



華夏置業有限公司
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 2007**

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 2007, with comparative figures of the previous period, are as follows:

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2007**

		Six months ended 30th September	
	Note	2007 HK\$	2006 HK\$
Revenue	2	9,626,416	11,047,875
Direct costs		(207,500)	(622,317)
Gross profit		9,418,916	10,425,558
Other gains – net		65,176	1,496,765
Changes in fair value of investment properties		3,750,000	1,500,000
Administrative expenses		(2,340,107)	(2,391,339)
Operating profit	3	10,893,985	11,030,984
Share of profits less losses of associated companies (including share of revaluation surplus on investment properties net of related tax of HK\$21,553,006 (2006: HK\$9,222,874))		29,238,701	17,819,571
Profit before income tax		40,132,686	28,850,555
Income tax expense	4	(903,901)	(787,510)
Profit attributable to equity holders of the Company		39,228,785	28,063,045
Earnings per share	5	32.4 cents	23.2 cents
Dividends	6	2,419,200	-

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH SEPTEMBER 2007**

	Note	30th September 2007 HK\$	31st March 2007 HK\$
ASSETS			
Non-current assets			
Investment properties		37,750,000	34,000,000
Investments in associated companies		180,695,777	151,457,076
Amounts due from associated companies		92,579,356	92,154,479
Available-for-sale financial assets		250,448	250,448
Deferred income tax assets		180,858	165,948
		<u>311,456,439</u>	<u>278,027,951</u>
Current assets			
Properties held for sale		5,747,998	5,772,352
Trade and other receivables	7	47,626,256	50,790,915
Tax recoverable		19,440	20,043
Short-term investments	8	152,096,410	226,011,018
Cash and cash equivalents		130,713,244	140,324,752
		<u>336,203,348</u>	<u>422,919,080</u>
Total assets		<u>647,659,787</u>	<u>700,947,031</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		78,624,000	78,624,000
Retained profits		552,345,202	517,954,817
Total equity		<u>630,969,202</u>	<u>596,578,817</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		5,764,334	5,096,101
Current liabilities			
Trade and other payables	9	10,329,097	98,924,934
Tax payable		597,154	347,179
		<u>10,926,251</u>	<u>99,272,113</u>
Total liabilities		<u>16,690,585</u>	<u>104,368,214</u>
Total equity and liabilities		<u>647,659,787</u>	<u>700,947,031</u>
Net current assets		<u>325,277,097</u>	<u>323,646,967</u>
Total assets less current liabilities		<u>636,733,536</u>	<u>601,674,918</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 2007.

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 2007.

With effect from 1st April 2007, the Group adopted the new/revised standards of Hong Kong Financial Reporting Standards (“HKFRS”) below, which are relevant to its operations.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the above standard, amendment and interpretations to standards does not have significant impact on the Group’s results, financial position or accounting policies. However, the adoption of HKAS 1 (Amendment) and HKFRS 7 requires additional disclosures to be made in the annual financial statements for the year ending 31st March 2008.

2. REVENUE 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 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. 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.

Segment assets consist primarily of investment properties, associated companies, short-term investments and receivables and exclude items such as cash and cash equivalents, tax recoverable and deferred income tax assets. Segment liabilities comprise operating liabilities and exclude items such as tax payable and deferred income tax liabilities.

Revenue represents turnover recognised during the period and comprises the following:

	Six months ended 30th September	
	2007 HK\$	2006 HK\$
Rental income	2,487,272	2,346,979
Management fee income	561,804	680,551
Interest income	6,324,349	5,493,587
Dividend income		
Listed investments	180,169	108,697
Unlisted investments	51,822	68,510
Construction supervision fee income	21,000	89,551
Sales of properties	-	2,260,000
	9,626,416	11,047,875

Primary reporting format - business segments

The segment results for the six months ended 30th September 2007 are as follows:

	Property investment, development and management and building contractor HK\$	Investments HK\$	Total HK\$
Revenue	3,070,076	6,556,340	9,626,416
Segment results	5,959,575	6,532,923	12,492,498
Unallocated costs			(1,598,513)
Operating profit			10,893,985
Share of profits less losses of associated companies	29,238,701	-	29,238,701
Profit before income tax			40,132,686
Income tax expense			(903,901)
Profit attributable to the equity holders of the Company			39,228,785

The segment assets and liabilities at 30th September 2007 are as follows:

	Property investment, development and management and building contractor HK\$	Investments HK\$	Total HK\$
Segment assets	364,379,252	152,366,993	516,746,245
Unallocated assets			130,913,542
Total assets			647,659,787
Segment liabilities	10,168,694	-	10,168,694
Unallocated liabilities			6,521,891
Total liabilities			16,690,585

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\$
Revenue	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			28,063,045

The segment assets and liabilities at 31st March 2007 are as follows:

	Property investment, development and management and building contractor HK\$	Investments HK\$	Total HK\$
Segment assets	334,061,997	226,374,291	560,436,288
Unallocated assets			140,510,743
Total assets			<u>700,947,031</u>
Segment liabilities	24,037,481	74,784,199	98,821,680
Unallocated liabilities			5,546,534
Total liabilities			<u>104,368,214</u>

3. OPERATING PROFIT

**Six months ended
30th September**
2007 2006
HK\$ HK\$

Operating profit is stated after crediting:

Net exchange gain	-	506,939
Fair value gains on financial assets at fair value through profit or loss	665,564	983,836
	<u>665,564</u>	<u>983,836</u>

and after charging:

Amortisation on leasehold land included in properties held for sale	24,354	25,028
Cost of properties sold	-	377,815
Net exchange loss	688,981	-
Staff costs (including directors' remuneration)	1,723,130	1,711,716
	<u>1,723,130</u>	<u>1,711,716</u>

4. 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 period.

	Six months ended 30th September	
	2007	2006
	HK\$	HK\$
Company and subsidiary companies		
Hong Kong profits tax	250,578	529,389
Deferred income tax	653,323	258,121
	903,901	787,510

Share of tax attributable to associated companies for the six months ended 30th September 2007 of HK\$5,865,594 (2006: HK\$2,674,114) is included in the income statement under 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\$39,228,785 (2006: HK\$28,063,045) and on 120,960,000 shares (2006: 120,960,000 shares) in issue during the year.

6. DIVIDENDS

	Six months ended 30th September	
	2007	2006
	HK\$	HK\$
Interim dividend declared of HK2 cents (2006: nil) per share	2,419,200	-

The Board of Directors has resolved to declare an interim dividend of HK2 cents per share (2006: nil) for the six months ended 30th September 2007 payable on Monday, 28th January 2008 to equity holders whose names appear on the Register of Members of the Company on Wednesday, 23rd January 2008.

7. TRADE AND OTHER RECEIVABLES

	30th September 2007 HK\$	31st March 2007 HK\$
Trade receivables		
Below 60 days	80,973	94,229
Over 60 days	18,525	41,832
	99,498	136,061
Other receivables	1,881,250	1,814,985
Amounts due from associated companies	45,440,193	48,657,193
Amount due from a related company	75,000	-
Prepayments and utility deposits	130,315	182,676
	47,626,256	50,790,915

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).

8. SHORT-TERM INVESTMENTS

	30th September 2007 HK\$	31st March 2007 HK\$
Unlisted held-to-maturity securities, at amortised cost	123,019,505	187,555,786
Financial assets at fair value through profit or loss		
Listed shares - Hong Kong	9,403,371	10,623,070
Listed shares - Overseas	5,266,512	7,299,943
Unlisted quoted investment fund	90,797	4,906,219
Unlisted bonds	14,316,225	15,626,000
	152,096,410	226,011,018

9. TRADE AND OTHER PAYABLES

	30th September 2007 HK\$	31st March 2007 HK\$
Trade payables		
Below 90 days	335	958
Over 90 days	10	10
	<hr/>	<hr/>
	345	968
Other payables	837,995	767,841
Amounts due to associated companies	7,440,210	21,327,833
Amounts due to related companies	267,692	171,285
Rental and utility deposits received	1,015,613	977,213
Accrued expenses	767,242	895,595
Payable for purchase of investments	-	74,784,199
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	10,329,097	98,924,934
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INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim dividend of HK2 cents per share for the six months ended 30th September 2007 (2006: nil) payable on Monday, 28th January 2008 to equity holders whose names appear on the Register of Members of the Company on Wednesday, 23rd January 2008.

CLOSURE OF REGISTER OF MEMBERS

The Transfer Books and Register of Members of the Company will be closed from Tuesday, 15th January 2008 to Wednesday, 23rd January 2008, 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 26th Floor, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong not later than 4:00 p.m. on Monday, 14th January 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

For the six months ended 30th September 2007, the Group's unaudited consolidated profit attributable to equity holders amounted to HK\$39.2 million, representing an increase of about 39.8% from the corresponding period in 2006. This significant improvement in profit was explained by the substantial increase in value of the Group's investment properties. This increase after deducting related deferred taxation was recorded at HK\$14.2 million. A moderate increase of HK\$0.8 million in interest income was recorded in the period under review. On the other hand, included in last corresponding period were profits from sale of properties held for sale and share of profits from sales of investment properties of associated company of HK\$3.6 million whereas no such sales was recorded this period. The net gains from both the sales and the appreciation in value of our investment portfolio were HK\$0.3 million lower than that of last year. Furthermore, an exchange loss of HK\$0.7 million (2006: exchange gain of HK\$0.5 million) was reported in the current period.

BUSINESS REVIEW

Property Investment, Development and Management and Building Contractor

During the period under review, the Group's Rental Business benefited from the better unit rates achieved. However, since one of the properties held for sale was disposed of in last year, only mild improvement was shown. An increase of about 6.0% in rental income was recorded. Barring unforeseen circumstances, the Group is optimistic that the annual results of this segment will be favourable.

During the period under review, the Group's Property Management Business faced fierce competition upon renewal of management agreement. A significant reduction of 17.4% in turnover was recorded.

Following the adoption of a more flexible approach in managing the manpower, the performance of the Group's Building Contractor Business was comparable to that of last year.

Investment

During the period under review, the performance of the Group's Investment Business was lacklustre. While the Group benefited from its virtually debt-free position, on the back of US Federal Reserve's reduction of interest rate, such benefits have diminished. For the period under review, the Group had reported an increase of interest income of HK\$0.8 million (2006: HK\$2.5 million).

As mentioned in our previous reports, persistently achieving new highs in securities prices would be difficult. Nevertheless, the Group could still achieve a satisfactory result from the sales of short-term investments. The aggregate of these two elements resulted in a decrease in profit by HK\$0.3 million.

The profitability of this business was further affected by the recent strength of HK\$/US\$. An exchange loss of HK\$0.7 million was reported (2006: exchange gain of HK\$0.5 million).

POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, the Group's 50% owned associated company, Wah Ha Property Development Limited, sold its agricultural land situated at Kam Tin, Yuen Long, New Territories to an independent third party at a consideration of about HK\$3.8 million. The Company's share of the profit therefrom amounted to about HK\$1.7 million. The disposal did not constitute a transaction that is 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").

PROSPECTS

For the period under review, the Hong Kong economy enjoyed sustained growth. Year-on-year 2007 3rd Quarter GDP growth was 6.2%. Unemployment rate fell further to 3.9% which was the lowest since the Asian financial crisis. On the back of such auspicious factors, private consumption expenditure increased from 5.7% in the 2nd Quarter to 9.7% in the 3rd Quarter. Expansionary US monetary policy and corresponding reduction in local interest rate has also provided additional stimulus to the Hong Kong economy. The lowering of interest rates and the positive wealth effect are favourable factors to the property market of Hong Kong and the Group will benefit from this.

While we are optimistic with the economy of Hong Kong, we are still wary of the development of certain risk factors. The US economy suffers from the deteriorating property market and the adverse impact from the sub-prime mortgage problem seems to have spread over to other sectors of the economy. The resulting liquidity problem in the financial markets of both the US and Europe casts great uncertainties over global economic growth. The record high crude oil and commodity prices have also provided additional risk factors. Hong Kong, being an open economy, will nevertheless be affected. The Group shall continue to act prudently, closely monitor such uncertainties in the market and commit to deliver better overall results to equity holders.

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\$130.7 million at 30th September 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 and material contingent liabilities.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30th September 2007, the Group had less than twenty employees and their remuneration is maintained at competitive levels. Total staff costs (including Directors' remuneration) amounted to HK\$1.7 million (2006: HK\$1.7 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 2007, 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 2007.

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 Auditor of the Company the unaudited consolidated interim results of the Company for the six months ended 30th September 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 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 AND INTERIM REPORT

This interim results announcement is available for viewing on the website of the Stock Exchange at www.hkex.com.hk under “Latest Listed Company Information” and on the website of the Company at www.wahha.com/e_investor_anno.asp. The interim report of the Company for the six months ended 30th September 2007 will be dispatched to the equity holders of the Company in late December 2007.

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, 14th December 2007