



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 2014

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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

### NOMINATION COMMITTEE

Mr. Cheung Kee Wee (*Chairman*)

Mr. Cheung Lin Wee

Mr. Lam Hon Keung, Keith

Mr. Chan Woon Kong

Mr. Soo Hung Leung, Lincoln

### 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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Causeway Bay, Hong Kong

Telephone: (852) 3528 0290

Fax: (852) 2887 2054

### REGISTERED OFFICE

Room 2500, Dominion Centre

43-59 Queen's Road East

Wanchai, Hong Kong

Telephone: (852) 2527 1821

Fax: (852) 2861 3771

### 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 2014, with comparative figures of the previous period, are as follows:

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended 30th September 2014*

		<b>Six months ended 30th September 2014 HK\$</b>	<b>2013 HK\$</b>
	<i>Note</i>		
Revenues	5	<b>6,606,391</b>	13,141,113
Changes in fair value of investment properties		<b>4,700,000</b>	–
Net fair value (loss)/gain on financial assets at fair value through profit or loss		<b>(29,844)</b>	94,502
Other gains	6	<b>942,206</b>	883,460
Direct outgoings in relation to properties that generate income		<b>(209,514)</b>	(180,986)
Cost of sales of completed properties		–	(910,010)
Staff costs		<b>(2,943,523)</b>	(2,768,666)
Other operating expenses		<b>(743,448)</b>	(739,305)
Operating profit		<b>8,322,268</b>	9,520,108
Share of profits less losses of associated companies (including share of fair value gain on investment properties of HK\$2,650,000 (2013: HK\$16,250,000))		<b>14,500,420</b>	30,759,699
Profit before income tax		<b>22,822,688</b>	40,279,807
Income tax credit/(expense)	7	<b>12,626</b>	(1,046,567)
Profit and total comprehensive income attributable to equity holders of the Company		<b>22,835,314</b>	39,233,240
Earnings per share (Basic and diluted)	8	<b>0.19</b>	0.32
Dividends	9	<b>13,305,600</b>	13,305,600

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**

*As at 30th September 2014*

	30th September 2014 <i>HK\$</i>	31st March 2014 <i>HK\$</i>
<i>Note</i>		
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment properties	70,600,000	65,900,000
Investments in associated companies	704,511,170	690,010,750
Amounts due from associated companies	3,419,679	5,520,179
Available-for-sale financial assets	250,448	250,448
Deferred income tax assets	899,065	762,776
	<u>779,680,362</u>	<u>762,444,153</u>
<b>Current assets</b>		
Completed properties held for sale	5,615,989	5,615,989
Amounts due from associated companies	36,486,010	38,446,010
Trade and other receivables	10 1,364,847	1,325,518
Tax recoverable	4,339	19,052
Financial assets at fair value through profit or loss	11 3,258,251	3,288,095
Cash and bank balances	348,527,865	358,649,739
	<u>395,257,301</u>	<u>407,344,403</u>
<b>Total assets</b>	<u><u>1,174,937,663</u></u>	<u><u>1,169,788,556</u></u>

		<b>30th September 2014</b>	31st March 2014
	<i>Note</i>	<b>HK\$</b>	<i>HK\$</i>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	12	<b>78,624,000</b>	78,624,000
Retained profits	13		
– Interim dividend		<b>13,305,600</b>	–
– Proposed dividends		–	27,820,800
– Others		<b>1,059,431,726</b>	1,049,902,012
		<b>1,072,737,326</b>	1,077,722,812
<b>Total equity</b>		<b>1,151,361,326</b>	1,156,346,812
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Amounts due to associated companies		<b>18,390,283</b>	8,755,283
Trade and other payables	14	<b>3,849,075</b>	3,416,487
Tax payable		<b>1,336,979</b>	1,269,974
<b>Total liabilities</b>		<b>23,576,337</b>	13,441,744
<b>Total equity and liabilities</b>		<b>1,174,937,663</b>	1,169,788,556
<b>Net current assets</b>		<b>371,680,964</b>	393,902,659
<b>Total assets less current liabilities</b>		<b>1,151,361,326</b>	1,156,346,812

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

*For the six months ended 30th September 2014*

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2014</b>	2013
	<b><i>HK\$</i></b>	<i>HK\$</i>
Total equity at beginning of the period	<b>1,077,722,812</b>	1,153,552,279
Profit and total comprehensive income for the period	<b>22,835,314</b>	39,233,240
Transaction with equity holders Dividends	<b><u>(27,820,800)</u></b>	<u>(29,030,400)</u>
Total equity at end of the period	<b><u><u>1,072,737,326</u></u></b>	<u><u>1,163,755,119</u></u>

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the six months ended 30th September 2014

	Six months ended 30th September	
	2014 HK\$	2013 HK\$
<b>Cash flows from operating activities</b>		
Profit before income tax	22,822,688	40,279,807
Changes in fair value of investment properties	(4,700,000)	–
Share of profits less losses of associated companies	(14,500,420)	(30,759,699)
	<hr/>	<hr/>
<b>Operating profit before working capital changes</b>	3,622,268	9,520,108
Decrease in completed properties held for sale	–	839,526
Increase in trade and other receivables	(39,329)	(152,385)
Decrease/(increase) in financial assets at fair value through profit or loss	29,844	(94,502)
Increase in trade and other payables	432,588	160,914
	<hr/>	<hr/>
<b>Net cash generated from operations</b>	4,045,371	10,273,661
Hong Kong profits tax paid	(41,945)	(36,550)
	<hr/>	<hr/>
<b>Net cash generated from operating activities</b>	4,003,426	10,237,111
	-----	-----
<b>Cash flows from investing activities</b>		
Advances to associated companies	(65,000)	(70,264)
Advances from associated companies	13,760,500	19,180,475
	<hr/>	<hr/>
<b>Net cash generated from investing activities</b>	13,695,500	19,110,211
	-----	-----
<b>Cash flows from financing activity</b>		
Dividends paid to the Company's equity holders	(27,820,800)	(29,030,400)
	<hr/>	<hr/>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(10,121,874)	316,922
<b>Cash and cash equivalents at beginning of the period</b>	358,649,739	357,110,402
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the period</b>	348,527,865	357,427,324
	<hr/> <hr/>	<hr/> <hr/>



## 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 Thursday, 27th November, 2014.

### 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 and investment properties, which are carried at fair value, and 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 2014 which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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 2014, except as stated below.

**(a) *The adoption of revised standards and amendments to existing standards***

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

Amendment to HKAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
Amendment to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendment to HKAS 39	Financial Instruments: Recognition and Measurement – Novation of Derivatives
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Consolidation for Investment Entities
HK(IFRIC) – Int 21	Levies

The Group has assessed the impact of the adoption of these revised standards and amendments and considered that there were no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies and presentation of the financial information.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

2. BASIS OF PREPARATION (Continued)

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

New or revised standards		Effective for accounting periods beginning on or after
Amendment to HKAS 19	Defined Benefit Plans	1st July 2014
Amendment to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 cycle	1st July 2014
Amendment to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 cycle	1st July 2014
Amendment to HKFRS 7 and HKFRS 9	Mandatory Effective Date and Transition Disclosures	1st January 2015
Amendment to HKFRS 11	Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operation	1st January 2016
Amendment to HKAS 27	Equity method in separate financial statements	1st January 2016
HKFRS 14	Regulatory Deferral Accounts	1st January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1st January 2016
HKFRS 15	Revenue from Contracts with Customers	1st January 2017
HKFRS 9	Financial Instruments	1st January 2018

The Group is in the process of making an assessment of the impact of these new or revised standards and amendments upon initial application and is not yet in a position to state whether these new or revised standards and amendments have any significant impact on the Group's result of operations and financial position.

### 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 2014.

### 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 2014.

### 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, completed properties held for sale and cash and bank balances and exclude items such as tax recoverable and deferred income tax assets. Segment liabilities comprise operating liabilities and exclude items such as tax payable and unpaid dividend.

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

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
Rental income	<b>2,810,097</b>	2,350,403
Sales of completed properties held for sale	–	7,666,150
Management fee income	<b>668,252</b>	648,235
Bank interest income	<b>2,964,005</b>	2,254,232
Dividend income – Listed investments	<b>39,087</b>	33,793
Construction supervision fee income	<b>124,950</b>	188,300
	<b>6,606,391</b>	13,141,113

**NOTES TO THE INTERIM FINANCIAL INFORMATION** (Continued)

**5. REVENUES AND SEGMENTAL INFORMATION** (Continued)

The segment results for the six months ended 30th September 2014 are as follows:

	Property development, investment and management HK\$	Investments HK\$	Total HK\$
Revenues	<u>3,603,299</u>	<u>3,003,092</u>	<u>6,606,391</u>
Segment results	<u>7,201,224</u>	<u>3,911,943</u>	11,113,167
Unallocated costs			<u>(2,790,899)</u>
Operating profit			8,322,268
Share of profits less losses of associated companies	14,500,420	-	<u>14,500,420</u>
Profit before income tax			22,822,688
Income tax credit			<u>12,626</u>
Profit attributable to the equity holders of the Company			<u>22,835,314</u>
Changes in fair value of investment properties	4,700,000	-	<u>4,700,000</u>

The segment assets and liabilities at 30th September 2014 are as follows:

	Property development, investment and management HK\$	Investments HK\$	Total HK\$
Segment assets	117,097,921	352,425,168	469,523,089
Associated companies	704,511,170	-	704,511,170
Unallocated assets			903,404
Total assets			<u>1,174,937,663</u>
Segment liabilities	21,361,827	-	21,361,827
Unallocated liabilities			<u>2,214,510</u>
Total liabilities			<u>23,576,337</u>

The segment results for the six months ended 30th September 2013 are as follows:

	Property development, investment and management <i>HK\$</i>	Investments <i>HK\$</i>	Total <i>HK\$</i>
Revenues	10,853,088	2,288,025	13,141,113
Segment results	<u>8,917,022</u>	<u>3,265,841</u>	12,182,863
Unallocated costs			(2,662,755)
Operating profit			9,520,108
Share of profits less losses of associated companies	30,759,699	-	<u>30,759,699</u>
Profit before income tax			40,279,807
Income tax expense			<u>(1,046,567)</u>
Profit attributable to the equity holders of the Company			<u>39,233,240</u>
Changes in fair value of investment properties	-	-	<u>-</u>

The segment assets and liabilities at 31st March 2014 are as follows:

	Property development, investment and management <i>HK\$</i>	Investments <i>HK\$</i>	Total <i>HK\$</i>
Segment assets	116,396,828	362,599,150	478,995,978
Associated companies	690,010,750	-	690,010,750
Unallocated assets			<u>781,828</u>
Total assets			<u>1,169,788,556</u>
Segment liabilities	11,330,835	-	11,330,835
Unallocated liabilities			<u>2,110,909</u>
Total liabilities			<u>13,441,744</u>

**NOTES TO THE INTERIM FINANCIAL INFORMATION** (Continued)

**6. OTHER GAINS**

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
Net exchange gains	<b>938,695</b>	883,314
Sundries	<b>3,511</b>	146
	<u><b>942,206</b></u>	<u>883,460</u>

**7. INCOME TAX CREDIT/(EXPENSE)**

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the Group's estimated assessable profit for the period.

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	HK\$
Hong Kong profits tax		
Provision for the period	<b>(123,663)</b>	(1,236,391)
Deferred income tax credit	<b>136,289</b>	189,824
	<u><b>12,626</b></u>	<u>(1,046,567)</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\$22,835,314 (2013: HK\$39,233,240) and on 120,960,000 shares (2013: 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**

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2014</b>	2013
	<b>HK\$</b>	<b>HK\$</b>
Interim dividend declared of HK11 cents (2013: HK11 cents) per share	<b>13,305,600</b>	13,305,600

The Board of Directors has resolved to declare an interim dividend of HK11 cents per share for the six months ended 30th September 2014 (2013: HK11 cents) payable on Thursday, 8th January 2015 to equity holders whose names appear on the Register of Members of the Company on Wednesday, 31st December 2014.

**10. TRADE AND OTHER RECEIVABLES**

	<b>30th September</b>	31st March
	<b>2014</b>	2014
	<b>HK\$</b>	<b>HK\$</b>
Trade receivables		
Within 3 months	307,806	385,416
Other receivables	935,429	698,637
Prepayments and utility deposits	121,612	241,465
	<b>1,364,847</b>	1,325,518

Trade receivables represent rental and management fee receivables. Rental receivable is normally due for payment upon presentation of debit note at the beginning of each rental period (normally on a monthly basis). Management fee receivable is normally due for payment upon presentation of debit note at the end of each month.



NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>30th September 2014 HK\$</b>	31st March 2014 HK\$
Listed shares – Overseas	<u><b>3,258,251</b></u>	<u>3,288,095</u>

12. SHARE CAPITAL

	<b>30th September 2014 HK\$</b>	31st March 2014 HK\$
<i>Issued and fully paid:</i>		
120,960,000 ordinary shares	<u><b>78,624,000</b></u>	<u>78,624,000</u>

13. RETAINED PROFITS

	<i>HK\$</i>
At 31st March 2013	1,074,928,279
Profit for the period	39,233,240
Dividends	<u>(29,030,400)</u>
At 30th September 2013	1,085,131,119
Profit for the period	5,897,293
Dividends	<u>(13,305,600)</u>
At 31st March 2014	1,077,722,812
Profit for the period	22,835,314
Dividends	<u>(27,820,800)</u>
<b>At 30th September 2014</b>	<u><b>1,072,737,326</b></u>

**14. TRADE AND OTHER PAYABLES**

	<b>30th September</b>	31st March
	<b>2014</b>	2014
	<b>HK\$</b>	HK\$
Trade payables		
Within 3 months	<b>22,721</b>	25,323
Other payables	<b>1,572,760</b>	1,513,098
Rental and utility deposits received	<b>1,174,426</b>	1,149,762
Accrued expenses	<b>1,079,168</b>	728,304
	<b>3,849,075</b>	3,416,487
	<b>3,849,075</b>	3,416,487

**15. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

An analysis of the Group's financial assets and financial liabilities stated at fair value, based on the degree to which their fair values are observable and grouped into Levels 1 to 3, is as follows:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – value inputs, other than quoted prices, that are observable either directly or indirectly
- Level 3 – value inputs that are not based on observable market data

At 30th September 2014, the Group's asset measured at fair value is financial assets at fair value through profit or loss, of all which are Level 1 instruments.

At the period end date, the net book value of the Group's other financial assets and financial liabilities approximated their fair values.

Fair values are determined based on quoted market price, otherwise, with reference to professional valuations and/or estimations that take into account assumptions and estimates on factors affecting the value of the financial instruments and change of such assumptions and estimates to reasonably possible alternatives would not have material effect on the Group's results for the period and financial position at the period end date.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

16. 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	
	2014	2013
	HK\$	HK\$
Related company		
Management fee income	<u>75,000</u>	<u>75,000</u>
Key management compensation		
Directors' emoluments	<u>570,000</u>	<u>570,000</u>

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

The Group is provided with office space and office furniture and fixtures by a related company.

## INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim dividend of HK11 cents per share for the six months ended 30th September 2014 (2013: HK11 cents) payable on Thursday, 8th January 2015 to equity holders whose names appear on the Register of Members of the Company on Wednesday, 31st December 2014.

## CLOSURE OF REGISTER OF MEMBERS

The Transfer Books and Register of Members of the Company will be closed from Tuesday, 23rd December 2014 to Wednesday, 31st December 2014, 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 Units 1607-8, 16th Floor, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong not later than 4:00 p.m. on Monday, 22nd December 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Results

For the period under review, the Group's unaudited profit attributable to equity holders of the Company amounted to HK\$22.8 million, representing a decrease of about 41.8% from the corresponding period in 2013. Amongst these, HK\$8.3 million came from the Group and HK\$14.5 million was the contribution from the Group's associated companies. The reduction in fair value gains from the Group's and its associated companies' investment properties for HK\$8.9 million was the major reason for the decrease. It was further adversely affected by the lack of sales of properties in the period under review. The after-tax profit from sales of the Group's and its associated companies' properties was HK\$8.8 million in the corresponding period last year. On the other hand, the better interest income for HK\$0.7 million and the better Rental Business for HK\$0.8 million were the mitigating factors.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Business Review

#### *Property Development, Investment and Management*

Although maintenance expenditures were incurred for properties upon renewal of tenancy agreements, the Rental Business performed satisfactorily. General increase in rental rates for new and/or renewed tenancies was achieved. The overall after-tax profit was greater than that of last corresponding period by HK\$0.8 million.

During the period under review, no sales of properties were reported. However, an after-tax profit of HK\$8.8 million was reported in the corresponding period last year.

Subsequent to the period under review, an associated company had disposed of a unit in Tsing Yi and the Group's share of after-tax profit was about HK\$1.7 million.

Apart from the aforesaid, the Group did not acquire or dispose of any property during the period under review and up to the date of this report.

#### *Investments*

For the period under review, the after-tax profit from the Group's investment portfolio was HK\$0.1 million lower than that of the corresponding period in 2013. On the other hand, benefiting from the higher deposit rate of RMB, a better interest income of HK\$0.7 million was recorded and the exchange gains from the RMB deposit was comparable to that of last year.

### Prospects

For the period under review, as exhibited by the 3rd Quarter GDP and private consumption growths of 5.3% and 3.2% respectively, the local economy was relatively stable. The seasonally adjusted unemployment rate stood at 3.3% for the four consecutive months. However, inflation for the month of September 2014 was 6.6% which was the highest since July 2013. The total exports seemed to have been adversely affected by the weak economies of Europe and a relatively low growth rate of 4.5% was recorded. The advantages brought about by the Shanghai-Hong Kong Stock Connect need to be observed. The "Occupation Movement" may cast uncertainties on the local economy. The weakening retail market may further be hampered by the street blockades by protesters. This may probably have negative impact on the stock and property markets and the economy as a whole.

Recently, the International Monetary Fund downgraded the global economic growth for the year to 3.3%. In the United States, on the back of the unemployment rate dropping to below 6% and rebound of the housing sector, the Federal Reserve had just concluded its asset purchase program, probably the signal of the end of the quantitative easing measures. Although there is consensus that the low interest rate environment will still be maintained at least till mid-2015, interest rate hike is likely on the way. This is evidenced by the recent strength of US\$ against major currencies. The liquidity problem caused by the United States' tapering quantitative easing measures is however, to a certain extent, offset by the quantitative easing measures promulgated by Japan and Eurozone countries. This may lead to uncertainties in the global economy.

In China, the Central Government seems to be content with a slower but sustained economic growth. Accelerating industrialization, motivating internal consumption and promoting urbanization may result in healthy development of the economy of China.

Hong Kong is a small and open economy which is most susceptible to the global economy. The uncertainties of the global economy in addition to the unique political situation of Hong Kong will inevitably pose challenges to local business operators including the Group. The Group will be cautious and prudent in handling the challenges ahead so as to secure sustainable return to our shareholders.

### **Employment and Remuneration Policies**

As at 30th September 2014, the Group had less than twenty employees and their remuneration is maintained at competitive levels. Total staff costs (including Directors' remuneration) amounted to HK\$2.9 million (2013: HK\$2.8 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 with 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\$348.5 million at 30th September 2014. 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 2014, 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 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, 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	14,180,800	—	238,000 <i>(Note 2)</i>	14,418,800	11.92
Cheung Ying Wai, Eric	14,090,800	—	—	14,090,800	11.65

*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 2014, 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 2014, 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
<b>Substantial Shareholders:</b>		
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	14,418,800 <i>(Note 4)</i>	11.92
Hoh Kwok Hing, Corinne	14,090,800 <i>(Note 5)</i>	11.65
<b>Persons other than Substantial Shareholders:</b>		
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 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 14,418,800 shares, 238,000 shares were beneficially held by Ms. Wu Suet Yi, Rita, and Ms. Wu was taken to be interested in the remaining 14,180,800 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 2014, 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.

## 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.

## CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

In the opinion of the Directors, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "Code Provision(s)") contained in Appendix 14 to the Listing Rules throughout the six months ended 30th September 2014, except for the following deviations:-

1. 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.
2. 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 2014.

## 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 2014 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, 27th November 2014