



華廈置業有限公司
WAH HA REALTY COMPANY LIMITED

WAH HA REALTY COMPANY LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 278)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

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 2016, with comparative figures of the previous period, are as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

		Six months ended 30 September	
	Note	2016 HK\$	2015 HK\$
Revenues	2	6,455,090	39,163,726
Changes in fair value of investment properties		5,500,000	1,300,000
Net fair value (loss)/gain on financial assets at fair value through profit or loss		(274,511)	50,356
Other losses, net	3	(2,202,566)	(1,755,680)
Direct outgoings in relation to properties that generate income		(588,024)	(166,091)
Cost of sales of completed properties		(38,300)	(2,574,931)
Staff costs		(3,177,210)	(3,157,064)
Other operating expenses		(835,741)	(938,471)
Operating profit		4,838,738	31,921,845
Share of profits less losses of associated companies (including share of fair value gain on investment properties of HK\$6,250,000 (2015: HK\$18,500,000))		22,051,358	35,655,463
Profit before income tax		26,890,096	67,577,308
Income tax expense	4	(1,234)	(4,973,201)
Profit and total comprehensive income attributable to equity holders of the Company		26,888,862	62,604,107
Earnings per share (Basic and diluted)	5	0.22	0.52
Dividends	6	13,305,600	14,515,200

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2016**

	30 September 2016 HK\$	31 March 2016 HK\$
Note		
ASSETS		
Non-current assets		
Investment properties	199,500,000	194,000,000
Investments in associated companies	766,506,053	744,454,695
Available-for-sale financial assets	250,448	250,448
Deferred income tax assets	1,728,376	1,574,373
	<u>967,984,877</u>	<u>940,279,516</u>
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Current assets		
Completed properties held for sale	2,775,463	2,805,463
Amounts due from associated companies	26,632,510	31,912,510
Trade and other receivables	1,066,061	1,000,999
Tax recoverable	4,737	10,411
Financial assets at fair value through profit or loss	3,761,233	4,035,744
Cash and bank balances	261,058,673	285,398,454
	<u>295,298,677</u>	<u>325,163,581</u>
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Total assets	<u>1,263,283,554</u>	<u>1,265,443,097</u>

	Note	30 September 2016 HK\$	31 March 2016 HK\$
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		78,624,000	78,624,000
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Retained profits			
- Interim dividend		13,305,600	-
- Proposed dividends		-	42,336,000
- Others		1,106,919,850	1,093,336,588
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		1,120,225,450	1,135,672,588
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Total equity		1,198,849,450	1,214,296,588
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LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		13,403	-
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Current liabilities			
Amounts due to associated companies		55,228,809	42,801,309
Trade and other payables	8	4,876,038	3,851,110
Tax payable		4,315,854	4,494,090
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		64,420,701	51,146,509
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Total liabilities		64,434,104	51,146,509
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Total equity and liabilities		1,263,283,554	1,265,443,097
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Net current assets		230,877,976	274,017,072
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NOTES TO THE INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2016 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 2016, 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 2016, except as stated below.

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

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRS 10, HKFRS12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendment to HKFRS 11	Joint Arrangement - Accounting for Acquisitions of Interests in Joint Operation
Amendment to HKAS 1	Disclosure Initiative
Amendment to HKAS 12	Income Taxes
Amendment to HKAS 7	Statement of Cash Flows
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendment to HKAS 27	Equity Method in Separate Financial Statements
Amendment to HKFRSs	Annual Improvements 2012-2014 Cycle

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.

2. REVENUES AND SEGMENTAL INFORMATION

The principal activities of the Group include those relating to investment holding, property development, investment and management in Hong Kong. There is no other significant identifiable separate business. In accordance with the Group's internal financial reporting provided to the chief operating decision-maker for the purpose of allocating resources, assessing performance of the operating segments and making strategic decision, the reportable operating segments are property development, investment and management and investments.

Segment assets consist of investment properties, available-for-sale financial assets, financial assets at fair value through profit or loss, receivables, completed properties held for sale and cash and bank balances and exclude items such as tax recoverable and deferred income tax assets. Segment liabilities comprise operating liabilities and exclude items such as tax payable, unpaid dividend and deferred income tax liabilities.

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

	Six months ended	
	30 September	
	2016	2015
	HK\$	HK\$
Rental income	3,202,161	2,772,682
Sales of completed properties held for sale	550,000	33,383,900
Management fee income	777,943	686,923
Bank interest income	1,857,467	2,225,806
Dividend income - Listed investments	40,919	40,865
Construction supervision fee income	26,600	53,550
	<u>6,455,090</u>	<u>39,163,726</u>

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

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

The segment assets and liabilities at 30 September 2016 are as follows:

	Property development, investment and management HK\$	Investments HK\$	Total HK\$
Segment assets	229,900,841	265,143,547	495,044,388
Associated companies	766,506,053	-	766,506,053
Unallocated assets			1,733,113
Total assets			<u>1,263,283,554</u>
Segment liabilities	58,803,753	-	58,803,753
Unallocated liabilities			5,630,351
Total liabilities			<u>64,434,104</u>

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

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

The segment assets and liabilities at 31 March 2016 are as follows:

	Property development, investment and management HK\$	Investments HK\$	Total HK\$
Segment assets	229,529,195	289,874,424	519,403,619
Associated companies	744,454,695	-	744,454,695
Unallocated assets			1,584,783
Total assets			1,265,443,097
Segment liabilities	45,429,964	-	45,429,964
Unallocated liabilities			5,716,545
Total liabilities			51,146,509

3. OTHER LOSSES, NET

	Six months ended 30 September	
	2016	2015
	HK\$	HK\$
Net exchange losses	(2,202,566)	(1,756,470)
Sundries	-	790
	<u>(2,202,566)</u>	<u>(1,755,680)</u>

4. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the Group's estimated assessable profit for the period.

	Six months ended 30 September	
	2016	2015
	HK\$	HK\$
Hong Kong profits tax		
Provision for the period	(141,834)	(5,185,769)
Deferred income tax credit	140,600	212,568
	<u>(1,234)</u>	<u>(4,973,201)</u>

5. 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\$26,888,862 (2015: HK\$62,604,107) and on 120,960,000 shares (2015: 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.

6. DIVIDENDS

	Six months ended 30 September	
	2016	2015
	HK\$	HK\$
Interim dividend declared of HK11 cents (2015: HK12 cents) per share	<u>13,305,600</u>	<u>14,515,200</u>

The Board of Directors has resolved to declare an interim dividend of HK11 cents per share for the six months ended 30 September 2016 (2015: HK12 cents) payable on Tuesday, 17 January 2017 to equity holders whose names appear on the Register of Members of the Company on Thursday, 5 January 2017.

7. TRADE AND OTHER RECEIVABLES

	30 September 2016 HK\$	31 March 2016 HK\$
Trade receivables		
Within 3 months (based on debit note date)	185,131	250,465
Other receivables	716,757	447,352
Prepayments and utility deposits	164,173	303,182
	<u>1,066,061</u>	<u>1,000,999</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.

8. TRADE AND OTHER PAYABLES

	30 September 2016 HK\$	31 March 2016 HK\$
Trade payables		
Within 3 months (based on invoice date)	1,500	-
Other payables	1,970,012	1,884,965
Rental and utility deposits received	1,425,218	1,079,218
Accrued expenses	1,479,308	886,927
	<u>4,876,038</u>	<u>3,851,110</u>

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 2016 (2015: HK12 cents) payable on Tuesday, 17 January 2017 to equity holders whose names appear on the Register of Members of the Company on Thursday, 5 January 2017.

CLOSURE OF REGISTER OF MEMBERS

The Transfer Books and Register of Members of the Company will be closed from Wednesday, 28 December 2016 to Thursday, 5 January 2017, 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 Friday, 23 December 2016.

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\$26.9 million, representing a decrease of about 57.0% from the corresponding period in 2015. Of the profit for the period under review, HK\$4.8 million came from the Group and HK\$22.1 million was the contribution from the Group's associated companies. The significant decrease was mainly attributable to the decreases both in fair value gains from the Group's and its associated companies' investment properties for HK\$8.1 million and the after-tax profits realized from the sales of certain properties of the Group and its associated companies for HK\$29.0 million. Further, the persistent depreciation of RMB had a negative impact on the Group's results. Exchange losses of HK\$2.2 million versus HK\$1.8 million for the last corresponding period were recorded. Finally, interest income was HK\$0.4 million lower than that of the last corresponding period. These unfavourable factors were however mitigated by the better performance of the Rental Business.

BUSINESS REVIEW

Property Development, Investment and Management

During the period under review, the performance of the Rental Business carried out by the Group and its associated companies was satisfactory and led to an improvement of after-tax profit for HK\$2.3 million. The monthly rental income brought about by the residential property in Stanley acquired in 2015 compensated for the forgone rental income associated with the Group's last year's sales of properties.

As compared with the corresponding period last year, the sales of properties during the period under review were minimal. The Group had disposed of its interest in 2 carparks in Tuen Mun and an associated company had disposed of 2 industrial units in Tsing Yi. The contribution of these sales to the Group were HK\$2.0 million whereas the corresponding realized after-tax profits in the last corresponding period were HK\$31.0 million.

Subsequent to the period under review, the Group had entered into agreements to dispose of 2 industrial units in Fanling and the contributions from these sales were approximately HK\$7.3 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 profit from the Group's investment portfolio was HK\$0.3 million lower than that of the last corresponding period. The lower deposit interest rates achieved by the Group in the current period and the cash outflow for the acquisition of the residential unit in Stanley had adverse impact on the interest income of the Group. The interest income recorded during the period under review was HK\$0.4 million lower than that of the last corresponding period. The continuing depreciation in RMB had also led to an increase in the exchange losses by HK\$0.4 million.

PROSPECTS

For the period under review, the local economy was sluggish and lacklustre. The 3rd Quarter GDP and private consumption growths in real term were 1.9% and 1.2% respectively. The seasonally adjusted unemployment rate stood at a relatively stable level of 3.4%. Inflation was at a relatively low level and the year-on-year change for Composite Consumer Price Index was 2.7% for the month of September 2016. The total exports, after experiencing a persistent negative growth for almost two years, rose to a positive growth of 3.6% in September 2016.

Globally, the United States is still not determined on the pace and quantum of the US interest rate hike. 2016 was a year marked with new emerging political environment around the world, witnessed by the results of the Brexit in Great Britain and the general election of the President in the United States. The refugee problems in Europe exert much political pressure on all European Union countries. Furthermore, the attitudes adopted by Japan and other Asian countries towards the geo-political issue in the South China Sea may be a difficult situation that China has to deal with. These uncertain political factors together with low global economic growth will lead to a new environment that may exist for quite a long time.

The slowdown of China's economic growth is beyond doubt but the "One Belt, One Road" policy may enhance economic growth and sustainable development. Hong Kong, benefiting from being the largest off-shore Renminbi clearing centre, may be in a better position to grasp the new trading and commerce opportunities.

Great uncertainties will be seen in the global economy. Economic and political developments are difficult to predict. Besides, Hong Kong will also be affected by its own domestic problems, both economic and political in nature. Accordingly, special attention should be paid to the property market in which the Group operates. The Group will be cautious to observe the impact of the above-mentioned factors; and we will act prudently and reserve sufficient resources to meet the challenges ahead.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30 September 2016, the Group had less than twenty employees and their remuneration is maintained at competitive levels. Total staff costs (including Directors' remuneration) amounted to HK\$3.2 million (2015: 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 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\$261.1 million at 30 September 2016. 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.

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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“the Stock Exchange”) (“the Listing Rules”) throughout the six months ended 30 September 2016, except for the following deviations:-

1. Under the Code Provision A.2.1, the roles of the Chairman and Chief Executive Officer (“CEO”) should be separate and should not be performed by the same individual. Mr. Cheung Kee Wee is the Chairman of the Board and there is not a post of CEO in the Company. The roles of the CEO are performed by all the Executive Directors with clear division of responsibilities under the leadership of the Chairman. The Board considers that this arrangement allows contributions from all Executive Directors with different expertise and can ensure the balance of power and authority between the Board and the management of the Group. The Board therefore believes that this structure can enable the Group to make and implement decisions promptly and efficiently and is beneficial to the business prospect of the Group.
2. Under the Code Provision A.4.1, Non-executive Directors should be appointed for a specific term and subject to re-election. All the five Non-executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company (“AGM”) in accordance with Article 99(A) of the Company’s Articles of Association. There are eight Directors including five Non-executive Directors of the Company for the time being. As one-third of them shall retire from office by rotation at each AGM, each of them shall retire at least once every three years.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (the “Model Code”) 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 2016.

AUDIT COMMITTEE

The Audit Committee consists of the three Independent Non-executive Directors, namely Messrs Lam Hon Keung, Keith (Chairman), Chan Woon Kong and Au-Yang Cheong Yan, Peter and the two Non-executive Directors, namely Messrs John Ho and Ng Kwok Tung. The Group’s interim results for the six months ended 30 September 2016 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.

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.

INTERIM REPORT

The interim report of the Company for the six months ended 30 September 2016 will be published and dispatched to the equity holders of the Company in mid December 2016.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors of the Company comprises Messrs Cheung Kee Wee, Cheung Lin Wee and Cheung Ying Wai, Eric as Executive Directors, Messrs John Ho and Ng Kwok Tung as Non-executive Directors and Messrs Lam Hon Keung, Keith, Chan Woon Kong and Au-Yang Cheong Yan, Peter as Independent Non-executive Directors.

By Order of the Board
Raymond W M Chu
Company Secretary

Hong Kong, 25 November 2016