dividend of HK10 cents per share for the six months ended 30th September 2011 (2010: HK5 cents) payable on Friday, 6th January 2012 to equity holders whose names appear on the Register of Members of the Company on Friday, 23rd December 2011.

10. TRADE AND OTHER RECEIVABLES

	30th September 2011	31st March 2011
	<i>HK\$</i>	<i>HK\$</i>
Trade receivables		
Within 3 months	653,394	565,134
Other receivables	939,746	662,489
Prepayments and utility deposits	<u>166,172</u>	<u>187,433</u>
	<u>1,759,312</u>	<u>1,415,056</u>

Trade receivables represent rental and management fee receivables which are normally due for payment upon presentation of debit note at the beginning of each rental period (normally on a monthly basis).

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30th September 2011 HK\$	31st March 2011 HK\$
Listed shares – Overseas	<u>1,941,824</u>	<u>2,555,263</u>

12. SHARE CAPITAL

	30th September 2011 HK\$	31st March 2011 HK\$
<i>Authorised:</i>		
150,000,000 ordinary shares of HK\$0.65 each	<u>97,500,000</u>	<u>97,500,000</u>
<i>Issued and fully paid:</i>		
120,960,000 ordinary shares of HK\$0.65 each	<u>78,624,000</u>	<u>78,624,000</u>

13. RETAINED PROFITS

	HK\$
At 31st March 2010	714,814,153
Profit for the period	91,080,225
Dividends	<u>(8,467,200)</u>
At 30th September 2010	797,427,178
Profit for the period	62,371,134
Dividends	<u>(6,048,000)</u>
At 31st March 2011	853,750,312
Profit for the period	61,358,874
Dividends	<u>(36,288,000)</u>
At 30th September 2011	<u>878,821,186</u>

14. TRADE AND OTHER PAYABLES

	30th September	31st March
	2011	2011
	HK\$	HK\$
Trade payables		
Within 90 days	324	379
Other payables	956,191	1,022,524
Rental and utility deposits received	744,193	898,736
Accrued expenses	999,687	760,381
	<u>2,700,395</u>	<u>2,682,020</u>

15. SIGNIFICANT RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions carried out in the normal course of the Group's business during the period:

	Six months ended	
	30th September	
	2011	2010
	HK\$	HK\$
Related company		
Estate agency fee income (<i>Note</i>)	<u>75,000</u>	<u>75,000</u>
Key management compensation		
Directors' emoluments	<u>120,000</u>	<u>120,000</u>

Note: The Group provided estate agency services to a related company at a fixed annual fee.

INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim dividend of HK10 cents per share for the six months ended 30th September 2011 (2010: HK5 cents) payable on Friday, 6th January 2012 to the equity holders whose names appear on the Register of Members of the Company on Friday, 23rd December 2011.

CLOSURE OF REGISTER OF MEMBERS

The Transfer Books and Register of Members of the Company will be closed from Monday, 19th December 2011 to Friday, 23rd December 2011, both days inclusive, during which period no transfer of shares will be registered.

To qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrars, Hongkong Managers and Secretaries Limited at Unit 3401-2, 34th Floor, AIA Tower, 183 Electric Road, North Point, Hong Kong not later than 4:00 p.m. on Friday, 16th December 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the period under review, the Group's unaudited profit attributable to equity holders amounted to HK\$61.4 million, representing a decrease of about 32.6% from the corresponding period in 2010. The reasons for this decrease were three-fold, namely the reduction in fair value gains net of deferred taxation from the Group's and its associated companies' investment properties for HK\$21.9 million and the reduction of net fair value gains of listed investments and dividend income of HK\$7.1 million and HK\$2.3 million respectively following the sales of the majority of its listed investments. These downside factors were however mitigated by the increases of interest income and net exchange gains of HK\$1.3 million and HK\$1.1 million respectively. Excluding these effects, the Group's profit attributable to equity holders was slightly lower than that of the corresponding period in last year.

Business Review

Property Development, Investment and Management

During the period under review, the Group's rental business performed well. Even though there was a loss of rental income following an associated company's disposal of the whole industrial building in Fanling, the rental revenue derived from the Group's and its associated companies' properties recorded a moderate improvement. The contribution to the Group's after-tax profit rose by approximately HK\$0.9 million. This favourable result was however eroded by the sale of a residential unit in Fanling at a price lower than the carrying value and the resulted loss was HK\$0.7 million attributable to the Group. The corresponding profit of last year was HK\$1.0 million.

During and subsequent to the period under review, an associated company had acquired 15 residential units in Yau Ma Tei.

Investments

Last year, the Group had disposed of the majority of its listed investments. The net fair value gains and dividend income associated with these disposed listed investments no longer exist. For the period under review, the after-tax profit from the Group's investment portfolio was HK\$9.4 million lower than that of the corresponding period in 2010. On the other hand, the Group enjoyed the benefit of the slight increase in deposit interest rate and an increase of interest income for HK\$1.3 million was reported. Besides, an increase in net exchange gains of HK\$1.1 million was reported in the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Prospects

For the period under review, some weakening signs were seen. Although the growth rate of the private consumption expenditure in the 3rd Quarter could still stay at a similar level to that of the 2nd Quarter, a slight decrease from 9.7% in the 2nd Quarter to 8.8% was recorded. Year-on-year GDP growth experienced further drop from 5.1% of the 2nd Quarter to 4.3% of the 3rd Quarter whereas the corresponding growth in the 1st Quarter was 7.5%. A greater drop was found in the total exports of goods. Following a slight deterioration in the 2nd Quarter, a 10.9% decline was reported in the 3rd Quarter. On the other hand, the Government had revised its estimation on the 2011 Consumer Price Index to 5% which is likely the result of the slowing economy. The slowdown of the economies of the United States and Europe, consequent upon their stringent control on fiscal deficit, will have further adverse impact on the exports of goods from Hong Kong. Contraction in total exports of goods is anticipated.

The two rounds quantitative easing monetary measures adopted by the United States seemed to have little effect in rescuing the economy. Unemployment rate stood above 9% and economic growth was at relatively low level. Standard & Poor's downgraded the United States sovereignty credit rating from AAA to AA+. The effort of the Federal Reserve to maintain the low interest rate at low levels until 2013 and the use of operation twist so as to press down the long term interest rate do not bring about immediate effect. The fear of double dip recession is growing. It is quite likely that a third round quantitative easing monetary measures will be announced in early 2012 and the effectiveness of these expansionary monetary measures, if implemented, needs to be observed. The ongoing Eurozone sovereign debt crisis draws the attention of the global market. Italy becomes the new focus after Ireland, Portugal and Greece. It is unlikely that the crisis can be resolved in the near future. Similar to the United States, the EU countries will adopt expansionary monetary policy (the European Bank lowered the interest rate by 0.25% recently) and control their fiscal deficit. To cope with the uncertainties, some countries, such as Brazil and Australia, have also taken steps to lower the interest rates. In the face of the aforesaid turbulence, the global economic recovery remains fragile and uncertain.

Hong Kong benefits from its proximity to mainland China. China is one of the few countries that still enjoys high economic growth. The Central Government's tightening policies to counter inflation may have a downside effect on economic growth. However, there is general consensus that soft landing of the economy is likely. The policy measures of the Central Government will enlarge and deepen Hong Kong's role as an offshore Renminbi financial centre. The buoyant cross-border mainland shoppers, together with the strong domestic demand, drives up the demand for office and retail property in Hong Kong. The Government of the Hong Kong Special Administrative Region, in tackling the likely formation of asset bubble, has taken out measures to cool down the housing market. These measures include increasing land supply, introducing the Special Stamp Duty, increasing the interest margin for mortgage loans, lowering the mortgage loan-to-value ratio, and launching new Home Ownership Scheme. These measures will result in a more sustainable property market in the long run.

We should be, on the one hand, highly vigilant about the global economic uncertainties. On the other hand, we are optimistic about the economic prospect in Hong Kong and will continue to maintain adequate financial resources to face new challenges ahead so as to deliver satisfactory returns to our shareholders.

Employment and Remuneration Policies

As at 30th September 2011, the Group had less than twenty employees and their remuneration is maintained at competitive levels. Total staff costs (including Directors' remuneration) amounted to HK\$2.1 million (2010: HK\$2.0 million). Remuneration policies are reviewed regularly by the Board and by the Remuneration Committee regarding Directors and senior management. Employees' salaries are determined on performance basis with reference to the market trend. In addition, discretionary bonuses are granted to eligible employees by reference to the Group's results and individual performance. Other benefits include education subsidies, medical and retirement benefits.

Liquidity and Financial Resources

The Group is virtually debt-free and generally finances its operations with internally generated cash flows. The Group's cash and cash equivalents amounted to HK\$277.1 million at 30th September 2011. The Board believes that the Group has sufficient financial resources for its operations. The Group has no material exposure to foreign exchange rate fluctuation and material contingent liabilities.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th September 2011, the interests and short positions of the Directors and Chief Executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in Ordinary Shares of the Company

Name of Director	Personal Interests	Corporate interests	Family interests	Total	% of issued share capital
Cheung Kee Wee	–	15,150,160 <i>(Note 1)</i>	–	15,150,160	12.52
Cheung Lin Wee	14,016,800	–	238,000 <i>(Note 2)</i>	14,254,800	11.79
Cheung Ying Wai, Eric	13,950,800	–	–	13,950,800	11.53

Notes:

- (1) These shares were held by Biochoice Limited ("Biochoice") (in which Mr. Cheung Kee Wee ("CKW") and his spouse in aggregate owned 50% interest) through its wholly owned subsidiary, Humphrey Group Limited ("Humphrey"). Therefore, CKW was deemed to be interested in these shares under the SFO.
- (2) The 238,000 shares were beneficially held by Ms. Wu Suet Yi, Rita, the spouse of Mr. Cheung Lin Wee ("CLW").

Save as disclosed above, as at 30th September 2011, none of the Directors or Chief Executives of the Company or any of their associates had or were deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

So far as is known to the Directors or Chief Executives of the Company, as at 30th September 2011, the following Shareholders (other than Directors or Chief Executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company were as follows:

Long Positions in Ordinary Shares of the Company

	Number of shares	% of issued share capital
Substantial Shareholders:		
Chin Lan Hong	32,162,800 <i>(Note 1)</i>	26.59
Kung So Ha, Anne	15,150,160 <i>(Note 2)</i>	12.52
Biochoice Limited	15,150,160 <i>(Note 3)</i>	12.52
Humphrey Group Limited	15,150,160 <i>(Note 3)</i>	12.52
Wu Suet Yi, Rita	14,254,800 <i>(Note 4)</i>	11.79
Hoh Kwok Hing, Corinne	13,950,800 <i>(Note 5)</i>	11.53
Persons other than Substantial Shareholders:		
Megabest Securities Limited	11,295,600 <i>(Note 6)</i>	9.34
Profit-taking Company Inc.	11,295,600 <i>(Note 6)</i>	9.34
Pullfield Company Limited	11,295,600 <i>(Note 6)</i>	9.34

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

(Continued)

Long Positions in Ordinary Shares of the Company (Continued)

Notes:

- (1) Out of the 32,162,800 shares, 11,295,600 shares were held by Megabest Securities Limited ("Megabest") of which Madam Chin Lan Hong ("CLH") was interested in the entire issued share capital, through the chain of ownership being described in Note (6) below; and 20,867,200 shares were held under her personal interests.
- (2) Ms. Kung So Ha, Anne is the wife of CKW and was taken to be interested in these shares in which her spouse was interested under the SFO. These 15,150,160 shares related to the same block of shares as described in Note (3) below.
- (3) These 15,150,160 shares held by Biochoice and Humphrey respectively related to the same block of shares as described in "Corporate Interests" of CKW under the heading of "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures". These shares were held by Biochoice (in which CKW and his spouse in aggregate owned 50% interest) through its wholly owned subsidiary, Humphrey, the registered owner of the said 15,150,160 shares.
- (4) Out of the 14,254,800 shares, 238,000 shares were beneficially held by Ms. Wu Suet Yi, Rita, and Ms. Wu was taken to be interested in the remaining 14,016,800 shares in which her spouse CLW was interested under the SFO.
- (5) Ms. Hoh Kwok Hing, Corinne is the wife of Mr. Cheung Ying Wai, Eric and was taken to be interested in these shares in which her spouse was interested under the SFO.
- (6) These 11,295,600 shares held by Megabest, Profit-taking Company Inc. ("Profit-taking") and Pullfield Company Limited ("Pullfield") respectively related to the same block of shares as described in Note (1) above. These shares were held by Megabest through its wholly owned subsidiary, Profit-taking, which in turn held the entire issued share capital of Pullfield, the registered owner of the said 11,295,600 shares of the Company.

Save as disclosed above, as at 30th September 2011, the Company has not been notified by any person (other than Directors or Chief Executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company.

DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

In relation to the financial assistance granted by the Group to certain affiliated companies, a combined balance sheet of and the Group's attributable interest in these affiliated companies as at 30th September 2011 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

	Combined Balance Sheet <i>HK\$</i>	Group's Attributable Interests <i>HK\$</i>
Non-current assets	1,076,495,141	255,747,570
Current assets	273,596,223	88,675,733
Non-current liabilities	(417,527,231)	(81,089,250)
Current liabilities	(185,473,232)	(59,612,722)
Net current assets	88,122,991	29,063,011
Net assets	747,090,901	203,721,331

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's issued shares during the period.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code Provision(s)") contained in Appendix 14 to the Listing Rules throughout the six months ended 30th September 2011, except for the following deviations:–

- Under the Code Provision A.2.1, the roles of the Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. Mr. Cheung Kee Wee is the Chairman of the Board and there is not a post of CEO in the Company. The roles of the CEO are performed by all the Executive Directors with clear division of responsibilities under the leadership of the Chairman. The Board considers that this arrangement allows contributions from all Executive Directors with different expertise and can ensure the balance of power and authority between the Board and the management of the Group. The Board therefore believes that this structure can enable the Group to make and implement decisions promptly and efficiently and is beneficial to the business prospect of the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES (Continued)

- Under the Code Provision A.4.1, Non-executive Directors should be appointed for a specific term and subject to re-election. All the five Non-executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company ("AGM") in accordance with Article 103(A) of the Company's Articles of Association. There are eight Directors including five Non-executive Directors of the Company for the time being. As one-third of them shall retire from office by rotation at each AGM, each of them shall retire at least once every three years.

MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its Code of Conduct for dealing in securities of the Company by the Directors. All Directors of the Company have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code throughout the six months ended 30th September 2011.

AUDIT COMMITTEE

The Audit Committee consists of the three Independent Non-executive Directors, namely Messrs Lam Hon Keung, Keith (Chairman), Chan Woon Kong and Soo Hung Leung, Lincoln and the two Non-executive Directors, namely Messrs John Ho and Ng Kwok Tung. The Group's interim results for the six months ended 30th September 2011 have been reviewed by the Audit Committee of the Company and by the Company's Auditor, PricewaterhouseCoopers, 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. The Audit Committee has no reservation on the accounting treatments adopted by the Group.

By Order of the Board

Raymond W M Chu

Company Secretary

Hong Kong, 24th November 2011