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

ANNUAL RESULTS ANNOUNCEMENT

For the year ended 31 March 2017

The Board of Directors of Wah Ha Realty Company Limited (the “Company”) announces that the consolidated results of the Company and its subsidiaries (the “Group”) and its associated companies for the year ended 31 March 2017, with comparative figures for the previous year, are as follows: -

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017**

	Note	2017 HK\$	2016 HK\$
Revenues	2	23,664,010	46,805,487
Changes in fair value of investment properties		13,800,000	(14,350,786)
Net fair value (losses)/gains on financial assets at fair value through profit or loss		(244,824)	886,111
Other losses, net	4	(4,151,585)	(2,794,803)
Direct outgoings in relation to properties that generate income	5	(985,040)	(576,708)
Cost of sales of completed properties	5	(1,460,812)	(2,766,031)
Staff costs	5	(6,845,509)	(6,998,463)
Other operating expenses	5	(1,824,098)	(1,633,434)
Operating profit		21,952,142	18,571,373
Share of profits less losses of associated companies		56,652,201	51,795,060
Profit before income tax		78,604,343	70,366,433
Income tax expense	6	(1,256,624)	(4,981,966)
Profit and total comprehensive income attributable to equity holders of the Company		77,347,719	65,384,467
Dividends	7	41,126,400	56,851,200
Earnings per share (Basic and diluted)	8	0.64	0.54

**CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2017**

	Note	2017 HK\$	2016 HK\$
ASSETS			
Non-current assets			
Investment properties		207,800,000	194,000,000
Investments in associated companies		763,806,896	744,454,695
Available-for-sale financial assets		-	250,448
Deferred income tax assets		1,889,493	1,574,373
		<u>973,496,389</u>	<u>940,279,516</u>
		-----	-----
Current assets			
Completed properties held for sale		1,456,911	2,805,463
Amounts due from associated companies		23,422,726	31,912,510
Trade and other receivables	9	1,451,640	1,000,999
Tax recoverable		14,552	10,411
Financial assets at fair value through profit or loss		3,790,920	4,035,744
Short-term bank deposits		97,985,728	-
Cash and bank balances		169,719,961	285,398,454
		<u>297,842,438</u>	<u>325,163,581</u>
		-----	-----
Total assets		<u><u>1,271,338,827</u></u>	<u><u>1,265,443,097</u></u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		78,624,000	78,624,000
		-----	-----
Retained profits			
- Proposed dividends		27,820,800	42,336,000
- Others		1,129,557,907	1,093,336,588
		<u>1,157,378,707</u>	<u>1,135,672,588</u>
		-----	-----
Total equity		<u><u>1,236,002,707</u></u>	<u><u>1,214,296,588</u></u>
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	Note	2017 HK\$	2016 HK\$
LIABILITIES			
Current liabilities			
Amounts due to associated companies		30,621,025	42,801,309
Trade and other payables	10	3,836,441	3,851,110
Tax payable		878,654	4,494,090
Total liabilities		35,336,120	51,146,509
		<u>-----</u>	<u>-----</u>
Total equity and liabilities		1,271,338,827	1,265,443,097
		<u>-----</u>	<u>-----</u>
Net current assets		262,506,318	274,017,072
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and investment properties which are carried at fair value.

The financial information relating to the years ended 31 March 2017 and 2016 included in this preliminary announcement of annual results for the year ended 31 March 2017 does not constitute the Company’s statutory annual consolidated financial statements for those years 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 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 March 2017 in due course.

The Company’s auditor has reported on the financial statements of the Group for both years. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

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

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

The Group has assessed the impact of the adoption of these revised standards 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

	2017	2016
	HK\$	HK\$
Rental income		
Investment properties	3,049,161	1,290,516
Other properties	3,614,633	3,987,795
Sales of completed properties held for sale	10,788,000	35,483,900
Management fee income	1,532,823	1,406,352
Bank interest income	4,009,251	4,473,523
Dividend income	596,992	81,801
Construction supervision fee income	73,150	81,600
	<u>23,664,010</u>	<u>46,805,487</u>

3. SEGMENT 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, 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.

	Property development, investment and management HK\$	Investments HK\$	Total HK\$
Year ended 31 March 2017			
Revenues	19,057,767	4,606,243	23,664,010
Segment results	28,689,026	137,410	28,826,436
Unallocated costs			(6,874,294)
Operating profit			21,952,142
Share of profits less losses of associated companies	56,652,201	-	56,652,201
Profit before income tax			78,604,343
Income tax expenses			(1,256,624)
Profit attributable to equity holders of the Company			77,347,719
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
Changes in fair value of investment properties	13,800,000	-	13,800,000

	Property development, investment and management HK\$	Investments HK\$	Total HK\$
Year ended 31 March 2016			
Revenues	42,250,163	4,555,324	46,805,487
Segment results	22,802,099	2,595,846	25,397,945
Unallocated costs			(6,826,572)
Operating profit			18,571,373
Share of profits less losses of associated companies	51,795,060	-	51,795,060
Profit before income tax			70,366,433
Income tax expenses			(4,981,966)
Profit attributable to equity holders of the Company			65,384,467
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
Changes in fair value of investment properties	(14,350,786)	-	(14,350,786)

4. OTHER LOSSES, NET

	2017 HK\$	2016 HK\$
Net exchange losses	(4,224,009)	(2,845,590)
Sundries	72,424	50,787
	<u>(4,151,585)</u>	<u>(2,794,803)</u>

5. EXPENSES BY NATURE

	2017 HK\$	2016 HK\$
Direct outgoings in relation to properties that generate income		
Investment properties	757,678	443,778
Other properties	227,362	132,930
	<u>985,040</u>	<u>576,708</u>
Cost of sales of completed properties	<u>1,460,812</u>	<u>2,766,031</u>
Staff costs (including Directors' remuneration)		
Salaries and other emoluments	6,455,487	6,635,110
Contributions to retirement schemes	390,022	363,353
	<u>6,845,509</u>	<u>6,998,463</u>
Other operating expenses		
Auditor's remuneration		
Audit fees	645,100	539,300
Non-audit fees	166,100	162,000
Others	1,012,898	932,134
	<u>1,824,098</u>	<u>1,633,434</u>

6. INCOME TAX EXPENSE

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

	2017	2016
	HK\$	HK\$
Hong Kong profits tax		
Provision for the year	(1,571,744)	(5,461,708)
Deferred income tax	315,120	479,742
	<u>(1,256,624)</u>	<u>(4,981,966)</u>

7. DIVIDENDS

	2017	2016
	HK\$	HK\$
Interim dividend paid of HK11 cents (2016: HK12 cents) per share	13,305,600	14,515,200
Proposed final dividend of HK11 cents (2016: HK11 cents) per share	13,305,600	13,305,600
Proposed special dividend of HK12 cents (2016: HK24 cents) per share	14,515,200	29,030,400
	<u>41,126,400</u>	<u>56,851,200</u>

At the Board meeting held on Thursday, 29 June 2017, the Board of Directors of the Company (the “Board”) proposed a final dividend of HK11 cents per share and a special dividend of HK12 cents per share. These proposed dividends will be accounted for as an appropriation of retained profits for the year ending 31 March 2018.

8. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2017 HK\$	2016 HK\$
Profit attributable to equity holders of the Company	<u>77,347,719</u>	<u>65,384,467</u>
Weighted average number of ordinary shares in issue	<u>120,960,000</u>	<u>120,960,000</u>
Earnings per share (Basic and diluted)	<u>0.64</u>	<u>0.54</u>

The Company has no dilutive potential ordinary shares.

9. TRADE AND OTHER RECEIVABLES

	2017 HK\$	2016 HK\$
Trade receivables		
Within 3 months	138,183	250,465
Other receivables	1,061,678	447,352
Prepayments and utility deposits	251,779	303,182
	<u>1,451,640</u>	<u>1,000,999</u>

Notes:

- (a) Trade receivables represent rental and management fee receivables. Rental is normally due for payment upon presentation of debit note at the beginning of each rental period (normally on a monthly basis). The trade receivables are generally fully covered by the rental deposits from corresponding tenants. Management fee is normally due for payment upon presentation of debit note at the end of each month. The above ageing analysis is based on the debit note date.

Receivables are denominated in Hong Kong dollar and the Directors consider that the fair value of these receivables at the balance sheet date was approximately their carrying amounts.

- (b) As at 31 March 2017, trade receivables of HK\$138,183 (2016: HK\$250,465) were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default.
- (c) At 31 March 2017, there are no trade receivables of the Group individually determined to be impaired (2016: nil).

10. TRADE AND OTHER PAYABLES

	2017	2016
	HK\$	HK\$
Trade payables		
Within 3 months	2,100	-
Other payables	1,455,114	1,884,965
Rental and utility deposits received	1,289,593	1,079,218
Accrued expenses	1,089,634	886,927
	<hr/> 3,836,441 <hr/>	<hr/> 3,851,110 <hr/>

DIVIDENDS

The Directors recommend the payment of a final dividend of HK11 cents (2016: HK11 cents) per share and a special dividend of HK12 cents (2016: HK24 cents) per share for the year ended 31 March 2017. Together with the interim dividend of HK11 cents (2016: HK12 cents) per share, total dividends for the year amount to HK34 cents (2016: HK47 cents) per share. Subject to the approval of the shareholders of the Company at the forthcoming annual general meeting, the proposed final and special dividends totalling HK23 cents per share will be payable on Tuesday, 26 September 2017 to the shareholders whose names appear on the Register of Members of the Company on Thursday, 14 September 2017.

CLOSURE OF REGISTER OF MEMBERS

The Transfer Books and Register of Members of the Company will be closed from Friday, 8 September 2017 to Thursday, 14 September 2017, both days inclusive, during which period no transfer of shares will be registered.

To qualify for the above-mentioned dividends, 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 Thursday, 7 September 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Group's revenues for the year ended 31 March 2017 amounted to HK\$23.7 million, a decrease of about 49.4% from the previous year. This significant decrease was mainly attributable to the decrease in the sales of the Group's properties of HK\$24.7 million, though compensated partly by the improvement in rental for HK\$1.4 million.

For the year under review, the Group's profit attributable to equity holders was HK\$77.3 million, representing an increase of about 18.3% from 2016. Amongst these, HK\$56.7 million (2016: HK\$51.8 million) were ascribed to the Group's share of the results of its associated companies. Earnings per share was HK\$0.64 as compared with HK\$0.54 of last year. Excluding the fair value gains arising from revaluations of the Group's and its associated companies' investment properties, the after-tax profit was lower than that of last year by HK\$25.2 million. The lower profits from sales of the Group's and its associated companies' properties of HK\$26.6 million, increase in net exchange loss for HK\$1.4 million, lower interest income for HK\$0.5 million and the drop in the result of the Group's investment portfolio for HK\$0.6 million were the major factors of the unfavourable results of the year under review. However, our core rental business exhibited a healthy growth and an increase of HK\$3.6 million to the Group's net profit was recorded.

BUSINESS REVIEW

Property Development, Investment and Management

During the year under review, the Rental Business of the Group and its associated companies performed satisfactorily and the contributions to the Group's net profit improved by HK\$3.6 million. The contribution brought about by the leasing of the investment property in Stanley acquired in 2015, better rental rates and low vacancy were the major factors for this improvement.

During the year under review, numerous disposals of properties were recorded by the Group and certain of its associated companies. The Group disposed of 2 industrial units in Fanling and its interests in 2 carparks in Tuen Mun. The aggregate after-tax profits recorded in this aspect were HK\$7.8 million. Further, certain associated companies disposed of 1 industrial unit in Fanling and 3 industrial units in Tsing Yi. The Group's share of after-tax profits were HK\$3.9 million. The corresponding after-tax profits from sales of properties last year were HK\$38.3 million.

Subsequent to the financial year end, an associated company entered into an agreement to acquire 1 residential unit in Yau Ma Tei. On the other hand, certain associated companies entered into agreements to dispose of 1 industrial unit in Tsing Yi and 1 industrial unit in Fanling. The Group's estimated aggregated share of after-tax profits would be around HK\$2.5 million.

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

Investments

During the year under review, the contribution from the Group's investment portfolio was lower than that of last year by HK\$0.6 million.

Significant depreciation and fluctuation of the exchange rate of RMB persisted in the year under review. A greater net exchange losses of HK\$1.4 million was reported. Further, the interest rate hikes that occurred in the United States did not happen in Hong Kong. The lower effective bank deposit rates led to a decrease of interest income of HK\$0.5 million.

PROSPECTS

In the United States, following his inauguration in early 2017, the newly elected President Donald Trump had launched certain administrative measures. Great market volatility and uncertainties in the global financial markets were observed every time President Trump had made his new administrative policies, such as the withdrawal of the United States from the Paris climate accord. Another important issue for concern is the interest rate hikes in 2017 and onwards. The Federal Reserve has raised the interest rate twice in 2017. However, the pace of future hikes of interest rates is generally perceived to be gradual. China aims to maintain its economic growth of around 6.5% in 2017 and continues to implement a proactive fiscal policy and maintain a prudent monetary policy. Other geo-political issues that we should be vigilant about include the threats imposed by North Korea on nuclear weapons, the refugee problems in the European Union and the controversies of the sovereignty in the South China Sea.

For the year under review, the local economy was likely on the way to recovery. The year-on-year GDP growth was 6.3% in the 1st Quarter 2017. The seasonally adjusted unemployment rate stood at a relatively stable level of slightly above 3% for more than one year and the figure of the latest quarter was 3.2%. The inflation as reflected by the Consumer Price Index for April 2017 was 2%. Both the imports and total exports were on an upward trend since the beginning of this year. Regarding the retail sales, the significant drop in 2016 seemed to have leveled off and a rebound in early this year was observed. The local economy will undoubtedly benefit from it. However, the recent upsurge or escalation in prices of residential units and the

record high prices achieved in the tenders of government land may add financial burden to the general public. Grievances may be resulted and in the long run, this may affect the local economy adversely.

It is difficult to predict the uncertainties surrounding both the global and local economies especially in the local property market in which the Group operates. We should act prudently and cautiously to employ our resources to bring about satisfactory returns to our shareholders.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 March 2017, the Group had less than twenty employees and their remuneration are maintained at competitive levels. Total staff costs (including Directors' remuneration) amounted to HK\$6.8 million (2016: HK\$7.0 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\$98 million and HK\$169.7 million respectively at 31 March 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain high standards of corporate governance. During the year ended 31 March 2017, save as disclosed in the Company's interim report for the six months ended 30 September 2016 regarding the deviations from the code provisions A.2.1 and A.4.1 of the Corporate Governance Code and Corporate Governance Report (the "CG Code") 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"), the Company has complied with the code provisions set out in the CG Code.

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 have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the year.

The Company has received from each of the Independent Non-executive Directors a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors are independent.

Details of the principal corporate governance practices as adopted by the Company and of the deviations from the code provisions A.2.1 and A.4.1 of the CG Code will be set out in the Corporate Governance Report contained in the Company's 2017 Annual Report.

AUDIT COMMITTEE

The Audit Committee of the Company has been established since 1998. As at the date hereof, the Audit Committee consists of 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 Director, namely Mr. Ng Kwok Tung, with written terms of reference in compliance with the Listing Rules. The Audit Committee of the Company has reviewed the annual results of the Company for the year ended 31 March 2017. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2017 have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's issued shares during the year.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is available for viewing on the respective websites of the Stock Exchange and the Company. The Annual Report of the Company for the year ended 31 March 2017 will be published and dispatched to the shareholders of the Company in late July 2017.

ANNUAL GENERAL MEETING AND RELEVANT NOTICE

It is proposed that the 2017 Annual General Meeting of the Company will be held on Monday, 4 September 2017 at 12:00 noon. Notice of the Annual General Meeting of the Company will be published and dispatched to the shareholders of the Company in late July 2017.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 31 August, 2017 to Monday, 4 September 2017, both days inclusive, during which period no transfer of shares will be registered. In order to determine the entitlement to attend and vote at the 2017 Annual General Meeting, 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, 30 August 2017.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Messrs Cheung Kee Wee, Cheung Lin Wee and Cheung Ying Wai, Eric as Executive Directors, Mr. Ng Kwok Tung as 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 June 2017