



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 2012

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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

Unit 3401-2, 34th Floor, AIA Tower

183 Electric Road

North Point, Hong Kong

Telephone: (852) 3528 0290

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### REGISTERED OFFICE

Room 2500, Dominion Centre

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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 2012, with comparative figures of the previous period, are as follows:

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th September 2012

	Note	Six months ended 30th September 2012 HK\$	2011 HK\$ (Restated)
Revenues	5	6,009,718	4,591,089
Changes in fair value of investment properties		1,300,000	200,000
Net fair value gains/(losses) on financial assets at fair value through profit or loss		331,164	(613,439)
Other (losses)/gains	6	(1,162)	1,538,163
Direct outgoings in relation to properties that generate income		(257,500)	(168,837)
Staff costs		(2,607,927)	(2,059,021)
Other operating expenses		(701,052)	(631,895)
Operating profit		4,073,241	2,856,060
Share of profits less losses of associated companies (including share of fair value gain on investment properties HK\$48,500,000 (2011: HK\$59,264,193(restated)))		59,666,419	68,651,162
Profit before income tax		63,739,660	71,507,222
Income tax credit/(expense)	7	78,689	(25,598)
Profit and total comprehensive income attributable to equity holders of the Company		63,818,349	71,481,624
Earnings per share (Basic and diluted)	8	0.53	0.59
Dividends	9	13,305,600	12,096,000

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET***As at 30th September 2012*

	<b>30th September</b>	31st March
	<b>2012</b>	2012
<i>Note</i>	<b>HK\$</b>	<i>HK\$</i>
		(Restated)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment properties	<b>66,700,000</b>	65,400,000
Investments in associated companies	<b>643,698,884</b>	605,182,465
Amounts due from associated companies	<b>11,588,681</b>	14,563,681
Available-for-sale financial assets	<b>250,448</b>	250,448
Deferred income tax assets	<b>323,159</b>	133,328
	<b>722,561,172</b>	685,529,922
<b>Current assets</b>		
Completed properties held for sale	<b>6,524,147</b>	6,524,147
Amounts due from associated companies	<b>45,448,382</b>	48,411,741
Trade and other receivables	<i>10</i> <b>1,854,689</b>	1,644,161
Tax recoverable	<b>1,579,940</b>	1,593,930
Financial assets at fair value through profit or loss	<i>11</i> <b>2,882,963</b>	2,551,799
Cash and bank balances	<b>347,240,168</b>	361,040,631
	<b>405,530,289</b>	421,766,409
<b>Total assets</b>	<b>1,128,091,461</b>	1,107,296,331

		<b>30th September 2012</b>	31st March 2012
	<i>Note</i>	<b>HK\$</b>	<i>HK\$</i> (Restated)
<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 final dividend		–	30,240,000
– Others		<b>1,025,524,720</b>	975,011,971
		<b>1,038,830,320</b>	1,005,251,971
<b>Total equity</b>		<b>1,117,454,320</b>	1,083,875,971
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Amounts due to associated companies		<b>7,404,365</b>	20,376,052
Trade and other payables	14	<b>3,146,226</b>	3,021,251
Tax payable		<b>86,550</b>	23,057
<b>Total liabilities</b>		<b>10,637,141</b>	23,420,360
<b>Total equity and liabilities</b>		<b>1,128,091,461</b>	1,107,296,331
<b>Net current assets</b>		<b>394,893,148</b>	398,346,049
<b>Total assets less current liabilities</b>		<b>1,117,454,320</b>	1,083,875,971

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30th September 2012*

	<b>Six months ended 30th September</b>	
	<b>2012</b>	2011
	<b>HK\$</b>	HK\$
		(Restated)
Total equity at beginning of the period		
As previously reported	<b>1,003,904,596</b>	932,374,312
Effect on adoption of HKAS 12 (Amendment)	<b>79,971,375</b>	61,202,625
	<b>1,083,875,971</b>	993,576,937
As restated		
Profit and total comprehensive income for the period	<b>63,818,349</b>	71,481,624
Dividends	<b>(30,240,000)</b>	(36,288,000)
Total equity at end of the period	<b><u>1,117,454,320</u></b>	<u>1,028,770,561</u>

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT***For the six months ended 30th September 2012*

	<b>Six months ended 30th September</b>	
	<b>2012</b>	2011
	<i>HK\$</i>	<i>HK\$</i>
Net cash generated from operating activities	<b>2,322,865</b>	1,880,862
Net cash generated from investing activities	<b>292,269,954</b>	12,953,600
Net cash used in financing activities	<b><u>(30,240,000)</u></b>	<u>(36,288,000)</u>
Net increase/(decrease) in cash and cash equivalents	<b>264,352,819</b>	(21,453,538)
Cash and cash equivalents at beginning of the period	<b><u>82,887,349</u></b>	<u>298,590,720</u>
Cash and cash equivalents at end of the period	<b><u><u>347,240,168</u></u></b>	<u><u>277,137,182</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 27th November 2012.

### 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 2012 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 2012, except as stated below.

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

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

HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

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 except for the amendment to HKAS 12.

This amendment to HKAS 12 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. This represents a change in the accounting policy which is applied retrospectively.

The condensed consolidated balance sheet at 31st March 2012 and the condensed consolidated statement of comprehensive income for the period ended 30th September 2011 have been restated to reflect the effect of adoption of this amendment to HKAS 12 which are presented as follows:

	<b>30th September 2012 HK\$</b>	31st March 2012 HK\$
<b>Condensed consolidated balance sheet</b>		
<b>Assets</b>		
Increase in investments in associated companies	<b>77,923,544</b>	69,921,044
Increase in deferred income tax assets	<b>322,448</b>	132,589
<b>Liabilities</b>		
Decrease in deferred income tax liabilities	<u><b>9,942,383</b></u>	<u>9,917,742</u>
	<u><b>88,188,375</b></u>	<u>79,971,375</u>
<b>Equity</b>		
Increase in retained profits	<u><b>88,188,375</b></u>	<u>79,971,375</u>

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

## 2. BASIS OF PREPARATION (Continued)

*(a) The adoption of amendments to existing standards (Continued)*

	Six months ended 30th September	
	2012	2011
	<i>HK\$</i>	<i>HK\$</i>
<b>Condensed consolidated statement of comprehensive income</b>		
Increase in share of profits less losses of associated companies	<b>8,002,500</b>	10,089,750
Decrease in income tax expense	<b>214,500</b>	33,000
Increase in profit for the period	<b><u>8,217,000</u></b>	<u>10,122,750</u>
Increase in basic and diluted earnings per share	<b><u>0.07</u></b>	<u>0.08</u>

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

		<b>Effective for accounting periods beginning on or after</b>
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities	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
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income	1st January 2013
HKAS 19 (2011)	Employee Benefits	1st January 2013
HKAS 27 (2011)	Separate Financial Statements	1st January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1st January 2013
Annual Improvement Project (2011)	Improvements to HKFRS published in June 2012	1st January 2013
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities	1st January 2014
HKFRS 9	Financial Instruments	1st January 2015
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures	1st January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application and is not yet in a position to state whether these new and revised HKFRSs 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 2012.

**NOTES TO THE INTERIM FINANCIAL INFORMATION** (Continued)**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 2012.

**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 unpaid dividend.

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

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2012</b>	2011
	<b>HK\$</b>	HK\$
Rental income	<b>2,151,633</b>	2,162,260
Management fee income	<b>645,314</b>	589,987
Bank interest income	<b>2,850,730</b>	1,718,269
Dividend income – Listed investments	<b>30,241</b>	26,773
Construction supervision fee income	<b>331,800</b>	93,800
	<b>6,009,718</b>	4,591,089

The segment results for the six months ended 30th September 2012 are as follows:

	Property development, investment and management HK\$	Investments HK\$	Total HK\$
Revenues	<u>3,128,747</u>	<u>2,880,971</u>	<u>6,009,718</u>
Segment results	<u>3,360,077</u>	<u>3,210,974</u>	6,571,051
Unallocated costs			<u>(2,497,810)</u>
Operating profit			4,073,241
Share of profits less losses of associated companies	59,666,419	-	<u>59,666,419</u>
Profit before income tax			63,739,660
Income tax credit			<u>78,689</u>
Profit attributable to the equity holders of the Company			<u>63,818,349</u>
Changes in fair value of investment properties	1,300,000	-	<u>1,300,000</u>

The segment assets and liabilities at 30th September 2012 are as follows:

	Property development, investment and management HK\$	Investments HK\$	Total HK\$
Segment assets	131,732,161	3,517,149	135,249,310
Associated companies	643,698,884	-	643,698,884
Unallocated assets			<u>349,143,267</u>
Total assets			<u>1,128,091,461</u>
Segment liabilities	10,058,169	-	10,058,169
Unallocated liabilities			<u>578,972</u>
Total liabilities			<u>10,637,141</u>

**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 <i>HK\$</i> (Restated)	Investments <i>HK\$</i>	Total <i>HK\$</i> (Restated)
Revenues	2,846,047	1,745,042	4,591,089
Segment results	2,151,901	2,669,766	4,821,667
Unallocated costs			(1,965,607)
Operating profit			2,856,060
Share of profits less losses of associated companies	68,651,162	–	68,651,162
Profit before income tax			71,507,222
Income tax expense			(25,598)
Profit attributable to the equity holders of the Company			71,481,624
Changes in fair value of investment properties	200,000	–	200,000

The segment assets and liabilities at 31st March 2012 are as follows:

	Property development, investment and management <i>HK\$</i> (Restated)	Investments <i>HK\$</i>	Total <i>HK\$</i> (Restated)
Segment assets	135,944,458	3,401,519	139,345,977
Associated companies	605,182,465	–	605,182,465
Unallocated assets			362,767,889
Total assets			1,107,296,331
Segment liabilities	22,945,653	–	22,945,653
Unallocated liabilities			474,707
Total liabilities			23,420,360

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

	<b>Six months ended 30th September</b>	
	<b>2012</b>	2011
	<b>HK\$</b>	<b>HK\$</b>
Net exchange (losses)/gains	<b>(1,162)</b>	1,538,163

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

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the Group's estimated assessable profit for the period.

	<b>Six months ended 30th September</b>	
	<b>2012</b>	2011
	<b>HK\$</b>	<b>HK\$</b>
Hong Kong profits tax		(Restated)
Provision for the period	<b>(111,142)</b>	(103,468)
Deferred income tax credit	<b>189,831</b>	77,870
	<b>78,689</b>	(25,598)

**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\$63,818,349 (2011: HK\$71,481,624 (restated)) and on 120,960,000 shares (2011: 120,960,000 shares) in issue during the period. The diluted earnings per share equals the basic earnings per share since there are no dilutive potential shares in issue during both periods.

**9. DIVIDENDS**

	<b>Six months ended 30th September</b>	
	<b>2012</b>	2011
	<b>HK\$</b>	<b>HK\$</b>
Interim dividend declared of HK11 cents (2011: HK10 cents) per share	<b>13,305,600</b>	12,096,000

The Board of Directors has resolved to declare an interim dividend of HK11 cents per share for the six months ended 30th September 2012 (2011: HK10 cents) payable on Wednesday, 9th January 2013 to equity holders whose names appear on the Register of Members of the Company on Friday, 28th December 2012.



## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

## 10. TRADE AND OTHER RECEIVABLES

	30th September 2012 HK\$	31st March 2012 HK\$
Trade receivables		
Within 3 months	759,461	587,211
Other receivables	980,010	864,905
Prepayments and utility deposits	115,218	192,045
	<u>1,854,689</u>	<u>1,644,161</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).

## 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30th September 2012 HK\$	31st March 2012 HK\$
Listed shares – Overseas	<u>2,882,963</u>	<u>2,551,799</u>

## 12. SHARE CAPITAL

	30th September 2012 HK\$	31st March 2012 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**

	<i>HK\$</i>
At 31st March 2011	
As previously reported	853,750,312
Effect on adoption of HKAS 12 (Amendment)	<u>61,202,625</u>
As restated	914,952,937
Profit for the period, as restated	71,481,624
Dividends	<u>(36,288,000)</u>
At 30th September 2011, as restated	<u><u>950,146,561</u></u>
At 30th September 2011	
As previously reported	878,821,186
Effect on adoption of HKAS 12 (Amendment)	<u>71,325,375</u>
As restated	950,146,561
Profit for the period, as restated	67,201,410
Dividends	<u>(12,096,000)</u>
At 31st March 2012, as restated	<u><u>1,005,251,971</u></u>
At 31st March 2012	
As previously reported	925,280,596
Effect on adoption of HKAS 12 (Amendment)	<u>79,971,375</u>
As restated	1,005,251,971
Profit for the period	63,818,349
Dividends	<u>(30,240,000)</u>
<b>At 30th September 2012</b>	<u><b>1,038,830,320</b></u>

## NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

## 14. TRADE AND OTHER PAYABLES

	<b>30th September</b>	31st March
	<b>2012</b>	2012
	<b>HK\$</b>	HK\$
Trade payables		
Within 3 months	<b>496</b>	37,631
Other payables	<b>1,163,949</b>	1,234,485
Rental and utility deposits received	<b>929,726</b>	919,293
Accrued expenses	<b>1,052,055</b>	829,842
	<u><b>3,146,226</b></u>	<u>3,021,251</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:

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2012</b>	2011
	<b>HK\$</b>	HK\$
Related company		
Estate agency fee income ( <i>Note</i> )	<u><b>75,000</b></u>	<u>75,000</u>
Key management compensation		
Directors' emoluments	<u><b>570,000</b></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 HK11 cents per share for the six months ended 30th September 2012 (2011: HK10 cents) payable on Wednesday, 9th January 2013 to the equity holders whose names appear on the Register of Members of the Company on Friday, 28th December 2012.

## CLOSURE OF REGISTER OF MEMBERS

The Transfer Books and Register of Members of the Company will be closed from Friday, 21st December 2012 to Friday, 28th December 2012, 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 Thursday, 20th December 2012.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Results

For the period under review, the Group's unaudited profit attributable to equity holders amounted to HK\$63.8 million, representing a decrease of about 11% from the corresponding period in 2011. Amongst these, HK\$4.1 million came from the Group and HK\$59.7 million was the Group's share of the results of its associated companies. The decrease was mainly due to the reduction in fair value gains from the Group's and its associated companies' investment properties for HK\$9.7 million coupled with the shrinkage in exchange gains from our RMB deposit for HK\$1.5 million. However, there were some mitigating factors such as the increases in interest income and the fair value gains from our investment portfolio for HK\$1.1 million and HK\$0.9 million respectively. Finally, there was no disposal of properties during the current period whereas an associated company had disposed of a residential unit in Fanling at a price lower than the carrying value in the corresponding period last year. The Group's share of loss reported last year was HK\$0.7 million.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Business Review

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

During the period under review, the Rental Business of the Group and its associated companies performed well. Since an investment property of the Group which was vacant for several months was rented out at satisfactory rate, it is optimistic that the annual result of the Group's rental income will be better off. Regarding the rental business of the Group's associated companies, the general increase in rental upon tenancy renewal had led to an improvement in the Group's share of operating results. The aggregate after-tax profits from the Rental Business was greater than that of last year by HK\$1.0 million.

Subsequent to the period under review, an associated company entered into an agreement to dispose of a shop in Wanchai and the Group's share of after-tax profit was about HK\$7.7 million.

#### *Investments*

For the period under review, the after-tax profit from the Group's investment portfolio was HK\$0.9 million greater than that of the corresponding period in 2011. On the other hand, the Group still enjoyed the benefit of the slight increase in deposit interest rate but the effect was diminishing. Nevertheless, interest income increased by HK\$1.1 million. Besides, the exchange rate of RMB stayed at a rate similar to that as at 31 March 2012 and therefore no exchange gain was reported for our RMB deposit.

### Prospects

For the period under review, the local economy is quite stable. The 2nd Quarter GDP and private consumption expenditure still exhibited gentle growth of 3.6% and 3.1% respectively. The escalating inflation seems to have slowed down. The figure for September 2012 was 3.8%. Unemployment rate stood at 3.3% for September 2012. But still, the Financial Secretary had expressed his concern about the possible consequences of fiscal cliff in the United States.

Elections were carried out in the United States and various European Union countries. The winning parties or leaders are confronted with the current uncertain global economy. The third round of quantitative measures was finally implemented and the United States Federal Reserve announced its intention of maintaining the current low interest rate environment until mid-2015. Huge liquidity was exported throughout the world. Hong Kong, being a significant financial centre that imposes no or little control on fund flow, is perhaps most affected by the tremendous influx of funds. We have seen the Hong Kong Government taking out different measures to counter the possible adverse impact of the inflow of hot money. The various counter-cycle measures carried out by the Hong Kong Government may have side effects on the local economy. The introduction of the Buyer's Stamp Duty will inevitably withhold the investment activities of local developers, at least in the short run. While the details of the legislation is still unknown, it is generally believed that it may be detrimental to the development of a sustainable property market.

We should be more cautious of the uncertainties of the global economy and adequate financial resources should be maintained to face the challenges ahead so as to deliver satisfactory return to our shareholders.

### **Employment and Remuneration Policies**

As at 30th September 2012, the Group had less than twenty employees and their remuneration is maintained at competitive levels. Total staff costs (including Directors' remuneration) amounted to HK\$2.6 million (2011: HK\$2.1 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\$347.2 million at 30th September 2012. 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 2012, 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 (the "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 2012, 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 2012, 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 ("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 14,418,800 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 2012, 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 2012, 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 2012.

## 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 2012 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 2012