



華夏置業有限公司
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 2017

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	
	Note	2017	2016
		HK\$	HK\$
Revenues	2	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	3	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)	4	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)	5	0.75	0.22
Dividends	6	13,305,600	13,305,600

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2017**

	30 September 2017	31 March 2017
	Note	
ASSETS	HK\$	HK\$
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
	1,042,364,665	973,496,389
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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	7 1,516,018	1,451,640
Tax recoverable	35,665	14,552
Financial assets at fair value through profit or loss	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
	291,785,894	297,842,438
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Total assets	1,334,150,559	1,271,338,827
	=====	=====

	30 September 2017 HK\$	31 March 2017 HK\$
Note		
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	-	27,820,800
- Others	1,206,373,201	1,129,557,907
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	1,219,678,801	1,157,378,707
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Total equity	1,298,302,801	1,236,002,707
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LIABILITIES		
Current liabilities		
Amounts due to associated companies	31,066,943	30,621,025
Trade and other payables	4,048,686	3,836,441
Tax payable	732,129	878,654
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Total liabilities	35,847,758	35,336,120
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Total equity and liabilities	1,334,150,559	1,271,338,827
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Net current assets	255,938,136	262,506,318
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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 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.

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.

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, 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.

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

	Six months ended 30 September	
	2017 HK\$	2016 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
	<u>6,493,936</u>	<u>6,455,090</u>

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>

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	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 HK\$	Investments HK\$	Total HK\$
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

3. 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>

4. 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>

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\$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.

6. DIVIDENDS

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

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.

7. TRADE AND OTHER RECEIVABLES

	30 September 2017 HK\$	31 March 2017 HK\$
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	182,665	251,779
	1,516,018	1,451,640

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 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
	4,048,686	3,836,441

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.

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.

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 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 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 2017.

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.

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 2017 will be published and dispatched to the equity holders of the Company in late December 2017.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors comprises Messrs Cheung Kee Wee, Cheung Lin Wee and Cheung Ying Wai, Eric as Executive Directors, Mr. Ng Kwok Tung as a Non-executive Director 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, 29 November 2017