



華 廈 置 業 有 限 公 司

WAH HA REALTY COMPANY LIMITED

(Stock Code: 278)

INTERIM REPORT

for the six months ended 30 September 2019

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cheung Kee Wee (*Chairman*)
Mr. Cheung Lin Wee
Mr. Cheung Ying Wai, Eric

Non-executive Director

Mr. Ng Kwok Tung

Independent Non-executive Directors

Mr. Lam Hon Keung, Keith
Mr. Chan Woon Kong
Mr. Au-Yang Cheong Yan, Peter

AUDIT COMMITTEE

Mr. Lam Hon Keung, Keith (*Chairman*)
Mr. Ng Kwok Tung
Mr. Chan Woon Kong
Mr. Au-Yang Cheong Yan, Peter

REMUNERATION COMMITTEE

Mr. Chan Woon Kong (*Chairman*)
Mr. Lam Hon Keung, Keith
Mr. Ng Kwok Tung
Mr. Au-Yang Cheong Yan, Peter

NOMINATION COMMITTEE

Mr. Cheung Kee Wee (*Chairman*)
Mr. Cheung Lin Wee
Mr. Lam Hon Keung, Keith
Mr. Chan Woon Kong
Mr. Au-Yang Cheong Yan, Peter

COMPANY SECRETARY

Mr. Chu Wing Man, Raymond

AUTHORISED REPRESENTATIVES

Mr. Cheung Kee Wee
Mr. Chu Wing Man, Raymond

BANKER

The Bank of East Asia, Limited

AUDITOR

PricewaterhouseCoopers

SHARE REGISTRAR

Hongkong Managers and Secretaries Limited
Units 1607-8, 16th Floor
Citicorp Centre, 18 Whitfield Road
Causeway Bay, Hong Kong
Telephone: (852) 3528 0290
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REGISTERED OFFICE

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STOCK CODE

The Stock Exchange of Hong Kong Limited
278

WEBSITE

<http://www.wahha.com>

The Board of Directors of Wah Ha Realty Company Limited (the "Company") (the "Board") announces that the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") and its associated companies for the six months ended 30 September 2019, with comparative figures of the previous period, are as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2019

		Six months ended	
		30 September	
		2019	2018
	<i>Note</i>	HK\$	HK\$
Revenues	5	7,292,684	8,078,073
Changes in fair value of investment properties		(1,500,000)	13,500,000
Net fair value loss on financial assets at fair value through profit or loss		(136,255)	(285,132)
Other losses, net	6	(4,700,969)	(6,787,183)
Direct outgoings in relation to properties that generate income		(744,188)	(806,465)
Staff costs		(3,649,576)	(3,461,277)
Other operating expenses		(821,724)	(891,452)
Operating (loss)/profit		(4,260,028)	9,346,564
Share of results of associated companies (including share of fair value loss on investment properties of HK\$20,900,000 (2018: Fair value gain of HK\$63,800,000))		(3,926,368)	87,091,030
(Loss)/profit before income tax		(8,186,396)	96,437,594
Income tax credit	7	190,776	184,286
(Loss)/profit and total comprehensive (loss)/income attributable to equity holders of the Company		(7,995,620)	96,621,880
(Loss)/earnings per share (Basic and diluted)	8	(0.07)	0.80
Dividends	9	13,305,600	13,305,600

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2019

	30 September	31 March
	2019	2019
<i>Note</i>	HK\$	HK\$
ASSETS		
Non-current assets		
Investment properties	235,900,000	237,400,000
Investments in associated companies	835,523,371	854,249,739
Deferred income tax assets	3,705,668	3,380,671
	1,075,129,039	1,095,030,410
Current assets		
Completed properties held for sale	1,456,911	1,456,911
Amounts due from associated companies	25,440,416	21,161,226
Trade and other receivables	1,366,176	1,401,079
Tax recoverable	44,095	48,350
Financial assets at fair value through profit or loss	1,147,580	1,283,835
Cash and bank balances	321,564,916	311,549,572
	351,020,094	336,900,973
Total assets	1,426,149,133	1,431,931,383

		30 September 2019	31 March 2019
	<i>Note</i>	HK\$	<i>HK\$</i>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	12	78,624,000	78,624,000
Retained profits	13		
– Interim dividend		13,305,600	–
– Proposed dividends		–	27,820,800
– Others		1,283,055,686	1,276,536,106
		1,296,361,286	1,304,356,906
Total equity		1,374,985,286	1,382,980,906
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		729,978	608,432
Current liabilities			
Amounts due to associated companies		44,203,383	43,052,443
Trade and other payables	14	6,226,262	5,289,602
Tax payable		4,224	–
		50,433,869	48,342,045
Total liabilities		51,163,847	48,950,477
Total equity and liabilities		1,426,149,133	1,431,931,383
Net current assets		300,586,225	288,558,928

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019	2018
	HK\$	HK\$
Total equity at beginning of the period	1,382,980,906	1,453,822,302
(Loss)/profit and total comprehensive (loss)/income for the period	(7,995,620)	96,621,880
Transaction with equity holders		
Dividends	<u> -</u>	<u>(194,745,600)</u>
Total equity at end of the period	<u>1,374,985,286</u>	<u>1,355,698,582</u>

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019 HK\$	2018 HK\$
Cash flows from operating activities		
(Loss)/profit before income tax	(8,186,396)	96,437,594
Changes in fair value of investment properties	1,500,000	(13,500,000)
Share of results of associated companies	3,926,368	(87,091,030)
Exchange losses	4,700,969	6,789,730
	<hr/>	<hr/>
Operating profit before working capital changes	1,940,941	2,636,294
Decrease/(increase) in trade and other receivables	34,903	(157,227)
Decrease in financial assets at fair value through profit or loss	136,255	285,132
Increase in trade and other payables	936,660	587,394
	<hr/>	<hr/>
Net cash generated from operations	3,048,759	3,351,593
Hong Kong profits tax (paid)/refunded	(4,196)	10,578
	<hr/>	<hr/>
Net cash generated from operating activities	3,044,563	3,362,171
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Cash flows from investing activities		
Fund transfer to associated companies	(5,152,500)	(2,796,000)
Fund transfer and dividend received from associated companies	16,824,250	32,433,500
Proceeds received from disposal of an associated company	-	658,395
	<hr/>	<hr/>
Net cash generated from investing activities	11,671,750	30,295,895
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Cash flows from financing activity		
Dividends paid to the Company's equity holders	-	(194,745,600)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net increase/(decrease) in cash and cash equivalents	14,716,313	(161,087,534)
Cash and cash equivalents at beginning of the period	311,549,572	480,748,541
Exchange losses	(4,700,969)	(6,789,730)
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	<u>321,564,916</u>	<u>312,871,277</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is Room 2500, Dominion Centre, 43-59 Queen's Road East, Wanchai, Hong Kong.

The principal activities of the Group and its associated companies are investment holdings and property development, investment and management in Hong Kong.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

The unaudited condensed consolidated interim financial information ("interim financial information") is presented in Hong Kong dollars (HK\$), unless otherwise stated.

The financial information relating to the year ended 31 March 2019 that is included in the interim financial information for the six months ended 30 September 2019 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) (the "Companies Ordinance") is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 March 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on these consolidated financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

This interim financial information was approved for issue by the Board of Directors on 28 November 2019.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2019 has been prepared in accordance with Hong Kong Accounting Standard 34, 'Interim Financial Reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and disclosure requirements of the Stock Exchange of Hong Kong Limited, and any public announcements made by the Company during the interim reporting period.

The accounting policies and methods of computation applied in the preparation of the condensed consolidated interim financial information are consistent with those applied in the annual financial statements for the year ended 31 March 2019, except as stated below.

The adoption of new standard and amendments to existing standards

The following new or amended standards became applicable for the current reporting period:

HKFRSs (Amendment)	Annual Improvements to HKFRSs 2015-2017 Cycle
HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term interests in Associates and Joint Ventures

The adoption of the above new and amended standards did not have any significant impact on the results and financial position of the Group and no retrospective adjustments are required.

The Group leases out various properties under non-cancellable operating lease arrangements and classified these leases as operating leases. The accounting policies applicable to the Group as a lessor in the comparative period are not different from HKFRS 16. The Group is not required to make any adjustments on transition to HKFRS 16 for leases in which it acts as a lessor.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

3. FINANCIAL RISK MANAGEMENT

All aspects of the financial risk management objectives and policies of the Group are consistent with those disclosed in the annual financial statements for the year ended 31 March 2019.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions applied in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 31 March 2019.

5. REVENUES AND SEGMENTAL INFORMATION

The principal activities of the Group include those relating to investment holdings, 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, financial assets at fair value through profit or loss, receivables, completed properties held for sale and cash and bank balances and exclude items such as investments in associated companies, tax recoverable and deferred income tax assets. Segment liabilities comprise operating liabilities and exclude items such as tax payable, unpaid dividend and deferred income tax liabilities.

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

	Six months ended	
	30 September	
	2019	2018
	HK\$	HK\$
Rental income	2,874,855	3,124,247
Dividend income – Listed investments	1,453	21,588
Bank interest income	3,661,766	4,145,907
<i>Recognised over time</i>		
Management fee income	739,810	741,231
Construction supervision fee income	14,800	45,100
	7,292,684	8,078,073

The segment results for the six months ended 30 September 2019 are as follows:

	Property development, investment and management <i>HK\$</i>	Investments <i>HK\$</i>	Total <i>HK\$</i>
Bank interest income	–	3,661,766	3,661,766
Rental income	2,874,855	–	2,874,855
Revenues under HKFRS 15	754,610	–	754,610
Other revenues	–	1,453	1,453
	<u>3,629,465</u>	<u>3,663,219</u>	<u>7,292,684</u>
Revenues			
Segment results	<u>495,515</u>	<u>(1,174,005)</u>	<u>(678,490)</u>
Unallocated costs			<u>(3,581,538)</u>
Operating loss			<u>(4,260,028)</u>
Share of results of associated companies	(3,926,368)	–	<u>(3,926,368)</u>
Loss before income tax			<u>(8,186,396)</u>
Income tax credit			<u>190,776</u>
Loss attributable to the equity holders of the Company			<u><u>(7,995,620)</u></u>
Changes in fair value of investment properties	(1,500,000)	–	(1,500,000)
Net fair value loss on financial assets at fair value through profit or loss	–	(136,255)	<u><u>(136,255)</u></u>

The segment assets and liabilities at 30 September 2019 are as follows:

	Property development, investment and management <i>HK\$</i>	Investments <i>HK\$</i>	Total <i>HK\$</i>
Segment assets	263,255,648	323,620,351	586,875,999
Associated companies	835,523,371	–	835,523,371
Unallocated assets			<u>3,749,763</u>
Total assets			<u><u>1,426,149,133</u></u>
Segment liabilities	47,774,397	–	47,774,397
Unallocated liabilities			<u>3,389,450</u>
Total liabilities			<u><u>51,163,847</u></u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

5. REVENUES AND SEGMENTAL INFORMATION (Continued)

The segment results for the six months ended 30 September 2018 are as follows:

	Property development, investment and management HK\$	Investments HK\$	Total HK\$
Bank interest income	–	4,145,907	4,145,907
Rental income	3,124,247	–	3,124,247
Revenues under HKFRS 15	786,331	–	786,331
Other revenues	–	21,588	21,588
Revenues	<u>3,910,578</u>	<u>4,167,495</u>	<u>8,078,073</u>
Segment results	<u>15,759,416</u>	<u>(2,907,367)</u>	<u>12,852,049</u>
Unallocated costs			<u>(3,505,485)</u>
Operating profit			9,346,564
Share of results of associated companies	87,091,030	–	<u>87,091,030</u>
Profit before income tax			96,437,594
Income tax credit			<u>184,286</u>
Profit attributable to the equity holders of the Company			<u>96,621,880</u>
Changes in fair value of investment properties	13,500,000	–	13,500,000
Net fair value loss on financial assets at fair value through profit or loss	<u>–</u>	<u>(285,132)</u>	<u>(285,132)</u>

The segment assets and liabilities at 31 March 2019 are as follows:

	Property development, investment and management HK\$	Investments HK\$	Total HK\$
Segment assets	260,524,642	313,727,981	574,252,623
Associated companies	854,249,739	–	854,249,739
Unallocated assets			<u>3,429,021</u>
Total assets			<u>1,431,931,383</u>
Segment liabilities	45,705,862	–	45,705,862
Unallocated liabilities			<u>3,244,615</u>
Total liabilities			<u>48,950,477</u>

6. OTHER LOSSES, NET

	Six months ended 30 September	
	2019	2018
	<i>HK\$</i>	<i>HK\$</i>
Net exchange losses	(4,700,969)	(6,789,730)
Sundries	—	2,547
	<u>(4,700,969)</u>	<u>(6,787,183)</u>

7. INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the Group's estimated assessable profit for the period.

	Six months ended 30 September	
	2019	2018
	<i>HK\$</i>	<i>HK\$</i>
Hong Kong profits tax		
Provision for the period	(12,675)	(17,390)
Deferred income tax credit	<u>203,451</u>	<u>201,676</u>
	<u>190,776</u>	<u>184,286</u>

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share is based on the loss attributable to equity holders of the Company of HK\$7,995,620 (2018: profit of HK\$96,621,880) and on 120,960,000 shares (2018: 120,960,000 shares) in issue during the period. The diluted (loss)/earnings per share equals to the basic (loss)/earnings per share since there are no dilutive potential shares in issue during both periods.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

9. DIVIDENDS

	Six months ended	
	30 September	
	2019	2018
	HK\$	HK\$
Interim dividend declared of HK11 cents (2018: HK11 cents) per share	<u>13,305,600</u>	<u>13,305,600</u>

The Board has resolved to declare an interim dividend of HK11 cents per share for the six months ended 30 September 2019 (2018: HK11 cents) payable on Wednesday, 22 January 2020 to equity holders whose names appear on the Register of Members of the Company on Monday, 6 January 2020.

10. TRADE AND OTHER RECEIVABLES

	30 September	31 March
	2019	2019
	HK\$	HK\$
Trade receivables		
Within 3 months (based on debit note date)	154,533	201,806
Other receivables	926,471	908,008
Prepayments and utility deposits	<u>285,172</u>	<u>291,265</u>
	<u>1,366,176</u>	<u>1,401,079</u>

Trade receivables represent rental and management fee receivables. Rental receivable is normally due for payment upon presentation of debit note at the beginning of each rental period (normally on a monthly basis). Management fee receivable is normally due for payment upon presentation of debit note at the end of each month.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September	31 March
	2019	2019
	HK\$	HK\$
Listed shares – Overseas	<u>1,147,580</u>	<u>1,283,835</u>

12. SHARE CAPITAL

	30 September 2019 HK\$	31 March 2019 HK\$
<i>Issued and fully paid:</i>		
120,960,000 ordinary shares	78,624,000	78,624,000

13. RETAINED PROFITS

	HK\$	
At 31 March 2018	1,375,198,302	
Profit for the period	96,621,880	
Dividends	<u>(194,745,600)</u>	
At 30 September 2018	1,277,074,582	
Profit for the period	40,587,924	
Dividends	<u>(13,305,600)</u>	
At 31 March 2019	1,304,356,906	
Loss for the period	(7,995,620)	
Dividends	<u>–</u>	
At 30 September 2019	<u>1,296,361,286</u>	

14. TRADE AND OTHER PAYABLES

	30 September 2019 HK\$	31 March 2019 HK\$
Trade payables		
Within 3 months (based on invoice date)	507,965	411,515
Other payables	3,426,234	2,656,760
Rental and utility deposits received	1,168,472	1,168,472
Accrued expenses	<u>1,123,591</u>	<u>1,052,855</u>
	<u>6,226,262</u>	<u>5,289,602</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

15. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

An analysis of the Group's financial assets and financial liabilities stated at fair value, based on the degree to which their fair values are observable and grouped into Levels 1 to 3, is as follows:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – value inputs, other than quoted prices, that are observable either directly or indirectly
- Level 3 – value inputs that are not based on observable market data

At 30 September 2019, the Group's financial assets at fair value through profit or loss are Level 1 instruments.

There were no transfers between Levels 1 and 2 during the period.

There were no changes in valuation techniques during the period.

At the period end date, the carrying amounts of the Group's other financial assets and financial liabilities approximated their fair values.

Fair values are determined based on quoted market price, otherwise, with reference to professional valuations and/or estimations that take into account assumptions and estimates on factors affecting the value of the financial instruments and change of such assumptions and estimates to reasonably possible alternatives would not have material effect on the Group's results for the period and financial position at the period end date.

16. SIGNIFICANT RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions carried out in the normal course of the Group's business during the period:

	Six months ended	
	30 September	
	2019	2018
	HK\$	HK\$
Key management compensation		
Directors' emoluments	870,000	870,000

The Group is not charged for office space and office furniture and fixtures provided by a related company.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK11 cents per share for the six months ended 30 September 2019 (2018: HK11 cents) payable on Wednesday, 22 January 2020 to equity holders whose names appear on the Register of Members of the Company on Monday, 6 January 2020.

CLOSURE OF REGISTER OF MEMBERS

The Transfer Books and Register of Members of the Company will be closed from Monday, 30 December 2019 to Monday, 6 January 2020, 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 Registrar, Hongkong Managers and Secretaries Limited at Units 1607-8, 16th Floor, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong not later than 4:00 p.m. on Friday, 27 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the period under review, the Group's unaudited loss attributable to equity holders of the Company amounted to HK\$8.0 million whereas an unaudited profit of HK\$96.6 million was recorded in the corresponding period in 2018. Amongst these, loss of HK\$4.1 million (2018: profit of HK\$9.5 million) came from the Group and the remaining loss of HK\$3.9 million (2018: profit of HK\$87.1 million) was ascribed to the Group's associated companies. This significant decrease was mainly attributable to the fair value losses of HK\$22.4 million (2018: fair value gains of HK\$77.3 million) recorded upon the revaluation of the Group's and its associated companies' investment properties. Further, the realized profits from the sales of properties of the Group and its associated companies and interest income were lower than those of the corresponding period in 2018 by HK\$6.2 million and HK\$0.5 million respectively. Although the exchange rate of RMB/HK\$ still exhibited weakness during the period under review, the exchange losses diminished by HK\$2.1 million.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Review

Property Development, Investment and Management

During the period under review, the impact of the reduction in rental income of the Group and its associated companies brought about by the previous disposals of properties was lessened. The after-tax profit decreased by HK\$0.1 million.

During the period under review, an associated company had disposed of 1 industrial unit in Fanling and the profits derived therefrom by the Group was HK\$2.0 million (2018: HK\$8.2 million). Subsequent to the period under review, this associated company further disposed of 1 industrial unit in Fanling and the Group's share of the estimated profits was HK\$1.9 million.

During the period under review, an associated company had acquired 2 residential units in Yau Ma Tei.

Apart from the aforesaid, the Group did not acquire or dispose of any property during the period under review and up to the date of this report.

Investments

For the period under review, the performance of the Group's share investments was similar to that of the last corresponding period. Interest income was adversely affected by the reduction of time deposits placed with banks after the payment of special dividend in June last year. Despite having better deposit interest rates, the overall interest income was HK\$0.5 million lower than that of the last corresponding period.

RMB still exhibited weakness in face of the trade war between China and the United States and the downside movement of the China economy. The unfavourable exchange loss was nevertheless lower than that of the last corresponding period by HK\$2.1 million.

Prospects

For the period under review, signs of weakening local economy emerged and it is likely that Hong Kong is slipping into a technical recession. Negative year-on-year growths of 2.9% and 3.4% were recorded for the 3rd Quarter GDP and private consumption in real term respectively. The latest seasonally adjusted unemployment rate was 3.1%. Inflation as reflected by the Composite Consumer Price Index for September 2019 was 3.2%. The imports and exports for September dropped by 10.3% and 7.3% respectively.

The retail sales have been weakening well before the emergence of the recent social incidents. Since June 2019, this downside trend and negative market sentiment were further hampered by the persistent social unrest. Significant contraction in retail sales, no matter caused by the poor performing inbound tourism industry or lack of confidence of Hong Kong people, is obvious. It is worrying that the manpower market will be adversely affected in the near future. Hong Kong may not benefit much from the United States' lowering interest rates. Great volatility of the stock market is inevitable. The outlook of the local economy is not optimistic. Our core property related business will certainly be under great pressure in the forthcoming year. The Group should act cautiously and prudently and reserve sufficient resources to tackle the unforeseen challenges ahead.

Employment and Remuneration Policies

As at 30 September 2019, the Group had less than twenty employees and their remuneration is maintained at competitive levels. Total staff costs (including Directors' remuneration) amounted to HK\$3.6 million (2018: 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 with reference to the Group's results and individual performance. Other benefits include education and training subsidies, medical and retirement benefits and paid leaves.

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\$321.6 million at 30 September 2019 (2018: HK\$312.9 million). 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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2019, the interests and short positions of the Directors and Chief Executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in Ordinary Shares of the Company

Name of Director	Personal interests	Corporate interests	Family interests	Total	% of issued share capital
Cheung Kee Wee	–	15,150,160 <i>(Note 1)</i>	–	15,150,160	12.52
Cheung Lin Wee	14,378,800	–	338,000 <i>(Note 2)</i>	14,716,800	12.17
Cheung Ying Wai, Eric	14,144,800	–	–	14,144,800	11.69

Notes:

- (1) These shares were held by Biochoice Limited ("Biochoice") (in which Mr. Cheung Kee Wee ("CKW") and his spouse in aggregate owned 50% interest) through its wholly owned subsidiary, Humphrey Group Limited ("Humphrey"). Therefore, CKW was deemed to be interested in these shares under the SFO.
- (2) The 338,000 shares were beneficially held by Ms. Wu Suet Yi, Rita, the spouse of Mr. Cheung Lin Wee ("CLW").

Save as disclosed above, as at 30 September 2019, none of the Directors or Chief Executives of the Company or any of their associates had or were deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

So far as is known to the Directors or Chief Executives of the Company, as at 30 September 2019, the following Shareholders (other than Directors or Chief Executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company were as follows:

Long Positions in Ordinary Shares of the Company

	Number of shares	% of issued share capital
Substantial Shareholders:		
Chin Lan Hong	32,162,800 <i>(Note 1)</i>	26.59
Kung So Ha, Anne	15,150,160 <i>(Note 2)</i>	12.52
Biochoice Limited	15,150,160 <i>(Note 3)</i>	12.52
Humphrey Group Limited	15,150,160 <i>(Note 3)</i>	12.52
Wu Suet Yi, Rita	14,716,800 <i>(Note 4)</i>	12.17
Hoh Kwok Hing, Corinne	14,144,800 <i>(Note 5)</i>	11.69
Persons other than Substantial Shareholders:		
Megabest Securities Limited	11,295,600 <i>(Note 6)</i>	9.34
Profit-taking Company Inc.	11,295,600 <i>(Note 6)</i>	9.34
Pullfield Company Limited	11,295,600 <i>(Note 6)</i>	9.34

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS

(Continued)

Long Positions in Ordinary Shares of the Company (Continued)

Notes:

- (1) Out of the 32,162,800 shares, 11,295,600 shares were held by Megabest Securities Limited ("Megabest") of which Madam Chin Lan Hong was interested in the entire issued share capital, through the chain of ownership being described in Note (6) below; and 20,867,200 shares were held under her personal interests. Madam Chin is the mother of CKW, CLW and Cheung Ying Wai, Eric ("CYW"), all are the Executive Directors of the Company.
- (2) Ms. Kung So Ha, Anne is the wife of CKW and was taken to be interested in these shares in which her spouse was interested under the SFO. These 15,150,160 shares related to the same block of shares as described in Note (3) below.
- (3) These 15,150,160 shares held by Biochoice and Humphrey respectively related to the same block of shares as described in "Corporate Interests" of CKW under the heading of "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures". These shares were held by Biochoice through Humphrey, the registered owner of the said 15,150,160 shares. CKW is a director of Biochoice and Humphrey.
- (4) Out of the 14,716,800 shares, 338,000 shares were beneficially held by Ms. Wu Suet Yi, Rita, and Ms. Wu was taken to be interested in the remaining 14,378,800 shares in which her spouse CLW was interested under the SFO.
- (5) Ms. Hoh Kwok Hing, Corinne is the wife of CYW and was taken to be interested in these shares in which her spouse was interested under the SFO.
- (6) These 11,295,600 shares held by Megabest, Profit-taking Company Inc. ("Profit-taking") and Pullfield Company Limited ("Pullfield") respectively related to the same block of shares as described in Note (1) above. These shares were held by Megabest through its wholly owned subsidiary, Profit-taking, which in turn held the entire issued share capital of Pullfield, the registered owner of the said 11,295,600 shares of the Company. CKW, CLW and CYW are directors of Megabest, Profit-taking and Pullfield.

Save as disclosed above, as at 30 September 2019, the Company has not been notified by any person (other than Directors or Chief Executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company.

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.

CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

In the opinion of the Directors, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "Code Provision(s)") contained in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2019, 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 four 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 99(A) of the Company's Articles of Association. There are seven Directors including four 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

The Company has adopted the Model Code as 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 30 September 2019.

CHANGES IN INFORMATION OF THE DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, there is no change in information on the Directors required to be disclosed subsequent to the date of the 2019 Annual Report of the Company.

AUDIT COMMITTEE

The Audit Committee consists of the three Independent Non-executive Directors, namely Messrs Lam Hon Keung, Keith (Chairman), Chan Woon Kong and Au-Yang Cheong Yan, Peter and one Non-executive Director, namely Mr. Ng Kwok Tung. The Group's financial information for the six months ended 30 September 2019 has 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.

By Order of the Board
Wah Ha Realty Company Limited
Raymond W. M. Chu
Company Secretary

Hong Kong, 28 November 2019