



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 2015

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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. Au-Yang Cheong Yan, Peter

### AUDIT COMMITTEE

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

Mr. John Ho

Mr. Ng Kwok Tung

Mr. Chan Woon Kong

Mr. Au-Yang Cheong Yan, Peter

### REMUNERATION COMMITTEE

Mr. Chan Woon Kong (*Chairman*)

Mr. Lam Hon Keung, Keith

Mr. John Ho

Mr. Ng Kwok Tung

Mr. Au-Yang Cheong Yan, Peter

### NOMINATION COMMITTEE

Mr. Cheung Kee Wee (*Chairman*)

Mr. Cheung Lin Wee

Mr. Lam Hon Keung, Keith

Mr. Chan Woon Kong

Mr. Au-Yang Cheong Yan, Peter

### 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

Units 1607-8, 16th Floor,

Citicorp Centre, 18 Whitfield Road

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 2015, with comparative figures of the previous period, are as follows:

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September 2015

		Six months ended 30th September	
	Note	2015 HK\$	2014 HK\$
Revenues	5	<b>39,163,726</b>	6,606,391
Changes in fair value of investment properties		<b>1,300,000</b>	4,700,000
Net fair value gain/(loss) on financial assets at fair value through profit or loss		<b>50,356</b>	(29,844)
Other (losses)/gains, net	6	<b>(1,755,680)</b>	942,206
Direct outgoings in relation to properties that generate income		<b>(166,091)</b>	(209,514)
Cost of sales of completed properties		<b>(2,574,931)</b>	–
Staff costs		<b>(3,157,064)</b>	(2,943,523)
Other operating expenses		<b>(938,471)</b>	(743,448)
Operating profit		<b>31,921,845</b>	8,322,268
Share of profits less losses of associated companies (including share of fair value gain on investment properties of HK\$18,500,000 (2014: HK\$2,650,000))		<b>35,655,463</b>	14,500,420
Profit before income tax		<b>67,577,308</b>	22,822,688
Income tax (expense)/credit	7	<b>(4,973,201)</b>	12,626
Profit and total comprehensive income attributable to equity holders of the Company		<b>62,604,107</b>	22,835,314
Earnings per share (Basic and diluted)	8	<b>0.52</b>	0.19
Dividends	9	<b>14,515,200</b>	13,305,600

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**

As at 30th September 2015

	30th September 2015 <i>HK\$</i>	31st March 2015 <i>HK\$</i>
<i>Note</i>		
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment properties	<b>74,300,000</b>	73,000,000
Investments in associated companies	<b>772,665,098</b>	751,009,635
Amounts due from associated companies	–	1,577,179
Available-for-sale financial assets	<b>250,448</b>	250,448
Deferred income tax assets	<b>1,307,199</b>	1,094,631
Deposits	<i>10</i> <b>48,566,980</b>	–
	<b>897,089,725</b>	826,931,893
<b>Current assets</b>		
Completed properties held for sale	<b>2,968,463</b>	5,243,989
Amounts due from associated companies	<b>34,186,010</b>	34,336,010
Trade and other receivables	<i>10</i> <b>1,047,649</b>	1,444,076
Tax recoverable	<b>5,110</b>	38,093
Financial assets at fair value through profit or loss	<i>11</i> <b>3,199,989</b>	3,149,633
Cash and bank balances	<b>370,046,929</b>	363,545,473
	<b>411,454,150</b>	407,757,274
<b>Total assets</b>	<b>1,308,543,875</b>	1,234,689,167

		<b>30th September 2015</b>	31st March 2015
	<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>14,515,200</b>	–
– Proposed dividends		–	30,240,000
– Others		<b>1,132,892,228</b>	1,084,803,321
		<b>1,147,407,428</b>	1,115,043,321
<b>Total equity</b>		<b>1,226,031,428</b>	1,193,667,321
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Amounts due to associated companies		<b>72,431,871</b>	36,233,883
Trade and other payables	14	<b>4,573,736</b>	4,222,438
Tax payable		<b>5,506,840</b>	565,525
<b>Total liabilities</b>		<b>82,512,447</b>	41,021,846
<b>Total equity and liabilities</b>		<b>1,308,543,875</b>	1,234,689,167
<b>Net current assets</b>		<b>328,941,703</b>	366,735,428

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

*For the six months ended 30th September 2015*

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2015</b>	2014
	<i>HK\$</i>	<i>HK\$</i>
Total equity at beginning of the period	<b>1,193,667,321</b>	1,156,346,812
Profit and total comprehensive income for the period	<b>62,604,107</b>	22,835,314
Transaction with equity holders		
Dividends	<u><b>(30,240,000)</b></u>	<u>(27,820,800)</u>
Total equity at end of the period	<u><b>1,226,031,428</b></u>	<u>1,151,361,326</u>

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT**
*For the six months ended 30th September 2015*

	Six months ended 30th September 2015 HK\$	2014 HK\$
<b>Cash flows from operating activities</b>		
Profit before income tax	67,577,308	22,822,688
Changes in fair value of investment properties	(1,300,000)	(4,700,000)
Share of profits less losses of associated companies	(35,655,463)	(14,500,420)
Exchange losses/(gains)	1,756,470	(938,695)
	<hr/>	<hr/>
<b>Operating profit before working capital changes</b>	<b>32,378,315</b>	2,683,573
Decrease in completed properties held for sale	2,275,526	–
Decrease/(increase) in trade and other receivables	396,427	(39,329)
(Increase)/decrease in financial assets at fair value through profit or loss	(50,356)	29,844
Increase in trade and other payables	351,298	432,588
	<hr/>	<hr/>
<b>Net cash generated from operations</b>	<b>35,351,210</b>	3,106,676
Hong Kong profits tax paid	(211,471)	(41,945)
	<hr/>	<hr/>
<b>Net cash generated from operating activities</b>	<b>35,139,739</b>	3,064,731
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Cash flows from investing activities</b>		
Dividends received from associated companies	14,000,000	–
Fund transfer to associated companies	(14,000,000)	(65,000)
Fund transfer from associated companies	51,925,167	13,760,500
Deposit paid for acquisition of investment property	(48,566,980)	–
	<hr/>	<hr/>
<b>Net cash generated from investing activities</b>	<b>3,358,187</b>	13,695,500
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Cash flows from financing activity</b>		
Dividends paid to the Company's equity holders	(30,240,000)	(27,820,800)
	<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>8,257,926</b>	(11,060,569)
<b>Cash and cash equivalents at beginning of the period</b>	<b>363,545,473</b>	358,649,739
<b>Exchange (losses)/gains</b>	<b>(1,756,470)</b>	938,695
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the period</b>	<b>370,046,929</b>	348,527,865
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>



## 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 Company has its primary listing on The Stock Exchange of Hong Kong Limited.

The unaudited condensed consolidated interim financial information ("interim financial information") are presented in Hong Kong dollars (HK\$), unless otherwise stated.

The financial information relating to the year ended 31st March 2015 that is included in the interim financial information as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be 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 31st March 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

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 sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

## 2. BASIS OF PREPARATION

This interim financial information for the six months ended 30th September 2015 has been prepared 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 2015, 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 2015, except as stated below.

### **(a) *The adoption of amended standards to existing standards***

The Group adopted the amended standards to existing standards below, which are relevant to its operations.

Amendment to HKAS 19	Defined Benefit Plans
Amendment to HKFRSs	Annual Improvements 2010 – 2012 Cycle
Amendment to HKFRSs	Annual Improvements 2011 – 2013 Cycle
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date and Transition Disclosures

The Group has assessed the impact of the adoption of these amendments and considered that there were no significant impacts 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) New standards and amendments to existing standards that are relevant but not yet effective*

New or revised standards		Effective for accounting periods beginning on or after
Amendment to HKFRS 11	Joint Arrangement – 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
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants	1st January 2016
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1st January 2016
Amendment to HKAS 1	Disclosure Initiative	1st January 2016
Amendment to HKFRSs	Annual Improvements 2012-2014 Cycle	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 standards and amendments upon initial application and is not yet in a position to state whether these new 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 2015.

### 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 2015.

### 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>2015</b>	2014
	<b>HK\$</b>	<b>HK\$</b>
Rental income	<b>2,772,682</b>	2,810,097
Sales of completed properties held for sale	<b>33,383,900</b>	–
Management fee income	<b>686,923</b>	668,252
Bank interest income	<b>2,225,806</b>	2,964,005
Dividend income – Listed investments	<b>40,865</b>	39,087
Construction supervision fee income	<b>53,550</b>	124,950
	<b>39,163,726</b>	6,606,391

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

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

The segment results for the six months ended 30th September 2015 are as follows:

	Property development, investment and management HK\$	Investments HK\$	Total HK\$
Revenues	<u>36,897,055</u>	<u>2,266,671</u>	<u>39,163,726</u>
Segment results	<u>34,691,022</u>	<u>560,557</u>	<u>35,251,579</u>
Unallocated costs			<u>(3,329,734)</u>
Operating profit			31,921,845
Share of profits less losses of associated companies	35,655,463	-	<u>35,655,463</u>
Profit before income tax			67,577,308
Income tax expense			<u>(4,973,201)</u>
Profit attributable to the equity holders of the Company			<u>62,604,107</u>
Changes in fair value of investment properties	1,300,000	-	<u>1,300,000</u>

The segment assets and liabilities at 30th September 2015 are as follows:

	Property development, investment and management HK\$	Investments HK\$	Total HK\$
Segment assets	160,920,533	373,645,935	534,566,468
Associated companies	772,665,098	-	772,665,098
Unallocated assets			<u>1,312,309</u>
Total assets			<u>1,308,543,875</u>
Segment liabilities	75,979,559	-	75,979,559
Unallocated liabilities			<u>6,532,888</u>
Total liabilities			<u>82,512,447</u>

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

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

The segment assets and liabilities at 31st March 2015 are as follows:

	Property development, investment and management <i>HK\$</i>	Investments <i>HK\$</i>	Total <i>HK\$</i>
Segment assets	115,118,356	367,428,452	482,546,808
Associated companies	751,009,635	–	751,009,635
Unallocated assets			1,132,724
Total assets			1,234,689,167
Segment liabilities	39,512,399	–	39,512,399
Unallocated liabilities			1,509,447
Total liabilities			41,021,846

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

**6. OTHER (LOSSES)/GAINS, NET**

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2015</b>	2014
	<b>HK\$</b>	<b>HK\$</b>
Net exchange (losses)/gains	<b>(1,756,470)</b>	938,695
Sundries	<b>790</b>	3,511
	<b><u>(1,755,680)</u></b>	<b><u>942,206</u></b>

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

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the Group's estimated assessable profit for the period.

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2015</b>	2014
	<b>HK\$</b>	<b>HK\$</b>
Hong Kong profits tax		
Provision for the period	<b>(5,185,769)</b>	(123,663)
Deferred income tax credit	<b>212,568</b>	136,289
	<b><u>(4,973,201)</u></b>	<b><u>12,626</u></b>

**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\$62,604,107 (2014: HK\$22,835,314) and on 120,960,000 shares (2014: 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>2015</b>	2014
	<b>HK\$</b>	<b>HK\$</b>
Interim dividend declared of HK12 cents (2014: HK11 cents) per share	<b><u>14,515,200</u></b>	<u>13,305,600</u>

The Board of Directors has resolved to declare an interim dividend of HK12 cents per share for the six months ended 30th September 2015 (2014: HK11 cents) payable on Friday, 8th January 2016 to equity holders whose names appear on the Register of Members of the Company on Thursday, 31st December 2015.

**10. TRADE AND OTHER RECEIVABLES**

	<b>30th September</b>	31st March
	<b>2015</b>	2015
	<b>HK\$</b>	<b>HK\$</b>
<b>Non-Current:</b>		
Deposit for acquisition of investment property	<b><u>48,566,980</u></b>	<u>–</u>
<b>Current:</b>		
Trade receivables		
Within 3 months	<b>214,093</b>	245,455
Other receivables	<b>735,724</b>	964,965
Prepayments and utility deposits	<b><u>97,832</u></b>	<u>233,656</u>
	<b><u>1,047,649</u></b>	<u>1,444,076</u>

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 2015 HK\$</b>	31st March 2015 HK\$
Listed shares – Overseas	<u><b>3,199,989</b></u>	<u>3,149,633</u>

**12. SHARE CAPITAL**

	<b>30th September 2015 HK\$</b>	31st March 2015 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 2014	1,077,722,812
Profit for the period	22,835,314
Dividends	<u>(27,820,800)</u>
At 30th September 2014	1,072,737,326
Profit for the period	55,611,595
Dividends	<u>(13,305,600)</u>
At 31st March 2015	1,115,043,321
Profit for the period	62,604,107
Dividends	<u>(30,240,000)</u>
<b>At 30th September 2015</b>	<u><b>1,147,407,428</b></u>

**14. TRADE AND OTHER PAYABLES**

	<b>30th September</b>	31st March
	<b>2015</b>	2015
	<b>HK\$</b>	HK\$
Trade payables		
Within 3 months	<b>78,849</b>	2,500
Other payables	<b>1,725,265</b>	1,622,541
Rental and utility deposits received	<b>1,086,219</b>	1,178,925
Accrued expenses	<b>1,263,403</b>	730,472
Deposit received	<b>420,000</b>	688,000
	<b>4,573,736</b>	4,222,438

**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

There were no transfers between Levels 1 and 2 during the period.

There were no other changes in valuation techniques during the period.

At 30th September 2015, the Group's financial assets at fair value through profit or loss 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. CAPITAL COMMITMENTS**

Capital expenditure contracted for at the end of the period but not yet incurred is as follows:

	<b>30th September</b>	31st March
	<b>2015</b>	2015
	<b>HK\$</b>	<b>HK\$</b>
Investment properties	<u><b>88,303,600</b></u>	<u>–</u>

**17. 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:

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2015</b>	2014
	<b>HK\$</b>	<b>HK\$</b>
Related company		
Management fee income	<u><b>75,000</b></u>	<u>75,000</u>
Key management compensation		
Directors' emoluments	<u><b>630,000</b></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 HK12 cents per share for the six months ended 30th September 2015 (2014: HK11 cents) payable on Friday, 8th January 2016 to equity holders whose names appear on the Register of Members of the Company on Thursday, 31st December 2015.

## CLOSURE OF REGISTER OF MEMBERS

The Transfer Books and Register of Members of the Company will be closed from Wednesday, 23rd December 2015 to Thursday, 31st December 2015, 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 Tuesday, 22nd December 2015.

## 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\$62.6 million, representing an increase of about 174.2% from the corresponding period in 2014. Amongst these, HK\$26.9 million came from the Group and HK\$35.7 million was the contribution from the Group's associated companies. This significant improvement was mainly attributable to the increase in fair value gains from the Group's and its associated companies' investment properties for HK\$12.5 million and the profits realized from the sales of certain properties of the Group and its associated companies for HK\$31.0 million. However, during the period under review, RMB had experienced an obvious depreciation in value. Exchange losses of HK\$1.8 million versus exchange gains of HK\$0.9 million for the last corresponding period was reported. Finally, interest income was HK\$0.7 million lower than that of the last corresponding period.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Business Review

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

The recent years' sales of properties led to the loss of rental income in relation thereto. Nevertheless, the Rental Business still performed well. The overall after-tax profit was comparable to that of the last corresponding period.

During the period under review, the Group was able to grasp the opportunities in the property market and a number of sales of properties were reported. First, two subsidiary companies had disposed of 1 industrial unit in Fanling and its interests in 16 industrial units and 13 carparks in Tuen Mun respectively. The aggregate after-tax contributions from these sales were about HK\$25.7 million. Second, two associated companies had disposed of 1 residential unit together with 1 carpark in The Peak and 1 industrial unit in Tsing Yi respectively. The after-tax contributions from these disposals were about HK\$5.2 million. There was no sales of properties in the last corresponding period.

Subsequent to the period under review, the previously announced acquisition of a residential property in Stanley for investment purpose was completed. Leasing of this property is now in progress. On the other hand, a subsidiary company disposed of its interest in 2 industrial units in Tuen Mun and the estimated after-tax profit was HK\$1.6 million. Furthermore, an associated company entered into agreements to dispose of 1 industrial unit and 1 carpark in Fanling and the estimated Group's share of profit was about HK\$5.7 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 similar to the last corresponding period. The deposit interest rates achieved by the Group were however lower than the last corresponding period and the interest income derived was HK\$0.7 million lower than that of the last corresponding period. The Group's net profit was further hampered by the depreciation of RMB. Exchange losses of HK\$1.8 million was recorded whereas exchange gains of HK\$0.9 million was reported for the last corresponding period.

#### *Prospects*

For the period under review, the local economy was relatively stable amid the impact from the shrinkage of volume in both the retail sector and exports. The 3rd Quarter GDP and private consumption growths in real term were 2.3% and 4.3% respectively. The seasonally adjusted unemployment rate stood at 3.3%. Inflation was at a relatively low level and the year-on-year change for Composite Consumer Price Index was 2% for the month of September 2015. The total exports on the back of weak economies in Europe and developing countries had marked a negative growth of 4.6% in September 2015.

Globally, the pending interest rate hike in the United States seems to be the most influential factor in the world economy. Although it is difficult to predict the timing and quantum of the US interest rate hike, it is nonetheless a step towards a normal interest rate environment. However, the probable act of the European Union to adopt a greater scale of the quantitative easing measures will bring about completely different fiscal monetary policies. There is also speculation on expanding the quantitative easing measures of Japan in order to sustain economic growth. Undoubtedly, all of these add uncertainties to the global economy.

China has taken various measures so as to sustain a moderate growth of the economy. GDP growth of 7% seems to be a medium term target. The "One Belt, One Road" promoted by China so as to boost economic co-operation with neighbouring countries may bring about opportunities to Hong Kong. Hong Kong, being the largest off-shore Renminbi clearing centre with sound financial system, is well positioned for the new trading and commerce opportunities emerging from the "One Belt, One Road".

The above global economic events may lead to a new situation and Hong Kong will inevitably be affected. The Group would be patient and cautious to observe the impact of the probable interest rate hike on the industry we operate. It is prudent to reserve sufficient resources to meet the challenges ahead so as to secure sustainable return to our shareholders.

### **Employment and Remuneration Policies**

As at 30th September 2015, the Group had less than twenty employees and their remuneration is maintained at competitive levels. Total staff costs (including Directors' remuneration) amounted to HK\$3.2 million (2014: HK\$2.9 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\$370 million at 30th September 2015. 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 2015, 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	14,350,800	—	238,000 <i>(Note 2)</i>	14,588,800	12.06
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 2015, 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 2015, 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	14,588,800 <i>(Note 4)</i>	12.06
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 14,588,800 shares, 238,000 shares were beneficially held by Ms. Wu Suet Yi, Rita, and Ms. Wu was taken to be interested in the remaining 14,350,800 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 2015, 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 2015, 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 99(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 2015.

## CHANGES IN INFORMATION OF THE DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information on the Directors required to be disclosed are shown as follows:

1. Mr. Au-Yang Cheong Yan, Peter, an Independent Non-executive Director of the Company, stepped down from the post of chief financial officer of Bracell Limited, a company listed in Hong Kong, with effect from 1st September 2015. He was appointed Head of the Hong Kong office of the RGE Group with effect from 1st October 2015. He also resigned as an independent non-executive director of Telefield International (Holdings) Limited, a company listed in Hong Kong, with effect from 4th November 2015.
2. With the approval of the Shareholders at the 2015 annual general meeting of the Company held on 1st September 2015, the Directors' fee of each of the Directors has been revised to HK\$120,000 per annum with effect from 1st April 2015.

## AUDIT COMMITTEE

The Audit Committee consists of the three Independent Non-executive Directors, namely Messrs Lam Hon Keung, Keith (Chairman), Chan Woon Kong and Au-Yang Cheong Yan, Peter 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 2015 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 2015