



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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2006

The Board of Directors of Wah Ha Realty Company Limited (the “Company”) announces that the unaudited consolidated interim results of the Company and its subsidiary and associated companies (the “Group”) for the six months ended 30th September 2006, with comparative figures of the previous period, are as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2006

		Six months ended 30th September	
	Note	2006 HK\$	2005 HK\$
Turnover	2	11,047,875	5,712,135
Direct costs		(622,317)	(212,883)
Gross profit		10,425,558	5,499,252
Other gains – net		1,496,765	2,640,007
Changes in fair value of investment properties		1,500,000	1,950,000
Administrative expenses		(2,391,339)	(2,311,793)
Operating profit	3	11,030,984	7,777,466
Share of profits less losses of associated companies (Including share of revaluation surplus on investment properties net of related tax of HK\$9,222,874 (2005: HK\$8,353,125))		17,819,571	14,577,848
Profit before income tax		28,850,555	22,355,314
Income tax expense	4	(787,510)	(458,549)
Profit attributable to equity holders of the Company		28,063,045	21,896,765
Earnings per share	5	23.2 cents	18.1 cents
Dividends	6	–	–

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH SEPTEMBER 2006

		30th September	31st March
		2006	2006
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
ASSETS			
Non-current assets			
Investment properties		31,000,000	29,500,000
Investments in associated companies		153,131,218	135,311,647
Amounts due from associated companies		98,311,479	101,130,980
Available-for-sale financial assets		250,448	250,448
Deferred income tax assets		140,469	136,737
		<u>282,833,614</u>	<u>266,329,812</u>
Current assets			
Properties held for sale		5,796,705	6,199,548
Trade and other receivables	7	54,871,960	56,931,897
Tax recoverable		88,848	141,058
Short-term investments	8	148,783,483	140,902,932
Cash and cash equivalents		113,345,486	110,980,630
		<u>322,886,482</u>	<u>315,156,065</u>
Total assets		<u>605,720,096</u>	<u>581,485,877</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		78,624,000	78,624,000
Retained profits		497,486,391	474,261,746
Total equity		<u>576,110,391</u>	<u>552,885,746</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		4,561,704	4,299,851
Current liabilities			
Trade and other payables	9	24,211,107	23,940,565
Tax payable		836,894	359,715
		<u>25,048,001</u>	<u>24,300,280</u>
Total liabilities		<u>29,609,705</u>	<u>28,600,131</u>
Total equity and liabilities		<u>605,720,096</u>	<u>581,485,877</u>
Net current assets		<u>297,838,481</u>	<u>290,855,785</u>
Total assets less current liabilities		<u>580,672,095</u>	<u>557,185,597</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

a. Basis of preparation

These interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

These interim financial statements should be read in conjunction with the annual financial statements for the year ended 31st March 2006.

b. Accounting policies

The accounting policies and methods of computation used in the preparation of these interim financial statements are consistent with those used in the annual financial statements for the year ended 31st March 2006.

With effect from 1st April 2006, the Group adopted the new/revised standards of Hong Kong Financial Reporting Standards (“HKFRS”) below, which are relevant to its operations.

HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The adoption of the above standards had no material effect on the Group’s financial statements.

The following new/revised standards have been issued but are not effective for the year ended 31st March 2007, which are relevant to the Group’s operations.

HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HKFRS 7	Financial Instruments: Disclosures
HKAS 1 (Amendment)	Capital Disclosures

The Group has not yet adopted the above standards. The Group has commenced an assessment of their expected impact but is not yet in a position to state whether they will have a material impact on the Group’s financial statements.

2. TURNOVER AND SEGMENTAL 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 businesses. 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.

Turnover recognised during the period comprises the following:

	Six months ended 30th September	
	2006	2005
	HK\$	HK\$
Rental income	2,346,979	1,842,859
Management fee income	680,551	627,693
Interest income	5,493,587	2,951,355
Dividend income		
Listed investments	108,697	182,876
Unlisted investments	68,510	107,352
Construction supervision fee income	89,551	–
Sales of properties	2,260,000	–
	<u>11,047,875</u>	<u>5,712,135</u>

Primary reporting format – business segments

The segment results for the six months ended 30th September 2006 are as follows:

	Property investment, development and management and building contractor HK\$	Investments HK\$	Total HK\$
Turnover	5,377,081	5,670,794	11,047,875
Segment results	5,548,196	7,161,569	12,709,765
Unallocated costs			(1,678,781)
Operating profit			11,030,984
Share of profits less losses of associated companies	17,819,571	–	17,819,571
Profit before income tax			28,850,555
Income tax expense			(787,510)
Profit attributable to the equity holders of the Company			<u>28,063,045</u>

The segment assets and liabilities at 30th September 2006 are as follows:

	Property investment, development and management and building contractor HK\$	Investments HK\$	Total HK\$
Segment assets	343,067,429	149,077,864	492,145,293
Unallocated assets			113,574,803
Total assets			<u>605,720,096</u>
Segment liabilities	24,055,303	155,804	24,211,107
Unallocated liabilities			5,398,598
Total liabilities			<u>29,609,705</u>

The segment results for the six months ended 30th September 2005 are as follows:

	Property investment, development and management and building contractor <i>HK\$</i>	Investments <i>HK\$</i>	Total <i>HK\$</i>
Turnover	2,470,552	3,241,583	5,712,135
Segment results	3,536,116	5,872,767	9,408,883
Unallocated costs			(1,631,417)
Operating profit			7,777,466
Share of profits less losses of associated companies	14,577,848	–	14,577,848
Profit before income tax			22,355,314
Income tax expense			(458,549)
Profit attributable to the equity holders of the Company			<u>21,896,765</u>

The segment assets and liabilities at 31st March 2006 are as follows:

	Property investment, development and management and building contractor <i>HK\$</i>	Investments <i>HK\$</i>	Total <i>HK\$</i>
Segment assets	328,746,173	141,481,279	470,227,452
Unallocated assets			111,258,425
Total assets			<u>581,485,877</u>
Segment liabilities	23,821,860	118,705	23,940,565
Unallocated liabilities			4,659,566
Total liabilities			<u>28,600,131</u>

3. OPERATING PROFIT

	Six months ended 30th September	
	2006	2005
	<i>HK\$</i>	<i>HK\$</i>
Operating profit is stated after crediting:		
Net realised and unrealised gains on short-term investments	<u>1,490,775</u>	<u>2,635,887</u>
and after charging:		
Cost of properties sold	377,815	–
Staff costs (including directors' remuneration)	1,711,716	1,672,849
Amortisation on leasehold land included in properties held for sale	<u>25,028</u>	<u>25,474</u>

4. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the period.

	Six months ended	
	30th September	
	2006	2005
	HK\$	HK\$
Company and subsidiary companies		
Hong Kong profits tax	529,389	121,757
Deferred income tax	258,121	336,792
	<hr/>	<hr/>
	787,510	458,549
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Share of taxation attributable to associated companies for the six months ended 30th September 2006 of HK\$2,674,114 (2005: HK\$2,964,326) is included in the income statement as share of profits of associated companies.

5. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to equity holders of the Company of HK\$28,063,045 (2005: HK\$21,896,765) and on 120,960,000 shares in issue during the period.

6. DIVIDENDS

	Six months ended	
	30th September	
	2006	2005
	HK\$	HK\$
2006 final dividend paid of HK4 cents (2005: HK4 cents) per share	4,838,400	4,838,400
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The Board of Directors has resolved not to declare any interim dividend for the six months ended 30th September 2006 (2005: nil).

7. TRADE AND OTHER RECEIVABLES

	30th September	31st March
	2006	2006
	HK\$	HK\$
Trade receivables		
Below 60 days	100,471	112,554
Over 60 days	52,772	44,469
	<hr/>	<hr/>
	153,243	157,023
Other receivables	2,218,915	1,931,951
Amounts due from associated companies	52,260,693	54,688,814
Amount due from a related company	75,000	–
Prepayments and utility deposits	164,109	154,109
	<hr/>	<hr/>
	54,871,960	56,931,897
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Trade receivables represent rental receivable which is normally due for payment upon presentation of debit note at the beginning of each rental period.

8. SHORT-TERM INVESTMENTS

	30th September 2006 HK\$	31st March 2006 HK\$
Unlisted held-to-maturity securities	111,865,311	69,721,820
Financial assets at fair value through profit or loss		
Listed shares – Hong Kong	12,617,933	8,886,411
Listed shares – Overseas	7,287,413	7,628,926
Unlisted quoted investment fund	1,496,288	261,042
Unlisted bonds	15,516,538	15,217,743
Unlisted equity linked notes	–	39,186,990
	<u>148,783,483</u>	<u>140,902,932</u>

9. TRADE AND OTHER PAYABLES

	30th September 2006 HK\$	31st March 2006 HK\$
Trade payables		
Below 90 days	22,480	141,407
Over 90 days	10	10
	<u>22,490</u>	<u>141,417</u>
Other payables	1,016,473	3,257,814
Amounts due to associated companies	21,469,602	18,704,102
Amounts due to related companies	150,000	200,664
Rental and utility deposits received	962,958	915,718
Accrued expenses	589,584	720,850
	<u>24,211,107</u>	<u>23,940,565</u>

INTERIM DIVIDEND

The Board of Directors has resolved not to declare the payment of an interim dividend for the six months ended 30th September 2006 (2005: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the six months ended 30th September 2006, the Group attained an unaudited consolidated profit attributable to equity holders of HK\$28.1 million, representing an increase of about 28.2% from the HK\$21.9 million recorded in the corresponding period in 2005. This significant improvement in profit was due to an increase in interest income on the back of higher interest rates in the reporting period. In addition, as reported previously in 2006 Annual Report, two properties were disposed of during the period under review and accordingly, profits from these disposals were recorded. Interest income rose by HK\$2.5 million and the sales of the two properties resulted in a profit of HK\$3.6 million. These favourable factors were however adversely affected by a setback in the securities investment. The gains from our investment portfolio were HK\$1.1 million less than that of the last corresponding period. The increase in value of the Group's investment properties was similar to that of the last period, a slight increase of HK\$0.5 million was recorded in this respect.

BUSINESS REVIEW

Property Investment, Development and Management and Building Contractor

During the period under review, the Group's Rental Business had improved significantly. The Group had enjoyed a better unit rate upon renewal of tenancies. An increase of about 27.4% in rental income was recorded. Provided that the economic conditions are sustainable and the momentum of growth is maintained, the Group is optimistic that the annual results of this segment will be favourable.

For the period 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. Also, the Group's 50% owned associated company sold one of its investment properties – a unit together with two carparks in Grosse Pointe Villa at Stanley. The Group's share of profit from this sale amounted to HK\$1.7 million. Save as disclosed in Post Balance Sheet Event below, subsequent to the period under review, the Group did not acquire or dispose of any property.

During the period under review, the performance of the Group's Property Management Business was comparable to 2005. A slight improvement of 8.4% in turnover was recorded.

The turnover of our Building Contractor Business for the reporting period was below HK\$0.1 million whereas no revenue was received in the corresponding period last year. In order to have better utilization of the Group's resources, the Group decided to maintain a minimum workforce and will adopt a more flexible approach in managing the manpower.

Investment

During the period under review, the Group's Investment Business performance was satisfactory. The main contributions still came from the increase in interest income. The Group is virtually debt-free and therefore the general interest rate hike since early 2004 has continued to lift the level of interest income without raising interest expenses of the Group. For the period under review, the Group reported an increase of interest income for HK\$2.5 million.

On the other hand, the relatively high growth in the value of our investment portfolio could not be maintained as the prices of the securities were already recorded at high values. Persistently achieving new highs in securities prices would therefore be more difficult. Nevertheless, the Group could still achieve a satisfactory result from the sales of short-term investments. The aggregate results reported for these two elements were a decrease in profit by HK\$1.1 million.

Post Balance Sheet Event

Subsequent to the balance sheet date, an associated company entered into an agreement with an independent third party for the sale of a property at a consideration of HK\$8 million. The Company's share of the consideration amounted to HK\$4 million. The disposal did not constitute any transaction subject to the notification, publication and independent shareholders' approval requirements under Chapter 14 and 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") ("the Listing Rules").

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 2006.

PROSPECTS

For the period under review, the Hong Kong economy has enjoyed continued and steady improvement. The recently announced unemployment rate dropped to 4.5% with a record high labour force of about 3.67 million. Year-on-year 2006 3rd Quarter GDP was 6.6%. The US interest rate had leveled out since the beginning of the 4th Quarter. Furthermore, the market expects a reduction in US interest rate in early 2007. The satisfactory land auction sales demonstrate the confidence of property developers. All of these are favourable factors to the property market of Hong Kong. It is anticipated that the Group's property-related businesses will benefit from the resulting higher rental and occupancy rates.

The level off or even decline in US interest rate may however be perceived as a sign of a slow down in the US economy. Given Hong Kong economy's dependence on its exports and trade with the US in particular, the well being of the US economy needs to be closely observed. Further, the persistently high crude oil and commodity prices have adverse impact on the worldwide operating environment and hence the overall economic growth. Although we are optimistic with the local economy, we are still cautious of these unfavourable signs. The Group will continue to adopt prudent financial management, closely monitor uncertainties in the market and be committed to deliver better overall results to equity holders of the Company.

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\$113.35 million at 30th September 2006. 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.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30th September 2006, the Group had less than twenty employees and their remuneration are maintained at competitive levels. Total staff costs (including Directors' remuneration) amounted to HK\$1.71 million (2005: HK\$1.67 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.

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 Listing Rules throughout the six months ended 30th September 2006, 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 2006.

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 Audit Committee has reviewed with the Auditors of the Company the unaudited consolidated interim results of the Company for the six months ended 30th September 2006 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 period. Neither the Company nor any of its subsidiary companies has purchased or sold any of the Company’s issued shares during the period.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE’S WEBSITE

The Company’s Interim Report for the six months ended 30th September 2006 which set out all the information required to be disclosed under Appendix 16 of the Listing Rules will be published on the Stock Exchange’s website in due course.

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, 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, 15th December 2006

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