



華廈置業有限公司

WAH HA REALTY COMPANY LIMITED

## WAH HA REALTY COMPANY LIMITED

(Incorporated in Hong Kong with Limited Liability)

(Stock Code: 278)

### ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH 2005

The Board of Directors of Wah Ha Realty Company Limited (the “Company”) announces that the audited consolidated results of the Company and its subsidiary and associated companies (the “Group”) for the year ended 31st March 2005, with comparative figures of the previous year, are as follows:

	<i>Note</i>	<b>2005</b> <b>HK\$</b>	2004 <i>HK\$</i>
Turnover		<b>6,788,081</b>	9,788,505
Direct costs		<b>(398,102)</b>	(591,424)
Gross profit		<b>6,389,979</b>	9,197,081
Other revenues		<b>1,345,869</b>	3,465,540
General and administration expenses		<b>(4,414,293)</b>	(5,069,527)
Other operating income		<b>3,597,718</b>	7,669,652
Operating profit	3	<b>6,919,273</b>	15,262,746
Share of profits less losses of associated companies		<b>20,342,680</b>	15,096,975
Profit before taxation		<b>27,261,953</b>	30,359,721
Taxation	4	<b>(2,208,973)</b>	(1,945,893)
Profit attributable to shareholders		<b>25,052,980</b>	28,413,828
Dividends	5	<b>4,838,400</b>	7,257,600
Earnings per share	6	<b>20.7 cents</b>	23.5 cents

Notes:

## 1. BASIS OF PREPARATION

The accounts have been prepared under historical cost convention, as modified by the revaluation of investment properties, investments in certain associated companies and short-term investments, and in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants.

## 2. SEGMENT INFORMATION

The principal activities of the Group include those relating to investment holding, property development and investment, property management and building contractor. There are no other significant identifiable separate business. In accordance with the Group's internal financial reporting and operating activities, the primary reporting is by business segments and the secondary reporting is by geographical segments. All of the Group's operation and assets are located in Hong Kong.

Analysis of the turnover and results by business segment is as follows:

	<b>Property investment, development and management and building contractor HK\$</b>	<b>Investments and corporate services HK\$</b>	<b>Total HK\$</b>
Year ended 31st March 2005			
Turnover	<u>5,103,010</u>	<u>1,685,071</u>	<u>6,788,081</u>
Segment results	<u>3,438,753</u>	<u>3,480,520</u>	6,919,273
Share of profits less losses of associated companies	20,342,680	—	<u>20,342,680</u>
Profit before taxation			27,261,953
Taxation			<u>(2,208,973)</u>
Profit attributable to shareholders			<u>25,052,980</u>
Year ended 31st March 2004			
Turnover	<u>6,200,929</u>	<u>3,587,576</u>	<u>9,788,505</u>
Segment results	<u>3,825,005</u>	<u>11,437,741</u>	15,262,746
Share of profits less losses of associated companies	15,096,975	—	<u>15,096,975</u>
Profit before taxation			30,359,721
Taxation			<u>(1,945,893)</u>
Profit attributable to shareholders			<u>28,413,828</u>

### 3. OPERATING PROFIT

	2005 <i>HK\$</i>	2004 <i>HK\$</i>
Operating profit is stated after crediting:		
Gross rental income		
Investment properties	931,850	963,889
Other properties	2,798,197	2,979,925
<i>Less</i> : related outgoings	(398,102)	(371,836)
Net profit on sales of short-term investments	2,963,667	1,006,017
Net unrealised gain on short-term investments	377,523	6,663,635
Gain on disposal of an associated company	43,673	—
	<u>                    </u>	<u>                    </u>
and after charging:		
Staff costs (including Directors' remuneration and retirement benefits)	3,334,763	3,566,444
Auditors' remuneration	313,000	318,000
Cost of properties sold	—	219,588
	<u>                    </u>	<u>                    </u>

### 4. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year.

	2005 <i>HK\$</i>	2004 <i>HK\$</i>
Current taxation:		
Hong Kong profits tax	236,500	313,880
(Over)/Under provision in prior years	(2,604)	10,082
	<u>                    </u>	<u>                    </u>
	233,896	323,962
Share of taxation attributable to associated companies	1,975,077	1,621,931
	<u>                    </u>	<u>                    </u>
	2,208,973	1,945,893
	<u>                    </u>	<u>                    </u>

### 5. DIVIDENDS

	2005 <i>HK\$</i>	2004 <i>HK\$</i>
Proposed final of 4 cents (2004: 3 cents) per share	4,838,400	3,628,800
Proposed special of nil cents (2004: 3 cents) per share	—	3,628,800
	<u>                    </u>	<u>                    </u>
	4,838,400	7,257,600
	<u>                    </u>	<u>                    </u>

At a meeting held on 12th July 2005, the Board of Directors has resolved to recommend a final dividend of 4 cents (2004: 3 cents and 3 cents special dividend) per share. This proposed final dividend will be accounted for as an appropriation of retained profit for the year ending 31st March 2006.

## **6. EARNINGS PER SHARE**

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$25,052,980 (2004: HK\$28,413,828) and on 120,960,000 shares in issue during the year.

## **DIVIDENDS**

The Board has resolved to recommend a final dividend of 4 cents (2004: 3 cents and 3 cents special dividend) per share for the year ended 31st March 2005. No interim dividend had been declared or paid (2004: nil) during the year. Total dividend for the year will amount to 4 cents (2004: 6 cents) per share. Subject to the approval of the shareholders at the forthcoming Annual General Meeting, the proposed final dividend of 4 cents per share will be payable on Monday, 29th August 2005 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 23rd August 2005.

## **CLOSURE OF REGISTER OF MEMBERS**

The Transfer Books and Register of Members of the Company will be closed from Tuesday, 16th August 2005 to Tuesday, 23rd August 2005, 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 Monday, 15th August 2005.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Results**

The Group's turnover for the year ended 31st March 2005 amounted to HK\$6,788,081, representing a decline of 30.65% from the previous year. This decrease was predictable and attributable to the cessation of receiving management fees from certain of its associated companies, leading to the distinct drop in management fee income by HK\$2,378,000. However, this decline in income was balanced by the corresponding increase in profits from these associated companies. The absence of property sales also contributed to the decline in turnover by HK\$528,000. The Group's interest income increased by HK\$574,495 in the year under review. However, this increase was eroded by the drops in rental and construction supervision fee income.

For the year ended 31st March 2005, the Group's profit attributable to shareholders dropped to HK\$25,052,980 (2004: HK\$28,413,828) with earnings per share of HK20.7 cents (2004: HK23.5 cents), representing a decrease of 11.83% from that of the preceding year. While there was an increase of HK\$574,495 in interest income, the profit of the Group's Investment Business was lacklustre as exceptional high gains from short-term investments were recorded last year. The aggregate of net realized and unrealized gains of the Group's short-term investments for the current year was HK\$3,341,190, which was HK\$4,328,462 lower than that of last year. This substantial decrease was explained by the strong rebound in the prices of short-term investments since the SARS outbreak in 2003 and hence, exceptional high gains were recorded in 2004. The unfavourable impact was however mitigated by the improvements in the values of the investment properties held. Consequently, the Group's profit for the reporting year recorded a decline when compared with that of last year.

## **Business Review**

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

Benefited from the promising property market especially in luxury residential property sector, during the year under review, Wah Ha Property Development Limited, the Group's 50% owned associated company sold one of its investment properties that was acquired in 1996, namely Suite C on 5th and 6th Floors together with two car parking spaces on 1/F of No. 1 Robinson Road, Hong Kong at market value. The Group's share of profit derived therefrom amounted to about HK\$2.13 million. Apart from this, the Group did not acquire or dispose of any property during the year under review and up to the date of this announcement.

Despite the moderate decrease of 5.42% in turnover as compared with HK\$3.94 million of last year, the Group's Rental Business had performed satisfactorily. In the context of an on-going improved economic fundamentals, the downward pressure on rental rates seemed to be relieved. Currently, the 25-storey Horizon Plaza at Ap Lei Chau and most of the luxury residential units of the Group are fully occupied and rented out with satisfactory returns. It is anticipated that this segment will show encouraging growth as a result of better occupancy and favourable rental rates from both renewals and new leases following the upturn of the local property market.

For the year under review, the turnover of the Group's Property Management Business shrank slightly to approximately HK\$1.16 million (2004: HK\$1.22 million) in tandem with the continuous fall in expenditure levels of the serviced parties. Consequently, profit from this segment decreased by approximately HK\$0.05 million compared to that of last year.

During the reporting year, the operating environment of the Group's Building Contractor Business showed no improvement when compared with that of last year. A fall of nearly HK\$0.30 million in turnover for the whole year was recorded. However, the stringent cost control measures successfully narrowed the loss in this segment from HK\$0.46 million in the preceding year to approximately HK\$0.24 million in this fiscal year.

### ***Investment and Corporate Services***

The Group's Investment Business still performed well for the year under review. However, the momentum and market sentiment in the local stock market established since the end of 2003/2004 fiscal year seemed to have been cooled down in the second quarter of this financial year citing investors' concern about downside risks and falling equity prices in light of some risk factors emerged in the market. It was witnessed that the increase of HK\$1.96 million in net profit on sales of the Group's short-term investments during the year was wholly driven away by the shrinkage in unrealised gains of approximately HK\$6.29 million from the Group's short-term investment portfolio. Profits from this business though attained HK\$4.94 million, had still shown a 55.23% regression when compared with the high base figures of last year.

The Group had ceased to receive management fees from certain of its associated companies in the Group's Corporate Services Business this year. Turnover of this segment was adversely affected and was pushed down to HK\$0.43 million (2004: HK\$2.90 million). The operating loss in this sector was unavoidably enlarged from HK\$0.38 million of last year to HK\$2.91 million of this year. However, this decrease in income resulted in a corresponding increase in the profits of the associated companies of the Group.

## **DISPOSAL OF A 25% OWNED ASSOCIATED COMPANY**

In December 2004, the Company disposed of its entire interest in a 25% owned associated company, namely Keneva Construction Company Limited (“Keneva”), to a related company of another shareholder of Keneva. Keneva is engaged in building contractor business and did not contribute any profit to the Group in 2004. The disposal was in line with the Group’s continual review and rationalisation of its investment policy. While this disposal constituted a connected transaction, it was exempt from all the reporting, announcement and independent shareholders’ approval requirements pursuant to Rule 14A.31(2) of Chapter 14A of the Listing Rules. A gain of HK\$43,673 arose from this disposal.

## **EMPLOYMENT INFORMATION**

The Group has less than twenty employees and their remuneration are maintained at competitive levels. 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\$97.47 million at 31st March 2005. 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.

## **OTHER DISCLOSURE**

Other than as disclosed above, the Directors are not aware of any other material changes to the information in relation to the Group’s performance and the material factors underlying its results and financial position published in the annual report for the year ended 31st March 2004.

## **PROSPECTS**

Looking forward, the local economic environment will remain broadly favourable in light of the continued betterment in the local economic fundamentals, such as the improving job market conditions, further growth in local GDP as well as the encouraging property market with broad-based growth across all sectors. Additionally, the Central Government’s supportive policies, the opening of the Disney theme park in September this year and the increased consumer confidence across all sectors of the economy will give a further stimulation to the local economy. Given such positive outlook as well as our sound financial position and solid experience in the property industry, we are confident that the performance of the Group’s core property-related businesses will be promising in the coming year.

Although the local economy has generally performed well and the momentum of the growth is likely to sustain, the outlook is increasingly overshadowed by a number of risk factors in the external environment, like crude oil price volatility, global interest rate increase and etc. Indeed, escalated competition in the local property market will continue to be a challenge to the Group’s performance. In light of these, we will continue to focus our resources and energy on our core property-related business and make concrete efforts to safeguard and strengthen our business operations in order to bring satisfactory return to our shareholders.

## **AUDIT COMMITTEE**

The audit committee of the Company has been established since December 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 Soo Hung Leung, Lincoln and two Non-executive Directors, namely Messrs. John Ho and Ng Kwok Tung, with written terms of reference in compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“the Stock Exchange”) (“Listing Rules”). The audit committee has reviewed the Group’s accounts for the year ended 31st March 2005 and has no reservation on the accounting treatments adopted by the Group.

## **THE CODE OF BEST PRACTICE**

In the opinion of the Directors, the Company has complied with the Code of Best Practice (“the Code”) as set out in Appendix 14 of the Listing Rules (in force prior to 1st January 2005) throughout the year ended 31st March 2005, except that Non-executive Directors of the Company are not appointed for specific terms as they are subject to retirement by rotation at the annual general meeting of the Company in accordance with Article 103(A) of the Company’s Articles of Association.

The Code has been replaced by the Code on Corporate Governance Practices (“the CG Code”) which took effect for accounting periods commencing on or after 1st January 2005. The Company would report on compliance with the code provisions in the CG Code in its forthcoming interim results announcement and interim report for the six months ending 30th September 2005.

## **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 subsidiary companies has purchased or sold any of the Company’s issued shares during the year.

## **PUBLICATION OF DETAILED ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE**

A detailed results announcement containing all information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

## **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 Chu Wing Man**  
*Company Secretary*

Hong Kong, 12th July 2005

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting of the Members of the Company will be held at Room 2500, Dominion Centre, 43-59 Queen's Road East, Wanchai, Hong Kong on Tuesday, 23rd August 2005 at 12:00 noon for the following purposes:

1. To receive, consider and adopt the Audited Accounts and the Reports of the Directors and Auditors for the year ended 31st March 2005.
2. To declare a final dividend for the year ended 31st March 2005.
3. To re-elect Directors and fix the Directors' fees.
4. To re-appoint Messrs. PricewaterhouseCoopers as Auditors of the Company and authorize the Board to fix their remuneration.
5. As special business, to consider and, if thought fit, pass with or without modifications, the following resolutions as Ordinary Resolutions:

(A) **“THAT:**

- (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase issued shares of HK\$0.65 each (“Shares”) in the capital of the Company subject to and in accordance with all applicable laws and the requirements of the Listing Rules, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of Shares of the Company in issue at the date of this resolution and the said approval shall be limited accordingly; and
- (c) for the purposes of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:
  - (i) the conclusion of the next Annual General Meeting of the Company;
  - (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Companies Ordinance to be held; and
  - (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.”

(B) **“THAT** the general mandate unconditionally given to the Directors to issue and dispose of additional shares not exceeding 20% of the existing issued share capital of the Company be and is hereby renewed until whichever is the earlier of:

- (a) the conclusion of the next Annual General Meeting of the Company;
- (b) the expiration of the period within which the next Annual General Meeting of the Company is required by the Companies Ordinance to be held; and

(c) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.”

(C) “**THAT** conditional upon the passing of the Resolutions Nos. 5(A) and 5(B), the general mandate granted to the Directors to issue and dispose of additional shares pursuant to Resolution No. 5(B) be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Resolution No. 5(A), provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company at the date of passing this resolution.”

By Order of the Board  
**Raymond Chu Wing Man**  
*Company Secretary*

Hong Kong, 12th July 2005

*Notes:*

- (i) A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.
- (ii) To be valid, the proxy form, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the Company’s registered office, Room 2500, Dominion Centre, 43-59 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof.
- (iii) The Register of Members of the Company will be closed from Tuesday, 16th August 2005 to Tuesday, 23rd August 2005, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Registrars, Hongkong Managers and Secretaries Limited, 26th Floor, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong for registration not later than 4:00 p.m. on Monday, 15th August 2005.
- (iv) Concerning the above proposed Ordinary Resolution No. 5, approval is being sought from the shareholders to give general mandate to the Directors to issue and repurchase shares of the Company pursuant to Section 57B of the Companies Ordinance and the Listing Rules. The Directors wish to state that they have no immediate plans to issue any new shares or to repurchase any shares of the Company.
- (v) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
- (vi) A circular containing information regarding Resolutions Nos. 3 and 5 will be sent to the shareholders together with the Company’s 2005 Annual Report.

Please also refer to the published version of this announcement in the China Daily.