



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 2017

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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. 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. 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. 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

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STOCK CODES

The Stock Exchange of Hong Kong Limited
278
Reuters
0278.HK

WEBSITE

<http://www.wahha.com>

The Board of Directors of Wah Ha Realty Company Limited (the "Company") announces that the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") and its associated companies for the six months ended 30 September 2017, with comparative figures of the previous period, are as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2017

		Six months ended	
		30 September	
	<i>Note</i>	2017	2016
		HK\$	HK\$
Revenues	5	6,493,936	6,455,090
Changes in fair value of investment properties		8,500,000	5,500,000
Net fair value loss on financial assets at fair value through profit or loss		(698,701)	(274,511)
Other gains/(losses), net	6	2,822,392	(2,202,566)
Direct outgoings in relation to properties that generate income		(407,211)	(588,024)
Cost of sales of completed properties		–	(38,300)
Staff costs		(3,372,037)	(3,177,210)
Other operating expenses		(790,418)	(835,741)
Operating profit		12,547,961	4,838,738
Share of profits less losses of associated companies (including share of fair value gain on investment properties of HK\$59,850,000 (2016: HK\$6,250,000))		77,481,311	22,051,358
Profit before income tax		90,029,272	26,890,096
Income tax credit/(expense)	7	91,622	(1,234)
Profit and total comprehensive income attributable to equity holders of the Company		90,120,894	26,888,862
Earnings per share (Basic and diluted)	8	0.75	0.22
Dividends	9	13,305,600	13,305,600

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2017

	30 September 2017 <i>HK\$</i>	31 March 2017 <i>HK\$</i>
<i>Note</i>		
ASSETS		
Non-current assets		
Investment properties	216,300,000	207,800,000
Investments in associated companies	824,016,625	763,806,896
Deferred income tax assets	2,048,040	1,889,493
	<u>1,042,364,665</u>	<u>973,496,389</u>
Current assets		
Completed properties held for sale	1,456,911	1,456,911
Amounts due from associated companies	21,552,726	23,422,726
Trade and other receivables	10 1,516,018	1,451,640
Tax recoverable	35,665	14,552
Financial assets at fair value through profit or loss	11 3,092,219	3,790,920
Short-term bank deposits	1,692,404	97,985,728
Cash and bank balances	262,439,951	169,719,961
	<u>291,785,894</u>	<u>297,842,438</u>
Total assets	<u><u>1,334,150,559</u></u>	<u><u>1,271,338,827</u></u>

		30 September 2017	31 March 2017
	<i>Note</i>	HK\$	HK\$
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	12	78,624,000	78,624,000
Retained profits	13		
– Interim dividend		13,305,600	–
– Proposed dividends		–	27,820,800
– Others		1,206,373,201	1,129,557,907
		1,219,678,801	1,157,378,707
Total equity		1,298,302,801	1,236,002,707
LIABILITIES			
Current liabilities			
Amounts due to associated companies		31,066,943	30,621,025
Trade and other payables	14	4,048,686	3,836,441
Tax payable		732,129	878,654
Total liabilities		35,847,758	35,336,120
Total equity and liabilities		1,334,150,559	1,271,338,827
Net current assets		255,938,136	262,506,318

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Six months ended	
	30 September	
	2017	2016
	HK\$	HK\$
Total equity at beginning of the period	1,236,002,707	1,214,296,588
Profit and total comprehensive income for the period	90,120,894	26,888,862
Transaction with equity holders Dividends	<u>(27,820,800)</u>	<u>(42,336,000)</u>
Total equity at end of the period	<u>1,298,302,801</u>	<u>1,198,849,450</u>

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017 HK\$	2016 HK\$
Cash flows from operating activities		
Profit before income tax	90,029,272	26,890,096
Changes in fair value of investment properties	(8,500,000)	(5,500,000)
Share of profits less losses of associated companies	(77,481,311)	(22,051,358)
Exchange (gains)/losses	(2,821,287)	2,202,566
	<u>1,226,674</u>	<u>1,541,304</u>
Operating profit before working capital changes	1,226,674	1,541,304
Decrease in completed properties held for sale	–	30,000
Increase in trade and other receivables	(64,378)	(65,062)
Decrease in financial assets at fair value through profit or loss	698,701	274,511
Increase in trade and other payables	212,245	1,024,928
	<u>2,073,242</u>	<u>2,805,681</u>
Net cash generated from operations	2,073,242	2,805,681
Hong Kong profits tax paid	(234,563)	(314,396)
	<u>1,838,679</u>	<u>2,491,285</u>
Net cash generated from operating activities	1,838,679	2,491,285
Cash flows from investing activities		
Decrease in short-term bank deposits	96,293,324	–
Fund transfer to associated companies	(1,130,000)	(80,000)
Fund transfer and dividend received from associated companies	20,717,500	17,787,500
	<u>115,880,824</u>	<u>17,707,500</u>
Net cash generated from investing activities	115,880,824	17,707,500
Cash flows from financing activity		
Dividends paid to the Company's equity holders	(27,820,800)	(42,336,000)
	<u>(27,820,800)</u>	<u>(42,336,000)</u>
Net increase/(decrease) in cash and cash equivalents	89,898,703	(22,137,215)
Cash and cash equivalents at beginning of the period	169,719,961	285,398,454
Exchange gains/(losses)	2,821,287	(2,202,566)
	<u>262,439,951</u>	<u>261,058,673</u>
Cash and cash equivalents at end of the period	262,439,951	261,058,673

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 31 March 2017 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) (the "Companies Ordinance") is as follows:

The Company has delivered the financial statements for the year ended 31 March 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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 Companies Ordinance.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2017 has been prepared in accordance with Hong Kong Accounting Standard 34, 'Interim Financial Reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2017, 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 condensed consolidated interim financial information are consistent with those applied in the annual financial statements for the year ended 31 March 2017, except as stated below.

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

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

Amendment to HKFRS 12	Disclosure of Interest in Other Entities
Amendment to HKAS 7	Statement of Cash Flows
Amendment to HKAS 12	Income Taxes

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

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

2. BASIS OF PREPARATION (Continued)

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

New standards and amendments		Effective for accounting periods beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendment to HKFRS 1 and HKAS 28	Annual Improvements 2014-2016 Cycle	1 January 2018
Amendment to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendment to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendment to HKFRS 15	Clarification to HKFRS15	1 January 2018
Amendment to HKAS 40	Transfer of Investment Properties	1 January 2018
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019

The Group will adopt the above standards and amendments to existing standards as and when they become effective. None of the above is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 15, "Revenue from Contracts with Customers"

The application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. At this stage, the Group is in the process of assessing the impact of HKFRS 15 on the Group's consolidated financial statements.

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 31 March 2017.

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 31 March 2017.

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, financial assets at fair value through profit or loss, receivables, completed properties held for sale, short-term bank deposits 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.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

5. REVENUES AND SEGMENTAL INFORMATION (Continued)

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

	Six months ended	
	30 September	
	2017	2016
	HK\$	HK\$
Rental income	3,183,427	3,202,161
Sales of completed properties held for sale	–	550,000
Management fee income	683,575	777,943
Bank interest income	2,456,934	1,857,467
Dividend income – Listed investments	42,950	40,919
Construction supervision fee income	127,050	26,600
	6,493,936	6,455,090

The segment results for the six months ended 30 September 2017 are as follows:

	Property development, investment and management HK\$	Investments HK\$	Total HK\$
Revenues	<u>3,994,052</u>	<u>2,499,884</u>	<u>6,493,936</u>
Segment results	<u>11,270,556</u>	<u>4,622,470</u>	15,893,026
Unallocated costs			<u>(3,345,065)</u>
Operating profit			12,547,961
Share of profits less losses of associated companies	77,481,311	-	<u>77,481,311</u>
Profit before income tax			90,029,272
Income tax credit			<u>91,622</u>
Profit attributable to the equity holders of the Company			<u>90,120,894</u>
Changes in fair value of investment properties	8,500,000	-	<u>8,500,000</u>

The segment assets and liabilities at 30 September 2017 are as follows:

	Property development, investment and management HK\$	Investments HK\$	Total HK\$
Segment assets	240,193,297	267,856,932	508,050,229
Associated companies	824,016,625	-	824,016,625
Unallocated assets			<u>2,083,705</u>
Total assets			<u>1,334,150,559</u>
Segment liabilities	33,677,619	-	33,677,619
Unallocated liabilities			<u>2,170,139</u>
Total liabilities			<u>35,847,758</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

5. REVENUES AND SEGMENTAL INFORMATION (Continued)

The segment results for the six months ended 30 September 2016 are as follows:

	Property development, investment and management <i>HK\$</i>	Investments <i>HK\$</i>	Total <i>HK\$</i>
Revenues	4,556,704	1,898,386	6,455,090
Segment results	8,593,773	(578,691)	8,015,082
Unallocated costs			(3,176,344)
Operating profit			4,838,738
Share of profits less losses of associated companies	22,051,358	–	22,051,358
Profit before income tax			26,890,096
Income tax expense			(1,234)
Profit attributable to the equity holders of the Company			26,888,862
Changes in fair value of investment properties	5,500,000	–	5,500,000

The segment assets and liabilities at 31 March 2017 are as follows:

	Property development, investment and management <i>HK\$</i>	Investments <i>HK\$</i>	Total <i>HK\$</i>
Segment assets	233,077,855	272,550,031	505,627,886
Associated companies	763,806,896	–	763,806,896
Unallocated assets			1,904,045
Total assets			1,271,338,827
Segment liabilities	33,025,938	–	33,025,938
Unallocated liabilities			2,310,182
Total liabilities			35,336,120

6. OTHER GAINS/(LOSSES), NET

	Six months ended 30 September	
	2017	2016
	HK\$	HK\$
Net exchange gains/(losses)	2,821,287	(2,202,566)
Sundries	1,105	–
	<u>2,822,392</u>	<u>(2,202,566)</u>

7. INCOME TAX CREDIT/(EXPENSE)

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the Group's estimated assessable profit for the period.

	Six months ended 30 September	
	2017	2016
	HK\$	HK\$
Hong Kong profits tax		
Provision for the period	(66,925)	(141,834)
Deferred income tax credit	158,547	140,600
	<u>91,622</u>	<u>(1,234)</u>

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to equity holders of the Company of HK\$90,120,894 (2016: HK\$26,888,862) and on 120,960,000 shares (2016: 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.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

9. DIVIDENDS

	Six months ended 30 September	
	2017	2016
	<i>HK\$</i>	<i>HK\$</i>
Interim dividend declared of HK11 cents (2016: HK11 cents) per share	<u>13,305,600</u>	<u>13,305,600</u>

The Board of Directors has resolved to declare an interim dividend of HK11 cents per share for the six months ended 30 September 2017 (2016: HK11 cents) payable on Friday, 19 January 2018 to equity holders whose names appear on the Register of Members of the Company on Wednesday, 3 January 2018.

10. TRADE AND OTHER RECEIVABLES

	30 September 2017 <i>HK\$</i>	31 March 2017 <i>HK\$</i>
Trade receivables		
Within 3 months (based on debit note date)	268,468	138,183
Other receivables	1,064,885	1,061,678
Prepayments and utility deposits	<u>182,665</u>	<u>251,779</u>
	<u>1,516,018</u>	<u>1,451,640</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.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2017 <i>HK\$</i>	31 March 2017 <i>HK\$</i>
Listed shares – Overseas	<u>3,092,219</u>	<u>3,790,920</u>

12. SHARE CAPITAL

	30 September 2017 HK\$	31 March 2017 HK\$
<i>Issued and fully paid:</i>		
120,960,000 ordinary shares	<u>78,624,000</u>	<u>78,624,000</u>

13. RETAINED PROFITS

	HK\$
At 31 March 2016	1,135,672,588
Profit for the period	26,888,862
Dividends	<u>(42,336,000)</u>
At 30 September 2016	1,120,225,450
Profit for the period	50,458,857
Dividends	<u>(13,305,600)</u>
At 31 March 2017	1,157,378,707
Profit for the period	90,120,894
Dividends	<u>(27,820,800)</u>
At 30 September 2017	<u><u>1,219,678,801</u></u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

14. TRADE AND OTHER PAYABLES

	30 September 2017 HK\$	31 March 2017 HK\$
Trade payables		
Within 3 months (based on invoice date)	1,500	2,100
Other payables	1,438,927	1,455,114
Rental and utility deposits received	1,256,092	1,289,593
Accrued expenses	1,352,167	1,089,634
	<u>4,048,686</u>	<u>3,836,441</u>

15. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

At 30 September 2017, the Group's financial assets at fair value through profit or loss are Level 1 instruments.

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

There were no changes in valuation techniques during the period.

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.

16. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Six months ended	
	30 September	
	2017	2016
	HK\$	HK\$
Related company		
Management fee income	—	75,000
	<u> </u>	<u> </u>
Key management compensation		
Directors' emoluments	870,000	930,000
	<u> </u>	<u> </u>

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

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

INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim dividend of HK11 cents per share for the six months ended 30 September 2017 (2016: HK11 cents) payable on Friday, 19 January 2018 to equity holders whose names appear on the Register of Members of the Company on Wednesday, 3 January 2018.

CLOSURE OF REGISTER OF MEMBERS

The Transfer Books and Register of Members of the Company will be closed from Thursday, 28 December 2017 to Wednesday, 3 January 2018, 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 Wednesday, 27 December 2017.

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\$90.1 million, representing 3.35 times of that of the corresponding period in 2016. Amongst these, HK\$12.6 million (2016: HK\$4.8 million) came from the Group and HK\$77.5 million (2016: HK\$22.1 million) was the contribution from the Group's associated companies. The substantial aggregate increases in the fair value gains from the Group's and its associated companies' investment properties for HK\$56.6 million and the significant improvement in the exchange difference for HK\$5.0 million as a result of the recent strength of the exchange rate of RMB/HK\$ were the major factors leading to this favourable interim results. Further, our Rental Business and realized profits from the sales of certain properties of the Group and its associated companies out-performed that of the last corresponding period for HK\$1.1 million and HK\$0.5 million respectively. Finally, interest income was HK\$0.6 million higher than that of the last corresponding period.

Business Review

Property Development, Investment and Management

During the period under review, our Rental Business performed well and led to an improvement of after-tax profit for HK\$1.1 million.

During the period under review, an associated company had acquired 1 residential unit in Yau Ma Tei. On the other hand, two associated companies had disposed of 1 industrial unit in Tsing Yi and 1 industrial unit in Fanling respectively. The aggregate profits derived by the Group therefrom were HK\$2.5 million whereas the realized profits in the last corresponding period were HK\$2.0 million.

Subsequent to the period under review, an associated company had entered into agreements to dispose of 2 industrial units in Fanling and the contributions from these sales were approximately HK\$3.5 million.

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

Investments

For the period under review, the after-tax profit from the Group's investment portfolio was HK\$0.4 million lower than that of the last corresponding period. However, the effective better deposit interest rates achieved by the Group had a favourable effect on the interest income of the Group. The interest income recorded during the period under review was HK\$0.6 million greater than that of the last corresponding period. It seemed that the downside pressure on RMB was relieved and an improvement in the exchange difference by HK\$5.0 million was recorded during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Prospects

For the period under review, the local economy had shown steady improvement. The 3rd Quarter GDP and private consumption growths in real term were 3.6% and 6.7% respectively. The seasonally adjusted unemployment rate was relatively stable and stood at a level of 3.0%. Notwithstanding gradual improvement was seen in the local economy, inflation was at a relatively low level and the year-on-year change for Composite Consumer Price Index was 1.4% for the month of September 2017. The total exports, from the inception of this financial year, had exhibited positive growth over that of the last year. In September 2017, a positive growth of 9.4% was recorded.

Globally, the United States had taken steps to rectify the undesirable situation brought about by the quantitative easing measures carried out in the previous years. In addition to raising the interest rates for two times, the Federal Reserve had scheduled plans to achieve balance sheet normalization. The plans raised will, though moderate in pace, in the long run lead to tighter money supply and finally higher interest rates will be resulted. Since HK\$ is pegged to US\$, a corresponding local interest rate hike is expected. The European Union is undoubtedly adversely affected by the refugee problem, the Brexit in Great Britain and the independence issue in Spain. Furthermore, the nuclear crunch posed by North Korea and the attitudes adopted by the United States and her allies will be an important topic. The persistent controversies in the South China Sea may still be a difficult situation that China has to deal with. The "One Belt, One Road" policy advocated by China may add momentum to economic growth and sustainable development. Hong Kong, being the largest off-shore Renminbi centre and capable of providing sufficient legal and professional expertise, may be able to grasp the emerging trading and commerce opportunities.

In Hong Kong, local challenges both in economic and political fronts may limit its economic growth. Following the balance sheet normalization process and the onset of interest rate hike in the United States, liquidity in the global economy is expected to tighten which, in turn, may give rise to instability in the international and local financial markets. It is also difficult to predict the economic developments in China. Special attention will be paid to the property markets in which the Group operates. Hong Kong property prices stand at record high. By critically assessing and evaluating its investment portfolio in real estate in Hong Kong, the Group may consider possible rationalization and adjustments of the composition of such portfolio so as to create and enhance shareholders' value. The Group will act with prudence and caution in order to cope with the challenges ahead.

Employment and Remuneration Policies

As at 30 September 2017, the Group had less than twenty employees and their remuneration is maintained at competitive levels. Total staff costs (including Directors' remuneration) amounted to HK\$3.4 million (2016: HK\$3.2 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 and training subsidies, medical and retirement benefits and paid leaves.

Liquidity and Financial Resources

The Group is virtually debt-free and generally finances its operations with internally generated cash flows. The Group's short-term bank deposits and cash and cash equivalents amounted to HK\$1.7 million and HK\$262.4 million respectively at 30 September 2017. 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 30 September 2017, 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	14,378,800	—	338,000 <i>(Note 2)</i>	14,716,800	12.17
Cheung Ying Wai, Eric	14,144,800	—	—	14,144,800	11.69

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 338,000 shares were beneficially held by Ms. Wu Suet Yi, Rita, the spouse of Mr. Cheung Lin Wee ("CLW").

Save as disclosed above, as at 30 September 2017, 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 30 September 2017, the following Shareholders (other than Directors or Chief Executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company were as follows:

Long Positions in Ordinary Shares of the Company

	Number of shares	% of issued share capital
Substantial Shareholders:		
Chin Lan Hong	32,162,800 <i>(Note 1)</i>	26.59
Kung So Ha, Anne	15,150,160 <i>(Note 2)</i>	12.52
Biochoice Limited	15,150,160 <i>(Note 3)</i>	12.52
Humphrey Group Limited	15,150,160 <i>(Note 3)</i>	12.52
Wu Suet Yi, Rita	14,716,800 <i>(Note 4)</i>	12.17
Hoh Kwok Hing, Corinne	14,144,800 <i>(Note 5)</i>	11.69
Persons other than Substantial Shareholders:		
Megabest Securities Limited	11,295,600 <i>(Note 6)</i>	9.34
Profit-taking Company Inc.	11,295,600 <i>(Note 6)</i>	9.34
Pullfield Company Limited	11,295,600 <i>(Note 6)</i>	9.34

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

(Continued)

Long Positions in Ordinary Shares of the Company (Continued)

Notes:

- (1) Out of the 32,162,800 shares, 11,295,600 shares were held by Megabest Securities Limited ("Megabest") of which Madam Chin Lan Hong 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. Madam Chin is the mother of CKW, CLW and Mr. Cheung Ying Wai, Eric ("CYW").
- (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 14,716,800 shares, 338,000 shares were beneficially held by Ms. Wu Suet Yi, Rita, and Ms. Wu was taken to be interested in the remaining 14,378,800 shares in which her spouse CLW was interested under the SFO.
- (5) 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.
- (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 30 September 2017, 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 30 September 2017, 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 four 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 seven Directors including four 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 30 September 2017.

CHANGES IN INFORMATION OF THE DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, there is no change in the information on the Directors required to be disclosed subsequent to the date of the 2017 Annual Report of the Company.

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 one Non-executive Directors, namely Mr. Ng Kwok Tung. The Group's interim results for the six months ended 30 September 2017 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, 29 November 2017