



華 厦 置 業 有 限 公 司

WAH HA REALTY COMPANY LIMITED

(Stock Code: 278)

## **INTERIM REPORT**

for the six months ended 30th September 2007

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### *Executive Directors*

Mr. Cheung Kee Wee (*Chairman*)

Mr. Cheung Lin Wee

Mr. Cheung Ying Wai, Eric

#### *Non-executive Directors*

Mr. John Ho

Mr. Ng Kwok Tung

#### *Independent Non-executive Directors*

Mr. Lam Hon Keung, Keith

Mr. Chan Woon Kong

Mr. Soo Hung Leung, Lincoln

### AUDIT COMMITTEE

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

Mr. John Ho

Mr. Ng Kwok Tung

Mr. Chan Woon Kong

Mr. Soo Hung Leung, Lincoln

### REMUNERATION COMMITTEE

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

Mr. Lam Hon Keung, Keith

Mr. John Ho

Mr. Ng Kwok Tung

Mr. Chan Woon Kong

### COMPANY SECRETARY

Mr. Chu Wing Man, Raymond

### AUTHORISED REPRESENTATIVES

Mr. Cheung Kee Wee

Mr. Chu Wing Man, Raymond

### BANKERS

The Bank of East Asia, Limited  
Goldman Sachs (Asia) L.L.C.

### AUDITOR

PricewaterhouseCoopers

### SHARE REGISTRARS

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Secretaries Limited

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### STOCK CODES

The Stock Exchange of Hong Kong Limited  
278

Reuters

0278.HK

### WEBSITE

<http://www.wahha.com>

The Board of Directors of Wah Ha Realty Company Limited (the "Company") announces that the unaudited consolidated interim results of the Company and its subsidiary and associated companies (the "Group") for the six months ended 30th September 2007, with comparative figures of the previous period, are as follows:

### UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2007

		Six months ended 30th September	
	Note	2007 HK\$	2006 HK\$
Revenue	4	<b>9,626,416</b>	11,047,875
Direct costs		<b>(207,500)</b>	(622,317)
Gross profit		<b>9,418,916</b>	10,425,558
Other gains – net		<b>65,176</b>	1,496,765
Changes in fair value of investment properties		<b>3,750,000</b>	1,500,000
Administrative expenses		<b>(2,340,107)</b>	(2,391,339)
Operating profit	5	<b>10,893,985</b>	11,030,984
Share of profits less losses of associated companies (including share of revaluation surplus on investment properties net of related tax of HK\$21,553,006 (2006: HK\$9,222,874))		<b>29,238,701</b>	17,819,571
Profit before income tax		<b>40,132,686</b>	28,850,555
Income tax expense	6	<b>(903,901)</b>	(787,510)
Profit attributable to equity holders of the Company		<b>39,228,785</b>	28,063,045
Earnings per share	7	<b>32.4 cents</b>	23.2 cents
Dividends	8	<b>2,419,200</b>	–

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th September 2007

		30th September 2007 <i>HK\$</i>	31st March 2007 <i>HK\$</i>
	<i>Note</i>		
<b>ASSETS</b>			
Non-current assets			
Investment properties		37,750,000	34,000,000
Investments in associated companies		180,695,777	151,457,076
Amounts due from associated companies		92,579,356	92,154,479
Available-for-sale financial assets		250,448	250,448
Deferred income tax assets		180,858	165,948
		<u>311,456,439</u>	<u>278,027,951</u>
Current assets			
Properties held for sale		5,747,998	5,772,352
Trade and other receivables	9	47,626,256	50,790,915
Tax recoverable		19,440	20,043
Short-term investments	10	152,096,410	226,011,018
Cash and cash equivalents		130,713,244	140,324,752
		<u>336,203,348</u>	<u>422,919,080</u>
Total assets		<u>647,659,787</u>	<u>700,947,031</u>
<b>EQUITY</b>			
Capital and reserves attributable to the Company's equity holders			
Share capital	11	78,624,000	78,624,000
Retained profits	12	552,345,202	517,954,817
Total equity		<u>630,969,202</u>	<u>596,578,817</u>

		<b>30th September</b>	31st March
		<b>2007</b>	2007
	<i>Note</i>	<b>HK\$</b>	<b>HK\$</b>
<b>LIABILITIES</b>			
Non-current liabilities			
Deferred income tax liabilities		<b>5,764,334</b>	5,096,101
		-----	-----
Current liabilities			
Trade and other payables	13	<b>10,329,097</b>	98,924,934
Tax payable		<b>597,154</b>	347,179
		-----	-----
		<b>10,926,251</b>	99,272,113
		-----	-----
Total liabilities		<b>16,690,585</b>	104,368,214
		-----	-----
Total equity and liabilities		<b>647,659,787</b>	700,947,031
		-----	-----
Net current assets		<b>325,277,097</b>	323,646,967
		-----	-----
Total assets less current liabilities		<b>636,733,536</b>	601,674,918
		-----	-----

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30th September 2007*

	<b>Six months ended 30th September</b>	
	<b>2007</b>	2006
	<b>HK\$</b>	HK\$
Total equity at beginning of period	<b>596,578,817</b>	552,885,746
Profit for the period	<b>39,228,785</b>	28,063,045
Dividends	<b><u>(4,838,400)</u></b>	<u>(4,838,400)</u>
Total equity at end of period	<b><u>630,969,202</u></b>	<u>576,110,391</u>

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September 2007

	Six months ended 30th September	
	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Net cash generated from operating activities	<b>3,019,147</b>	1,253,886
Net cash (used in)/generated from investing activities	<b>(12,630,655)</b>	1,110,970
Net (decrease)/increase in cash and cash equivalents	<b>(9,611,508)</b>	2,364,856
Cash and cash equivalents at beginning of period	<b>140,324,752</b>	110,980,630
Cash and cash equivalents at end of period	<b><u>130,713,244</u></b>	<b><u>113,345,486</u></b>



## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 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 Company are investment holding and property investment.

The unaudited condensed consolidated interim financial statements ("interim financial statements") are presented in Hong Kong dollars (HK\$), unless otherwise stated. These interim financial statements have been approved for issue by the Board of Directors on 14th December 2007.

### 2. BASIS OF PREPARATION

These interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

These interim financial statements should be read in conjunction with the annual financial statements for the year ended 31st March 2007.

### 3. ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those used in the annual financial statements for the year ended 31st March 2007.

With effect from 1st April 2007, the Group adopted the new/revised standards of Hong Kong Financial Reporting Standards ("HKFRS") below, which are relevant to its operations.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the above standard, amendment and interpretations to standards does not have significant impact on the Group's results, financial position or accounting policies. However, the adoption of HKAS 1 (Amendment) and HKFRS 7 requires additional disclosures to be made in the annual financial statements for the year ending 31st March 2008.

#### 4. REVENUE AND SEGMENTAL INFORMATION

The principal activities of the Group include those relating to investment holding, property development, investment and management and building contractor. There is no other significant identifiable separate business. In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format. In respect of geographical segment reporting, as all of the Group's operations and assets are located in Hong Kong, no geographical segment is presented.

Segment assets consist primarily of investment properties, associated companies, short-term investments and receivables and exclude items such as cash and cash equivalents, tax recoverable and deferred income tax assets. Segment liabilities comprise operating liabilities and exclude items such as tax payable and deferred income tax liabilities.

Revenue represents turnover recognised during the period and comprises the following:

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2007</b>	2006
	<b>HK\$</b>	HK\$
Rental income	<b>2,487,272</b>	2,346,979
Management fee income	<b>561,804</b>	680,551
Interest income	<b>6,324,349</b>	5,493,587
Dividend income		
Listed investments	<b>180,169</b>	108,697
Unlisted investments	<b>51,822</b>	68,510
Construction supervision fee income	<b>21,000</b>	89,551
Sales of properties	–	2,260,000
	<b><u>9,626,416</u></b>	<b><u>11,047,875</u></b>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

### 4. REVENUE AND SEGMENTAL INFORMATION (Continued)

#### *Primary reporting format - business segments*

The segment results for the six months ended 30th September 2007 are as follows:

	Property investment, development and management and building contractor HK\$	Investments HK\$	Total HK\$
Revenue	3,070,076	6,556,340	9,626,416
Segment results	5,959,575	6,532,923	12,492,498
Unallocated costs			(1,598,513)
Operating profit			10,893,985
Share of profits less losses of associated companies	29,238,701	–	29,238,701
Profit before income tax			40,132,686
Income tax expense			(903,901)
Profit attributable to the equity holders of the Company			<u>39,228,785</u>

The segment assets and liabilities at 30th September 2007 are as follows:

	Property investment, development and management and building contractor HK\$	Investments HK\$	Total HK\$
Segment assets	364,379,252	152,366,993	516,746,245
Unallocated assets			130,913,542
Total assets			<u>647,659,787</u>
Segment liabilities	10,168,694	–	10,168,694
Unallocated liabilities			6,521,891
Total liabilities			<u>16,690,585</u>

The segment results for the six months ended 30th September 2006 are as follows:

	Property investment, development and management and building contractor <i>HK\$</i>	Investments <i>HK\$</i>	Total <i>HK\$</i>
Revenue	5,377,081	5,670,794	11,047,875
Segment results	5,548,196	7,161,569	12,709,765
Unallocated costs			(1,678,781)
Operating profit			11,030,984
Share of profits less losses of associated companies	17,819,571	–	17,819,571
Profit before income tax			28,850,555
Income tax expense			(787,510)
Profit attributable to the equity holders of the Company			<u>28,063,045</u>

The segment assets and liabilities at 31st March 2007 are as follows:

	Property investment, development and management and building contractor <i>HK\$</i>	Investments <i>HK\$</i>	Total <i>HK\$</i>
Segment assets	334,061,997	226,374,291	560,436,288
Unallocated assets			140,510,743
Total assets			<u>700,947,031</u>
Segment liabilities	24,037,481	74,784,199	98,821,680
Unallocated liabilities			5,546,534
Total liabilities			<u>104,368,214</u>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

### 5. OPERATING PROFIT

	Six months ended 30th September	
	2007	2006
	HK\$	HK\$
Operating profit is stated after crediting:		
Net exchange gain	–	506,939
Fair value gains on financial assets at fair value through profit or loss	<u>665,564</u>	<u>983,836</u>

and after charging:

Amortisation on leasehold land included in properties held for sale	24,354	25,028
Cost of properties sold	–	377,815
Net exchange loss	688,981	–
Staff costs (including directors' remuneration)	<u>1,723,130</u>	<u>1,711,716</u>

### 6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the period.

	Six months ended 30th September	
	2007	2006
	HK\$	HK\$
Company and subsidiary companies		
Hong Kong profits tax	250,578	529,389
Deferred income tax	<u>653,323</u>	<u>258,121</u>
	<u>903,901</u>	<u>787,510</u>

Share of tax attributable to associated companies for the six months ended 30th September 2007 of HK\$5,865,594 (2006: HK\$2,674,114) is included in the income statement under share of profits of associated companies.

## 7. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to equity holders of the Company of HK\$39,228,785 (2006: HK\$28,063,045) and on 120,960,000 shares (2006: 120,960,000 shares) in issue during the year.

## 8. DIVIDENDS

	<b>Six months ended 30th September</b>	
	<b>2007</b>	2006
	<b>HK\$</b>	HK\$
Interim dividend declared of HK2 cents (2006: nil) per share	<b><u>2,419,200</u></b>	<u>–</u>

The Board of Directors has resolved to declare an interim dividend of HK2 cents per share (2006: nil) for the six months ended 30th September 2007 payable on Monday, 28th January 2008 to equity holders whose names appear on the Register of Members of the Company on Wednesday, 23rd January 2008.

## 9. TRADE AND OTHER RECEIVABLES

	<b>30th September</b>	31st March
	<b>2007</b>	2007
	<b>HK\$</b>	HK\$
Trade receivables		
Below 60 days	<b>80,973</b>	94,229
Over 60 days	<b>18,525</b>	41,832
	<b><u>99,498</u></b>	<u>136,061</u>
Other receivables	<b>1,881,250</b>	1,814,985
Amounts due from associated companies	<b>45,440,193</b>	48,657,193
Amount due from a related company	<b>75,000</b>	–
Prepayments and utility deposits	<b>130,315</b>	182,676
	<b><u>47,626,256</u></b>	<u>50,790,915</u>

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

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

### 10. SHORT-TERM INVESTMENTS

	<b>30th September 2007 HK\$</b>	31st March 2007 HK\$
Unlisted held-to-maturity securities, at amortised cost	<b>123,019,505</b>	187,555,786
Financial assets at fair value through profit or loss		
Listed shares – Hong Kong	<b>9,403,371</b>	10,623,070
Listed shares – Overseas	<b>5,266,512</b>	7,299,943
Unlisted quoted investment fund	<b>90,797</b>	4,906,219
Unlisted bonds	<b>14,316,225</b>	15,626,000
	<b><u>152,096,410</u></b>	<u>226,011,018</u>

### 11. SHARE CAPITAL

	<b>30th September 2007 HK\$</b>	31st March 2007 HK\$
Authorised:		
150,000,000 shares of HK\$0.65 each	<b><u>97,500,000</u></b>	<u>97,500,000</u>
Issued and fully paid:		
120,960,000 shares of HK\$0.65 each	<b><u>78,624,000</u></b>	<u>78,624,000</u>

**12. RETAINED PROFITS**

	<i>HK\$</i>
At 31st March 2007	517,954,817
Profit for the period	39,228,785
Dividends	(4,838,400)
	<hr/>
<b>At 30th September 2007</b>	<b><u>552,345,202</u></b>
At 1st April 2006	474,261,746
Profit for the period	28,063,045
Dividends	(4,838,400)
	<hr/>
At 30th September 2006	497,486,391
Profit for the period	20,468,426
	<hr/>
At 31st March 2007	<u>517,954,817</u>

**13. TRADE AND OTHER PAYABLES**

	<b>30th September 2007 <i>HK\$</i></b>	31st March 2007 <i>HK\$</i>
Trade payables		
Below 90 days	<b>335</b>	958
Over 90 days	<b>10</b>	10
	<hr/>	<hr/>
	<b>345</b>	968
Other payables	<b>837,995</b>	767,841
Amounts due to associated companies	<b>7,440,210</b>	21,327,833
Amounts due to related companies	<b>267,692</b>	171,285
Rental and utility deposits received	<b>1,015,613</b>	977,213
Accrued expenses	<b>767,242</b>	895,595
Payable for purchase of investments	–	74,784,199
	<hr/>	<hr/>
	<b><u>10,329,097</u></b>	<b><u>98,924,934</u></b>



## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

### 14. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2007</b>	2006
	<b>HK\$</b>	<b>HK\$</b>
Related company		
Estate agency fee income ( <i>Note</i> )	<b>75,000</b>	75,000
Key management compensation		
Directors' emoluments	<u><b>120,000</b></u>	<u>75,000</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 HK2 cents per share for the six months ended 30th September 2007 (2006: nil) payable on Monday, 28th January 2008 to equity holders whose names appear on the Register of Members of the Company on Wednesday, 23rd January 2008.

## **CLOSURE OF REGISTER OF MEMBERS**

The Transfer Books and Register of Members of the Company will be closed from Tuesday, 15th January 2008 to Wednesday, 23rd January 2008, 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 26th Floor, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong for registration not later than 4:00 p.m. on Monday, 14th January 2008.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Results**

For the six months ended 30th September 2007, the Group's unaudited consolidated profit attributable to equity holders amounted to HK\$39.2 million, representing an increase of about 39.8% from the corresponding period in 2006. This significant improvement in profit was explained by the substantial increase in value of the Group's investment properties. This increase after deducting related deferred taxation was recorded at HK\$14.2 million. A moderate increase of HK\$0.8 million in interest income was recorded in the period under review. On the other hand, included in last corresponding period were profits from sale of properties held for sale and share of profits from sales of investment properties of associated company of HK\$3.6 million whereas no such sales was recorded this period. The net gains from both the sales and the appreciation in value of our investment portfolio were HK\$0.3 million lower than that of last year. Furthermore, an exchange loss of HK\$0.7 million (2006: exchange gain of HK\$0.5 million) was reported in the current period.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Business Review

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

During the period under review, the Group's Rental Business benefited from the better unit rates achieved. However, since one of the properties held for sale was disposed of in last year, only mild improvement was shown. An increase of about 6.0% in rental income was recorded. Barring unforeseen circumstances, the Group is optimistic that the annual results of this segment will be favourable.

During the period under review, the Group's Property Management Business faced fierce competition upon renewal of management agreement. A significant reduction of 17.4% in turnover was recorded.

Following the adoption of a more flexible approach in managing the manpower, the performance of the Group's Building Contractor Business was comparable to that of last year.

### *Investment*

During the period under review, the performance of the Group's Investment Business was lacklustre. While the Group benefited from its virtually debt-free position, on the back of US Federal Reserve's reduction of interest rate, such benefits have diminished. For the period under review, the Group had reported an increase of interest income of HK\$0.8 million (2006: HK\$2.5 million).

As mentioned in our previous reports, persistently achieving new highs in securities prices would be difficult. Nevertheless, the Group could still achieve a satisfactory result from the sales of short-term investments. The aggregate of these two elements resulted in a decrease in profit by HK\$0.3 million.

The profitability of this business was further affected by the recent strength of HK\$/US\$. An exchange loss of HK\$0.7 million was reported (2006: exchange gain of HK\$0.5 million).

## Post Balance Sheet Event

Subsequent to the balance sheet date, the Group's 50% owned associated company, Wah Ha Property Development Limited, sold its agricultural land situated at Kam Tin, Yuen Long, New Territories to an independent third party at a consideration of about HK\$3.8 million. The Company's share of the profit therefrom amounted to about HK\$1.7 million. The disposal did not constitute a transaction that is subject to the notification, publication and independent shareholders' approval requirements under Chapter 14 and 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") ("the Listing Rules").

## Prospects

For the period under review, the Hong Kong economy enjoyed sustained growth. Year-on-year 2007 3rd Quarter GDP growth was 6.2%. Unemployment rate fell further to 3.9% which was the lowest since the Asian financial crisis. On the back of such auspicious factors, private consumption expenditure increased from 5.7% in the 2nd Quarter to 9.7% in the 3rd Quarter. Expansionary US monetary policy and corresponding reduction in local interest rate have also provided additional stimulus to the Hong Kong economy. The lowering of interest rates and the positive wealth effect are favourable factors to the property market of Hong Kong and the Group will benefit from this.

While we are optimistic with the economy of Hong Kong, we are still wary of the development of certain risk factors. The US economy suffers from the deteriorating property market and the adverse impact from the sub-prime mortgage problem seems to have spread over to other sectors of the economy. The resulting liquidity problem in the financial markets of both the US and Europe casts great uncertainties over global economic growth. The record high crude oil and commodity prices have also provided additional risk factors. Hong Kong, being an open economy, will nevertheless be affected. The Group shall continue to act prudently, closely monitor such uncertainties in the market and commit to deliver better overall results to equity holders.

## 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\$130.7 million at 30th September 2007. 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Employment and Remuneration Policies

As at 30th September 2007, the Group had less than twenty employees and their remuneration is maintained at competitive levels. Total staff costs (including Directors' remuneration) amounted to HK\$1.7 million (2006: HK\$1.7 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.

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

As at 30th September 2007, 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 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") as set out in Appendix 10 to 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	Other Interests	Total	% of issued share capital
Cheung Kee Wee	–	1,705,360 (Note 1)	–	87,391,440 (Note 2)	89,096,800	73.66
Cheung Lin Wee	572,000	–	238,000 (Note 3)	87,391,440 (Note 2)	88,201,440	72.92
Cheung Ying Wai, Eric	228,000	–	–	13,444,837 (Note 4)	13,672,837	11.30

*Notes:*

- (1) These shares were held by a company of which Mr. Cheung Kee Wee ("CKW") and his spouse in aggregate owned 50% interest. Therefore, CKW was deemed to be interested in these shares under the SFO.
  - (2)\* The 87,391,440 shares of CKW and Mr. Cheung Lin Wee ("CLW") related to the same block of shares in the Company. CKW and CLW are two of the three executors (the "Executors") under the Will of Mr. Cheung Kung Hai, deceased ("CKH") who held 87,391,440 shares before his death. Under the Will of CKH in which CKW and CLW are also two of the beneficiaries, the assets are to be held on trust for sale. The Executors however have right of appropriation of the assets to the beneficiaries in specie and there is hence a possibility that shares will be distributed to beneficiaries. To avoid double counting, the numbers of shares that may contingently be allocated to CKW and CLW respectively have not been added to these numbers of shares.
  - (3) The 238,000 shares were beneficially held by Ms. Wu Suet Yi, Rita, the wife of CLW.
  - (4)\* CKH held 87,391,440 shares before his death. Under the Will of CKH in which Mr. Cheung Ying Wai, Eric ("CYW") is one of the beneficiaries, there is a possibility that these 13,444,837 shares will be allocated to CYW.
- \* Since probate has not been granted and the Executors are not yet registered as holders of the shares in question, strictly speaking, a trust of the shares has not yet been legally constituted.

Save as disclosed above, as at 30th September 2007, 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 2007, 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>		
Cheung Kung Hai	87,391,440	72.25
Chin Lan Hong	99,387,040 (Note 1)	82.17
Kung So Ha, Anne	89,096,800 (Note 2)	73.66
Wu Suet Yi, Rita	88,201,440 (Note 3)	72.92
Hoh Kwok Hing, Corinne	13,672,837 (Note 4)	11.30
<b>Person other than Substantial Shareholders:</b>		
Megabest Securities Limited	11,295,600 (Note 5)	9.34

Notes:

- (1)\* Out of the 99,387,040 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 (5) below; 700,000 shares were held under her personal interests; and 87,391,440 shares related to the same block of shares as described in "Other Interests" of CKW and CLW respectively under the heading of "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures", as CLH together with CKW and CLW are the Executors under the Will of CKH who held 87,391,440 shares before his death. Under the Will of CKH, CLH is also one of the beneficiaries. To avoid double counting, the number of shares which may contingently be allocated to CLH has not been added to this number of shares.
- (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.

- (3) Out of the 88,201,440 shares, 238,000 shares were beneficially held by Ms. Wu Suet Yi, Rita, and Ms. Wu was deemed to be interested in the remaining 87,963,440 shares in which her spouse CLW was interested under the SFO.
  - (4) Ms. Hoh Kwok Hing, Corinne is the wife of CYW and was taken to be interested in these shares in which her spouse was interested under the SFO.
  - (5) These 11,295,600 shares held by Megabest related to the same block of shares as described in Note (1). These shares were held by Megabest through its wholly owned subsidiary, Profit-taking Company Inc., which in turn held the entire issued share capital of Pullfield Company Limited, the registered owner of the said 11,295,600 shares of the Company.
- \* Since probate has not been granted and the Executors are not yet registered as holders of the shares in question, strictly speaking, a trust of the shares has not yet been legally constituted.

Save as disclosed above, as at 30th September 2007, the Company has not been notified by any person (other than Directors or Chief Executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company.



## DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

As at 30th September 2007, the Group had provided financial assistance to its affiliated companies amounting to HK\$138,019,549 in aggregate which exceeded 8% under the assets ratio as defined under the Listing Rules.

In accordance with the requirements under Rule 13.22 of the Listing Rules, a combined balance sheet of and the Group's attributable interest in these affiliated companies as at 30th September 2007 are set forth below:

	<b>Combined Balance Sheet</b> <i>HK\$</i>	<b>Group's Attributable Interests</b> <i>HK\$</i>
Non-current assets	1,086,141,002	262,858,642
Current assets	236,135,544	72,990,096
Current liabilities	(206,181,413)	(58,468,908)
Net current assets	29,954,131	14,521,188
Non-current liabilities	(527,284,025)	(112,476,651)
Net assets	<u>588,811,108</u>	<u>164,903,179</u>

## 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 subsidiary companies has purchased or sold any of the Company's issued shares during the period.

## CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code Provision(s)") contained in Appendix 14 to the Listing Rules throughout the six months ended 30th September 2007, 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 FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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 2007.

## 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 Audit Committee has reviewed with the Auditor of the Company the unaudited consolidated interim results of the Company for the six months ended 30th September 2007 and has no reservation on the accounting treatments adopted by the Group.

By Order of the Board

**Raymond W M Chu**

*Company Secretary*

Hong Kong, 14th December 2007