



華 厦 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)**

**ANNOUNCEMENT OF RESULTS**  
**For the year ended 31st March 2007**

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 31st March 2007, with comparative figures for the previous year, are as follows: -

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31ST MARCH 2007**

	Note	2007 HK\$	2006 HK\$
Turnover	2	20,286,039	12,719,895
Direct costs		(1,182,587)	(564,470)
Gross profit		19,103,452	12,155,425
Other gains - net	4	2,745,781	3,220,624
Changes in fair value of investment properties		4,500,000	3,350,000
Administrative expenses		(4,922,263)	(4,639,443)
Operating profit		21,426,970	14,086,606
Share of profits less losses of associated companies		28,895,429	27,325,420
Profit before income tax		50,322,399	41,412,026
Income tax expense	6	(1,790,928)	(1,140,144)
Profit attributable to equity holders of the Company		48,531,471	40,271,882
Dividends	7	4,838,400	4,838,400
Earnings per share (basic and diluted)	8	40.1 cents	33.3 cents

**CONSOLIDATED BALANCE SHEET  
AS AT 31ST MARCH 2007**

	Note	2007 HK\$	2006 HK\$
<b>ASSETS</b>			
Non-current assets			
Investment properties		34,000,000	29,500,000
Investments in associated companies		151,457,076	135,311,647
Amounts due from associated companies		92,154,479	101,130,980
Available-for-sale financial assets		250,448	250,448
Deferred income tax assets		165,948	136,737
		<u>278,027,951</u>	<u>266,329,812</u>
Current assets			
Properties held for sale		5,772,352	6,199,548
Trade and other receivables	9	50,790,915	56,931,897
Tax recoverable		20,043	141,058
Short-term investments		226,011,018	140,902,932
Cash and cash equivalents		140,324,752	110,980,630
		<u>422,919,080</u>	<u>315,156,065</u>
Total assets		<u>700,947,031</u>	<u>581,485,877</u>
<b>EQUITY</b>			
Capital and reserves attributable to the Company's equity holders			
Share Capital		78,624,000	78,624,000
Retained profits		517,954,817	474,261,746
Total equity		<u>596,578,817</u>	<u>552,885,746</u>
<b>LIABILITIES</b>			
Non-current liabilities			
Deferred income tax liabilities		5,096,101	4,299,851
Current liabilities			
Trade and other payables	10	98,924,934	23,940,565
Tax payable		347,179	359,715
		<u>99,272,113</u>	<u>24,300,280</u>
Total liabilities		<u>104,368,214</u>	<u>28,600,131</u>
Total equity and liabilities		<u>700,947,031</u>	<u>581,485,877</u>
Net current assets		<u>323,646,967</u>	<u>290,855,785</u>
Total assets less current liabilities		<u>601,674,918</u>	<u>557,185,597</u>

**NOTES: -**

**1. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

**(a) Basis of preparation**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The 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 preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

**(b) Standards and amendments to Standard that are not yet effective**

The HKICPA has issued certain new standards and amendments which are not yet effective for the year ended 31st March 2007. Those which are relevant to the Group’s operations are as follows:

		Effective for accounting periods beginning on or after
HKAS 1 Amendment	Presentation of Financial Statements – Capital Disclosures	1st January 2007
HKFRS 7	Financial Instruments: Disclosures	1st January 2007
HKFRS 8	Operating Segments	1st January 2009

The Group has not early adopted the above standards and amendment in the financial statements for the year ended 31st March 2007. The Group will apply the above standards and amendment when they become effective, but it is not expected to have significant impact on the Group’s financial statements.

**2. TURNOVER**

	2007 HK\$	2006 HK\$
Rental income		
Investment properties	1,171,184	624,961
Other properties	3,584,521	2,915,058
Management fee income	1,275,914	1,287,762
Interest income	11,351,955	6,741,673
Dividend income		
Listed investments	159,942	500,241
Unlisted investments	219,773	313,363
Construction supervision fee income	262,750	336,837
Sales of properties	2,260,000	-
	<u>20,286,039</u>	<u>12,719,895</u>

### 3. SEGMENT INFORMATION

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

Segment assets consist primarily of investment properties, associated companies, short-term investments, receivables and operating cash 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 deferred income tax liabilities. In respect of geographical segment reporting, as all of the Group's operations and assets are located in Hong Kong, no geographical segment is presented.

	<b>Property investment, development and management and building contractor HK\$</b>	<b>Investments HK\$</b>	<b>Total HK\$</b>
<b>Year ended 31st March 2007</b>			
Turnover	<u>8,554,369</u>	<u>11,731,670</u>	<u>20,286,039</u>
Segment results	<u>10,393,064</u>	<u>14,432,480</u>	24,825,544
Unallocated costs			<u>(3,398,574)</u>
Operating profit			21,426,970
Share of profits less losses of associated companies	28,895,429	-	<u>28,895,429</u>
Profit before income tax			50,322,399
Income tax expense			<u>(1,790,928)</u>
Profit attributable to equity holders of the Company			<u>48,531,471</u>
Segment assets	334,061,997	226,374,291	560,436,288
Unallocated assets			<u>140,510,743</u>
Total assets			<u>700,947,031</u>
Segment liabilities	24,037,481	74,784,199	98,821,680
Unallocated liabilities			<u>5,546,534</u>
Total liabilities			<u>104,368,214</u>

	Property investment, development and management and building contractor HK\$	Investments HK\$	Total HK\$
Year ended 31st March 2006			
Turnover	5,164,618	7,555,277	12,719,895
Segment results	6,627,847	10,709,554	17,337,401
Unallocated costs			(3,250,795)
Operating profit			14,086,606
Share of profits less losses of associated companies	27,325,420	-	27,325,420
Profit before income tax			41,412,026
Income tax expense			(1,140,144)
Profit attributable to equity holders of the Company			40,271,882
Segment assets	328,746,173	141,481,279	470,227,452
Unallocated assets			111,258,425
Total assets			581,485,877
Segment liabilities	23,821,860	118,705	23,940,565
Unallocated liabilities			4,659,566
Total liabilities			28,600,131

#### 4. OTHER GAINS – NET

	2007 HK\$	2006 HK\$
Net realised and unrealised gains on financial assets at fair value through profit or loss	1,920,065	3,735,434
Net exchange gain/(loss)	780,745	(581,157)
Sundries	44,971	66,347
	2,745,781	3,220,624

## 5. EXPENSES BY NATURE

	2007 HK\$	2006 HK\$
Direct expenses arising from properties that generate income	755,391	513,520
Cost of properties sold	377,815	-
Staff costs (including Directors' remuneration)	3,765,307	3,507,840
Auditor's remuneration	385,539	326,000
Amortisation of leasehold land	49,381	50,950
Others	771,417	805,603
	<u>6,104,850</u>	<u>5,203,913</u>

## 6. INCOME TAX EXPENSE

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

	2007 HK\$	2006 HK\$
Current income tax		
Hong Kong profits tax	1,023,889	454,691
Deferred income tax	767,039	685,453
	<u>1,790,928</u>	<u>1,140,144</u>

## 7. DIVIDENDS

	2007 HK\$	2006 HK\$
Proposed final dividend of HK4 cents (2006: HK4 cents) per share	<u>4,838,400</u>	<u>4,838,400</u>

At a meeting held on 13th July 2007, the Board of Directors proposed a final dividend of HK4 cents per share. This proposed dividend will be accounted for as an appropriation of retained profits for the year ending 31st March 2008.

## 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.

	<b>2007</b> <b>HK\$</b>	2006 HK\$
Profit attributable to equity holders of the Company	<b>48,531,471</b>	40,271,882
Weighted average number of ordinary shares in issue	<b>120,960,000</b>	120,960,000
Basic earnings per share (HK cents)	<b>40.1</b>	33.3

The Company has no dilutive potential ordinary shares.

## 9. TRADE AND OTHER RECEIVABLES

	<b>2007</b> <b>HK\$</b>	2006 HK\$
Trade receivables		
Below 60 days	<b>94,229</b>	112,554
Over 60 days	<b>41,832</b>	44,469
	<b>136,061</b>	157,023
Other receivables	<b>1,814,985</b>	1,931,951
Amounts due from associated companies	<b>48,657,193</b>	54,688,814
Prepayments and utility deposits	<b>182,676</b>	154,109
	<b>50,790,915</b>	56,931,897

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

## 10. TRADE AND OTHER PAYABLES

	2007 HK\$	2006 HK\$
Trade payables		
Below 90 days	958	141,407
Over 90 days	10	10
	<hr/>	<hr/>
	968	141,417
Payable for purchase of investments	74,784,199	-
Other payables	767,841	3,257,814
Amounts due to associated companies	21,327,833	18,704,102
Amounts due to related companies	171,285	200,664
Rental and utility deposits received	977,213	915,718
Accrued expenses	895,595	720,850
	<hr/>	<hr/>
	<b>98,924,934</b>	<b>23,940,565</b>
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The amounts due to related companies are unsecured, interest free and payable on demand.

### DIVIDENDS

The Board has resolved to recommend a final dividend of HK4 cents (2006: HK4 cents) per share for the year ended 31st March 2007. No interim dividend had been declared or paid (2006: nil) during the year. Total dividend for the year will amount to HK4 cents (2006: HK4 cents) per share. Subject to the approval of the shareholders at the forthcoming annual general meeting, the proposed final dividend of HK4 cents per share will be payable on Thursday, 30th August 2007 to shareholders whose names appear on the Register of Members of the Company on Friday, 24th August 2007.

### CLOSURE OF REGISTER OF MEMBERS

The Transfer Books and Register of Members of the Company will be closed from Friday, 17th August 2007 to Friday, 24th August 2007, both days inclusive, during which period no transfer of shares will be registered.

To qualify for the above-mentioned final dividend, all transfers must be lodged with the Company's Registrars, Hongkong Managers and Secretaries Limited at 26th Floor, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong not later than 4:00 p.m. on Thursday, 16th August 2007.

### MANAGEMENT DISCUSSION AND ANALYSIS

#### FINANCIAL RESULTS

The Group's turnover for the year ended 31st March 2007 amounted to HK\$20.3 million, representing an increase of about 59.5% from the previous year. This significant improvement can be explained by the better rental income of HK\$1.2 million as a result of better leasing terms being achieved from new or renewed tenancies. The Group's interest income, as the case in the past two years, benefited from gradual rising interest rate and improved by HK\$4.6 million. Further, the Company had disposed one of its properties held for sale for HK\$2.2 million whereas no corresponding sales was recorded last year. However, the increase was offset partly by the reduction in dividend income for HK\$0.4 million.



For the year under review, the Group's profit attributable to equity holders was HK\$48.5 million (2006: HK\$40.3 million). Earnings per share was HK40.1 cents as compared with HK33.3 cents last year. The significant improvement was mainly attributable to an increase in interest income of HK\$4.6 million. The increase was also explained by the inclusion of HK\$3.8 million being profits from sale of properties held for sale and share of profits from sales of investment properties of associated companies whereas no such profit was recorded last year. Better operating result of Rental Business was also an important contributor to this favorable result. However, the increase in value of the Group's investment properties net of related deferred taxation was lower than that of last year by HK\$1.3 million, and there was a decrease in dividend income and gains from the Group's investment portfolio of HK\$0.4 million and HK\$0.5 million respectively.

## **BUSINESS REVIEW**

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

The Group's Rental Business performed well this year. Better unit rates were achieved upon signing new tenancy agreements. An increase of about 34.3% in rental income was recorded.

During the year under review, the Company sold one of its properties held for sale – a unit in Yip Win Factory Building at Kwun Tong, in which the Company had 50% interest. The Group's share of profit from this sale was HK\$1.9 million. In addition, a unit together with two carparks in Grosse Pointe Villa at Stanley and a unit at Belair Villa were sold and the contribution therefrom was HK\$1.9 million. Apart from these, the Group did not acquire or dispose of any property during the year under review and up to the date of this report.

Similar to last year, the 25-storey Horizon Plaza at Ap Lei Chau is currently fully occupied and rented out with satisfactory returns. Subsequent to the year end, the Group has reached an agreement with the Lands Department for the conversion of Horizon Plaza from Industrial/Godown use to Commercial use and the related premium has already been paid. The Group will focus on upgrading the premises so as to enhance its rental values.

For the year under review, the turnover and profit of the Group's Property Management Business was comparable to last year.

Turnover for the Building Contractor Business decreased by HK\$0.1 million and the resulting loss was HK\$0.2 million greater than last year. During the second half of the reporting year, in order to have more efficient use of resources, the Group had trimmed down the workforce and adopted a more flexible approach in managing the manpower.

### **Investments**

During the year under review, the Group's Investments Business out-performed last year by HK\$3.7 million or 34.8%. The main thrust came from the greater interest income of HK\$4.6 million. Given its virtually debt-free position, the Group was able to benefit from the gradual increase in interest rate.

On the contrary, since securities prices were already at high levels, it is difficult to achieve persistent appreciation in values from the Group's investment portfolio. The aggregate of the increase in fair value and the net profit from sale of investments was HK\$1.8 million less than that of last year. Also, the dividend received from the investment portfolio was lower than that of last year by HK\$0.4 million. On the other hand, an exchange gain of HK\$0.7 million was reported (2006: exchange loss of HK\$0.6 million).

## **EMPLOYMENT AND REMUNERATION POLICIES**

As at 31st March 2007, the Group had less than twenty employees and their remuneration are maintained at competitive levels. Total staff costs (including Directors' remuneration) amounted to HK\$3.8 million (2006: HK\$3.5 million). Remuneration policies are reviewed regularly by the Board and by the Remuneration Committee regarding Directors and senior management. Employees' salaries are determined on performance basis with reference to the market trend. In addition, discretionary bonuses are granted to eligible employees by reference to the Group's results and individual performance. Other benefits include education subsidies, medical and retirement benefits.

## **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 bank balances amounted to HK\$140.3 million at 31st March 2007. The Board believes that the Group has sufficient financial resources for its operations. The Group has no material exposure to foreign exchange rate fluctuation or material contingent liabilities.

## **PROSPECTS**

The local economy remained strong throughout the year. The unemployment rate dropped further to 4.3%. Although the year-on-year 2007 1st Quarter GDP was reported at 5.6% which was lower than the previous two quarters, the higher household income and positive wealth effect as a result of the higher asset values will stimulate private consumption. These, together with inflationary pressure and buoyant tourism, will strengthen investor confidence. The Group's core businesses will benefit from the resulting higher rental and occupancy rates.

The US Federal Reserve has stopped its act of lifting the interest rate since mid-2006. The development of the US housing sector casts uncertainties over its economic growth. There were fears that the sub-prime mortgage problem would have adverse impact on other sectors of the US economy. Nevertheless, some statistical figures reported recently suggested the continual growth of the US economy, albeit at a moderate pace. The Federal Reserve seemed to be more cautious of inflationary pressures. The recent surge of bond yields indicated pressure of rising interest rates. Therefore, it is uncertain about the future direction of the US interest rates. In any event, even though the interest rate levels will be pushed up, we expect that the process will be slow and a relatively stable interest rate environment for the year is envisaged.

China's robust economic growth is expected to grow. The central government has, however, imposed a series of macroeconomic measures so as to curb speculations and stabilize property prices. Nonetheless, the relaxed requirements of QDII will benefit the local economy.

On the contrary, the presence of extensive interest differentials between certain currencies, such as Australian/New Zealand Dollar and Japanese Yen had triggered abundant volume of carry-trade transactions. The recent unwind of this kind of transactions in early part of March was impressive. We should be wary of the likely turbulence if the same unwind occurs.

In light of the above factors, we shall continue to focus our resources on our core property-related business and make concrete efforts to safeguard and strengthen our business operations so as to bring satisfactory return to our shareholders.

## **CORPORATE GOVERNANCE**

The Company is committed to maintain high standards of corporate governance. During the year ended 31st March 2007, save as disclosed in the Company's interim report for the six months ended 30th September 2006 regarding the deviations from the code provisions A.2.1 and A.4.1 of the Code on Corporate Governance Practices (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 (“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 year.

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 CG Code will be set out in the Corporate Governance Report contained in the Company’s 2007 Annual Report.

#### **AUDIT COMMITTEE**

The audit committee of the Company has been established since December 1998. As at the date hereof, the audit committee consists of the three Independent Non-executive Directors, namely Messrs. Lam Hon Keung, Keith (Chairman), Chan Woon Kong and Soo Hung Leung, Lincoln and the two Non-executive Directors, namely Messrs. John Ho and Ng Kwok Tung, with written terms of reference in compliance with the Listing Rules. The audit committee has reviewed the Group’s financial statements for the year ended 31st March 2007 and 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 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 website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) under “Latest Listed Company Information” and on the website of the Company at [www.wahha.com/e\\_investor\\_anno.asp](http://www.wahha.com/e_investor_anno.asp). The annual report of the Company for the year ended 31st March 2007 will be dispatched to the shareholders of the Company in late July 2007.

#### **ANNUAL GENERAL MEETING AND RELEVANT NOTICE**

It is proposed that the 2007 annual general meeting of the Company will be held on Friday, 24th August 2007. Notice of the annual general meeting will be published and dispatched to the shareholders of the Company in late July 2007.

#### **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 Soo Hung Leung, Lincoln as Independent Non-executive Directors.

By Order of the Board  
**Raymond W. M. Chu**  
Company Secretary

Hong Kong, 13th July 2007