



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)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011**

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 30th September 2011, with comparative figures of the previous period, are as follows:

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2011**

		Six months ended 30th September	
	Note	2011 HK\$	2010 HK\$
Revenues	2	4,591,089	6,454,152
Changes in fair value of investment properties		200,000	16,340,000
Net fair value (losses)/gains on financial assets at fair value through profit or loss		(613,439)	11,912,812
Fair value losses on derivative financial instruments		-	(4,049,136)
Other gains	3	1,538,163	431,491
Direct outgoings in relation to properties that generate income		(168,837)	(662,138)
Cost of completed properties sold		-	(232,350)
Staff costs		(2,059,021)	(1,966,912)
Other operating expenses		(631,895)	(615,274)
Operating profit		2,856,060	27,612,645
Share of profits less losses of associated companies (including share of fair value gain on investment properties net of related tax of HK\$49,174,443 (2010: HK\$57,575,150))		58,561,412	67,647,485
Profit before income tax		61,417,472	95,260,130
Income tax expense	4	(58,598)	(4,179,905)
Profit and total comprehensive income attributable to equity holders of the Company		61,358,874	91,080,225
Earnings per share (Basic and diluted)	5	0.51	0.75
Dividends	6	12,096,000	6,048,000

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH SEPTEMBER 2011**

	Note	30th September 2011 HK\$	31st March 2011 HK\$
ASSETS			
Non-current assets			
Investment properties		65,000,000	64,800,000
Investments in associated companies		480,690,643	423,493,053
Amounts due from associated companies		31,199,701	41,968,200
Available-for-sale financial assets		250,448	250,448
Deferred income tax assets		768	800
		<u>577,141,560</u>	<u>530,512,501</u>
Current assets			
Completed properties held for sale		6,524,147	6,524,147
Amounts due from associated companies		48,844,741	40,071,682
Trade and other receivables	7	1,759,312	1,415,056
Tax recoverable		3,852,335	2,832,215
Financial assets at fair value through profit or loss		1,941,824	2,555,263
Cash and bank balances		346,943,288	375,584,483
		<u>409,865,647</u>	<u>428,982,846</u>
Total assets		<u><u>987,007,207</u></u>	<u><u>959,495,347</u></u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		78,624,000	78,624,000
Retained profits		<u>12,096,000</u>	-
- Interim dividend		-	36,288,000
- Proposed final dividend		866,725,186	817,462,312
- Others		<u>878,821,186</u>	853,750,312
Total equity		<u><u>957,445,186</u></u>	<u><u>932,374,312</u></u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		10,047,648	10,092,550
Current liabilities			
Amounts due to associated companies		16,594,048	14,187,367
Trade and other payables	8	2,700,395	2,682,020
Tax payable		219,930	159,098
		<u>19,514,373</u>	<u>17,028,485</u>
Total liabilities		<u><u>29,562,021</u></u>	<u><u>27,121,035</u></u>
Total equity and liabilities		<u><u>987,007,207</u></u>	<u><u>959,495,347</u></u>
Net current assets		<u><u>390,351,274</u></u>	<u><u>411,954,361</u></u>
Total assets less current liabilities		<u><u>967,492,834</u></u>	<u><u>942,466,862</u></u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The interim financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, derivative financial instruments and investment properties, which are carried at fair value, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31st March 2011 which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The accounting policies and methods of computation applied in the preparation of the interim financial information are consistent with those applied in the annual financial statements for the year ended 31st March 2011, except as stated below.

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

HKFRS 3 (Revised)	Business Combinations
HKAS 24 (Amendment)	Related Party Disclosure
HKAS 34 (Amendment)	Interim Financial Reporting
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The Group has assessed the impact of the adoption of these revised standards, amendments and interpretations and considered that there were no significant impact on the Group’s results and financial position or 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 and completed properties held for sale and exclude items such as cash and bank balances, tax recoverable and deferred income tax assets. Segment liabilities comprise operating liabilities and exclude items such as tax payable and deferred income tax liabilities.

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

	Six months ended	
	30th September	
	2011	2010
	HK\$	HK\$
Rental income	2,162,260	1,866,804
Sales of completed properties held for sale	-	1,094,000
Management fee income	589,987	554,546
Bank interest income	1,718,269	427,144
Dividend income – Listed investments	26,773	2,300,958
Construction supervision fee income	93,800	210,700
	4,591,089	6,454,152

The segment results for the six months ended 30th September 2011 are as follows:

	Property development, investment and management HK\$	Investments HK\$	Total HK\$
Revenues	<u>2,846,047</u>	<u>1,745,042</u>	<u>4,591,089</u>
Segment results	<u>2,151,901</u>	<u>2,669,766</u>	4,821,667
Unallocated costs			<u>(1,965,607)</u>
Operating profit			2,856,060
Share of profits less losses of associated companies	58,561,412	-	<u>58,561,412</u>
Profit before income tax			61,417,472
Income tax expense			<u>(58,598)</u>
Profit attributable to the equity holders of the Company			<u>61,358,874</u>
Changes in fair value of investment properties	200,000	-	<u>200,000</u>

The segment assets and liabilities at 30th September 2011 are as follows:

	Property development, investment and management HK\$	Investments HK\$	Total HK\$
Segment assets	152,987,322	2,532,851	155,520,173
Associated companies	480,690,643	-	480,690,643
Unallocated assets			<u>350,796,391</u>
Total assets			<u>987,007,207</u>
Segment liabilities	19,006,242	-	19,006,242
Unallocated liabilities			<u>10,555,779</u>
Total liabilities			<u>29,562,021</u>

The segment results for the six months ended 30th September 2010 are as follows:

	Property development, investment and management HK\$	Investments HK\$	Total HK\$
Revenues	3,726,050	2,728,102	6,454,152
Segment results	18,493,608	11,020,408	29,514,016
Unallocated costs			(1,901,371)
Operating profit			27,612,645
Share of profits less losses of associated companies	67,647,485	-	67,647,485
Profit before income tax			95,260,130
Income tax expense			(4,179,905)
Profit attributable to the equity holders of the Company			91,080,225
Changes in fair value of investment properties	16,340,000	-	16,340,000

The segment assets and liabilities at 31st March 2011 are as follows:

	Property development, investment and management HK\$	Investments HK\$	Total HK\$
Segment assets	154,380,355	3,204,441	157,584,796
Associated companies	423,493,053	-	423,493,053
Unallocated assets			378,417,498
Total assets			959,495,347
Segment liabilities	16,614,041	-	16,614,041
Unallocated liabilities			10,506,994
Total liabilities			27,121,035

3. OTHER GAINS

	Six months ended	
	30th September	
	2011	2010
	HK\$	HK\$
Net exchange gains	1,538,163	428,630
Sundries	-	2,861
	<u>1,538,163</u>	<u>431,491</u>

4. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the Group's estimated assessable profit for the period.

	Six months ended	
	30th September	
	2011	2010
	HK\$	HK\$
Hong Kong profits tax		
Provision for the period	103,468	228,156
Deferred income tax (credit)/expense	(44,870)	3,951,749
	<u>58,598</u>	<u>4,179,905</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\$61,358,874 (2010: HK\$91,080,225) and on 120,960,000 shares (2010: 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	
	30th September	
	2011	2010
	HK\$	HK\$
Interim dividend declared of HK10 cents (2010: HK5 cents) per share	<u>12,096,000</u>	<u>6,048,000</u>

The Board of Directors has resolved to declare an interim dividend of HK10 cents per share for the six months ended 30th September 2011 (2010: HK5 cents) payable on Friday, 6th January 2012 to equity holders whose names appear on the Register of Members of the Company on Friday, 23rd December 2011.

7. TRADE AND OTHER RECEIVABLES

	30th September 2011 HK\$	31st March 2011 HK\$
Trade receivables		
Within 3 months	653,394	565,134
Other receivables	939,746	662,489
Prepayments and utility deposits	166,172	187,433
	1,759,312	1,415,056

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

8. TRADE AND OTHER PAYABLES

	30th September 2011 HK\$	31st March 2011 HK\$
Trade payables		
Within 90 days	324	379
Other payables	956,191	1,022,524
Rental and utility deposits received	744,193	898,736
Accrued expenses	999,687	760,381
	2,700,395	2,682,020

INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim dividend of HK10 cents per share for the six months ended 30th September 2011 (2010: HK5 cents) payable on Friday, 6th January 2012 to equity holders whose names appear on the Register of Members of the Company on Friday, 23rd December 2011.

CLOSURE OF REGISTER OF MEMBERS

The Transfer Books and Register of Members of the Company will be closed from Monday, 19th December 2011 to Friday, 23rd December 2011, 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 Unit 3401-2, 34th Floor, AIA Tower, 183 Electric Road, North Point, Hong Kong not later than 4:00 p.m. on Friday, 16th December 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the period under review, the Group's unaudited profit attributable to equity holders amounted to HK\$61.4 million, representing a decrease of about 32.6% from the corresponding period in 2010. The reasons for this decrease were three-fold, namely the reduction in fair value gains net of deferred taxation from the Group's and its associated companies' investment properties for HK\$21.9 million and the reduction of net fair value gains of listed investments and dividend income of HK\$7.1 million and HK\$2.3 million respectively following the sales of the majority of its listed investments. These downside factors were however mitigated by the increases of interest income and net exchange gains of HK\$1.3 million and HK\$1.1 million respectively. Excluding these effects, the Group's profit attributable to equity holders was slightly lower than that of the corresponding period in last year.

BUSINESS REVIEW

Property Development, Investment and Management

During the period under review, the Group's rental business performed well. Even though there was a loss of rental income following an associated company's disposal of the whole industrial building in Fanling, the rental revenue derived from the Group's and its associated companies' properties recorded a moderate improvement. The contribution to the Group's after-tax profit rose by approximately HK\$0.9 million. This favourable result was however eroded by the sale of a residential unit in Fanling at a price lower than the carrying value and the resulted loss was HK\$0.7 million attributable to the Group. The corresponding profit of last year was HK\$1.0 million.

During and subsequent to the period under review, an associated company had acquired 15 residential units in Yau Ma Tei.

Investments

Last year, the Group had disposed of the majority of its listed investments. The net fair value gains and dividend income associated with these disposed listed investments no longer exist. For the period under review, the after-tax profit from the Group's investment portfolio was HK\$9.4 million lower than that of the corresponding period in 2010. On the other hand, the Group enjoyed the benefit of the slight increase in deposit interest rate and an increase of interest income for HK\$1.3 million was reported. Besides, an increase in net exchange gains of HK\$1.1 million was reported in the period under review.

PROSPECTS

For the period under review, some weakening signs were seen. Although the growth rate of the private consumption expenditure in the 3rd Quarter could still stay at a similar level to that of the 2nd Quarter, a slight decrease from 9.7% in the 2nd Quarter to 8.8% was recorded. Year-on-year GDP growth experienced further drop from 5.1% of the 2nd Quarter to 4.3% of the 3rd Quarter whereas the corresponding growth in the 1st Quarter was 7.5%. A greater drop was found in the total exports of goods. Following a slight deterioration in the 2nd Quarter, a 10.9% decline was reported in the 3rd Quarter. On the other hand, the Government had revised its estimation on the 2011 Consumer Price Index to 5% which is likely the result of the slowing economy. The slowdown of the economies of the United States and Europe, consequent upon their stringent control on fiscal deficit, will have further adverse impact on the exports of goods from Hong Kong. Contraction in total exports of goods is anticipated.

The two rounds quantitative easing monetary measures adopted by the United States seemed to have little effect in rescuing the economy. Unemployment rate stood above 9% and economic growth was at relatively low level. Standard & Poor's downgraded the United States sovereignty credit rating from AAA to AA+. The effort of the Federal Reserve to maintain the low interest rate at low levels until 2013 and the use of operation twist so as to press down the long term interest rate do not bring about immediate effect. The fear of double dip recession is growing. It is quite likely that a third round quantitative easing monetary measures will be announced in early 2012 and the effectiveness of these expansionary monetary measures, if implemented, needs to be observed. The ongoing Eurozone sovereign debt crisis draws the attention of the global market. Italy becomes the new focus after Ireland, Portugal and Greece. It is unlikely that the crisis can be resolved in the near future. Similar to the United States, the EU countries will adopt expansionary monetary policy (the European Bank lowered the interest rate by 0.25% recently) and control their fiscal deficit. To cope with the uncertainties, some countries, such as Brazil and Australia, have also taken steps to lower the interest rates. In the face of the aforesaid turbulence, the global economic recovery remains fragile and uncertain.

Hong Kong benefits from its proximity to mainland China. China is one of the few countries that still enjoys high economic growth. The Central Government's tightening policies to counter inflation may have a downside effect on economic growth. However, there is general consensus that soft landing of the economy is likely. The policy measures of the Central Government will enlarge and deepen Hong Kong's role as an offshore Renminbi financial centre. The buoyant cross-border mainland shoppers, together with the strong domestic demand, drives up the demand for office and retail property in Hong Kong. The Government of the Hong Kong Special Administrative Region, in tackling the likely formation of asset bubble, has taken out measures to cool down the housing market. These measures include increasing land supply, introducing the Special Stamp Duty, increasing the interest margin for mortgage loans, lowering the mortgage loan-to-value ratio, and launching new Home Ownership Scheme. These measures will result in a more sustainable property market in the long run.

We should be, on the one hand, highly vigilant about the global economic uncertainties. On the other hand, we are optimistic about the economic prospect in Hong Kong and will continue to maintain adequate financial resources to face new challenges ahead so as to deliver satisfactory returns to our shareholders.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30th September 2011, the Group had less than twenty employees and their remuneration is maintained at competitive levels. Total staff costs (including Directors' remuneration) amounted to HK\$2.1 million (2010: HK\$2.0 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 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 cash equivalents amounted to HK\$277.1 million at 30th September 2011. 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

In the opinion of the Directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (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 30th September 2011, 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 103(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 30th September 2011.

AUDIT COMMITTEE

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. The Group’s interim results for the six months ended 30th September 2011 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 30th September 2011 will be published and dispatched to the equity holders of the Company in mid December 2011.

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, 24th November 2011