



華 廈 置 業 有 限 公 司

WAH HA REALTY COMPANY LIMITED

(Stock Code: 278)

## **INTERIM REPORT**

for the six months ended 30th September 2018

## **CONTENTS**

CORPORATE INFORMATION	2
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	3
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET	4
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6
UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT	7
NOTES TO THE INTERIM FINANCIAL INFORMATION	8
INTERIM DIVIDEND	24
CLOSURE OF REGISTER OF MEMBERS	24
MANAGEMENT DISCUSSION AND ANALYSIS	24
DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES	28
SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS	29
PURCHASE, SALE OR REDEMPTION OF SHARES	31
CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT	31
MODEL CODE	32
CHANGES IN INFORMATION OF THE DIRECTORS	32
AUDIT COMMITTEE	32

## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

#### ***Executive Directors***

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

#### ***Non-executive Directors***

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 REGISTRARS**

Hongkong Managers and Secretaries Limited  
Units 1607-8, 16th Floor  
Citicorp Centre, 18 Whitfield Road  
Causeway Bay, Hong Kong  
Telephone: (852) 3528 0290  
Fax: (852) 2887 2054

### **REGISTERED OFFICE**

Room 2500, Dominion Centre  
43-59 Queen's Road East  
Wanchai, Hong Kong  
Telephone: (852) 2527 1821  
Fax: (852) 2861 3771

### **STOCK CODES**

The Stock Exchange of Hong Kong Limited  
278  
Reuters  
0278.HK

### **WEBSITE**

<http://www.wahha.com>

The Board of Directors of Wah Ha Realty Company Limited (the "Company") announces that the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") and its associated companies for the six months ended 30 September 2018, with comparative figures of the previous period, are as follows:

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended 30 September 2018*

		<b>Six months ended</b>	
		<b>30 September</b>	
	<i>Note</i>	<b>2018</b>	2017
		<b>HK\$</b>	<b>HK\$</b>
Revenues	6	<b>8,078,073</b>	6,493,936
Changes in fair value of investment properties		<b>13,500,000</b>	8,500,000
Net fair value loss on financial assets at fair value through profit or loss		<b>(285,132)</b>	(698,701)
Other (losses)/gains, net	7	<b>(6,787,183)</b>	2,822,392
Direct outgoings in relation to properties that generate income		<b>(806,465)</b>	(407,211)
Staff costs		<b>(3,461,277)</b>	(3,372,037)
Other operating expenses		<b>(891,452)</b>	(790,418)
		<hr/>	<hr/>
Operating profit		<b>9,346,564</b>	12,547,961
Share of profits less losses of associated companies (including share of fair value gain on investment properties of HK\$63,800,000 (2017: HK\$59,850,000))		<b>87,091,030</b>	77,481,311
		<hr/>	<hr/>
Profit before income tax		<b>96,437,594</b>	90,029,272
Income tax credit	8	<b>184,286</b>	91,622
		<hr/>	<hr/>
Profit and total comprehensive income attributable to equity holders of the Company		<b>96,621,880</b>	90,120,894
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share (Basic and diluted)	9	<b>0.80</b>	0.75
		<hr/> <hr/>	<hr/> <hr/>
Dividends	10	<b>13,305,600</b>	13,305,600
		<hr/> <hr/>	<hr/> <hr/>

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**

*As at 30 September 2018*

	<b>30 September</b>	31 March
	<b>2018</b>	2018
<i>Note</i>	<b>HK\$</b>	<i>HK\$</i>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment properties	<b>237,200,000</b>	223,700,000
Investments in associated companies	<b>851,943,317</b>	771,352,287
Deferred income tax assets	<b>2,502,865</b>	2,301,189
	<u><b>1,091,646,182</b></u>	<u>997,353,476</u>
<b>Current assets</b>		
Completed properties held for sale	<b>1,456,911</b>	1,456,911
Amounts due from associated companies	<b>19,916,226</b>	19,620,226
Trade and other receivables	<b>1,688,918</b>	2,190,086
Tax recoverable	<b>44,585</b>	60,984
Financial assets at fair value through profit or loss	<b>1,446,945</b>	1,732,077
Cash and bank balances	<b>312,871,277</b>	480,748,541
	<u><b>337,424,862</b></u>	<u>505,808,825</u>
<b>Total assets</b>	<u><b>1,429,071,044</b></u>	<u>1,503,162,301</u>

		<b>30 September 2018</b>	31 March 2018
	<i>Note</i>	<b>HK\$</b>	<i>HK\$</i>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	13	<b>78,624,000</b>	78,624,000
Retained profits	14		
– Interim dividend		<b>13,305,600</b>	–
– Special dividend		–	166,924,800
– Proposed dividends		–	27,820,800
– Others		<b>1,263,768,982</b>	1,180,452,702
		<b>1,277,074,582</b>	1,375,198,302
<b>Total equity</b>		<b>1,355,698,582</b>	1,453,822,302
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Amounts due to associated companies		<b>68,948,943</b>	45,515,443
Trade and other payables	15	<b>4,408,011</b>	3,820,617
Tax payable		<b>15,508</b>	3,939
<b>Total liabilities</b>		<b>73,372,462</b>	49,339,999
<b>Total equity and liabilities</b>		<b>1,429,071,044</b>	1,503,162,301
<b>Net current assets</b>		<b>264,052,400</b>	456,468,826

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
*For the six months ended 30 September 2018*

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2018</b>	2017
	<b>HK\$</b>	HK\$
Total equity at beginning of the period	<b>1,453,822,302</b>	1,236,002,707
Profit and total comprehensive income for the period	<b>96,621,880</b>	90,120,894
Transaction with equity holders Dividends	<b><u>(194,745,600)</u></b>	<u>(27,820,800)</u>
Total equity at end of the period	<b><u>1,355,698,582</u></b>	<u>1,298,302,801</u>

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the six months ended 30 September 2018

	Six months ended 30 September 2018 HK\$	2017 HK\$
<b>Cash flows from operating activities</b>		
Profit before income tax	96,437,594	90,029,272
Changes in fair value of investment properties	<b>(13,500,000)</b>	(8,500,000)
Share of profits less losses of associated companies	<b>(87,091,030)</b>	(77,481,311)
Exchange losses/(gains)	<b>6,789,730</b>	(2,821,287)
	<hr/>	<hr/>
<b>Operating profit before working capital changes</b>	<b>2,636,294</b>	1,226,674
Increase in trade and other receivables	<b>(157,227)</b>	(64,378)
Decrease in financial assets at fair value through profit or loss	<b>285,132</b>	698,701
Increase in trade and other payables	<b>587,394</b>	212,245
	<hr/>	<hr/>
<b>Net cash generated from operations</b>	<b>3,351,593</b>	2,073,242
Hong Kong profits tax refunded/(paid)	<b>10,578</b>	(234,563)
	<hr/>	<hr/>
<b>Net cash generated from operating activities</b>	<b>3,362,171</b>	1,838,679
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Cash flows from investing activities</b>		
Decrease in short-term bank deposits	–	96,293,324
Fund transfer to associated companies	<b>(2,796,000)</b>	(1,130,000)
Fund transfer and dividend received from associated companies	<b>32,433,500</b>	20,717,500
Proceeds received from disposal of an associated company	<b>658,395</b>	–
	<hr/>	<hr/>
<b>Net cash generated from investing activities</b>	<b>30,295,895</b>	115,880,824
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Cash flows from financing activity</b>		
Dividends paid to the Company's equity holders	<b>(194,745,600)</b>	(27,820,800)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(161,087,534)</b>	89,898,703
<b>Cash and cash equivalents at beginning of the period</b>	<b>480,748,541</b>	169,719,961
Exchange (losses)/gains	<b>(6,789,730)</b>	2,821,287
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the period</b>	<b>312,871,277</b>	262,439,951
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## **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 holding 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") are presented in Hong Kong dollars (HK\$), unless otherwise stated.

The financial information relating to the year ended 31 March 2018 that is included in the interim financial information as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those 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 financial statements for the year ended 31 March 2018 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 those 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.

## 2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2018 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 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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 2018, except as stated below.

### **(a) *The adoption of new standard and amendments to existing standards***

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 3. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

**NOTES TO THE INTERIM FINANCIAL INFORMATION** (Continued)

**2. BASIS OF PREPARATION** (Continued)

**(b) *New standards and amendments to existing standards that are relevant but not yet effective***

<b>New standards and amendments</b>		<b>Effective for accounting periods beginning on or after</b>
Amendment to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle	1 January 2019
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019

The Group will adopt the above standards and amendments to existing standards as and when they become effective. None of the above is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 16, “Leases”

HKFRS 16 was issued in May 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

HKFRS 16 is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

### 3 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 “Financial Instruments” (“HKFRS 9”) and HKFRS 15 “Revenue from Contracts with Customers” (“HKFRS 15”) on the Group’s financial information and the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior periods.

#### **(a) Impact on the financial information**

As explained in Notes 3(b)(i) and 3(c)(i) below, HKFRS 9 and HKFRS 15 were adopted by the Group without restating comparative information. No reclassifications and adjustments are reflected in the consolidated balance sheet as at 31 March 2018 and in the opening consolidated balance sheet on 1 April 2018 as a result of the changes in the Group’s accounting policies.

#### **(b) Adoption of HKFRS 9 “Financial Instruments”**

##### (i) HKFRS 9 “Financial Instruments” – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 “Financial Instruments: Recognition and Measurement” (“HKAS 39”) that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 April 2018 resulted in changes in accounting policies but no adjustment to the amounts recognised in the consolidated financial statements was made. The new accounting policies are set out in Note 3(b)(ii) below.

##### *Classification and measurement*

On 1 April 2018 (the date of initial application of HKFRS 9), the Group’s management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. There were no changes to the classification and measurement of financial instruments.

## **NOTES TO THE INTERIM FINANCIAL INFORMATION** (Continued)

### **3 CHANGES IN ACCOUNTING POLICIES** (Continued)

#### **(b) Adoption of HKFRS 9 “Financial Instruments”** (Continued)

##### (i) HKFRS 9 “Financial Instruments” – Impact of adoption (Continued)

###### *Impairment of financial assets*

The new impairment model requires the recognition of impairment provisions based on expected credit losses (“ECL”) rather than only incurred credit losses as is the case under HKAS 39. The Group has trade receivables and other receivables that are subject to HKFRS 9’s new ECL model.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The Group applies the HKFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. Impairment on other receivables is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition.

The Group established ECL model based on historical settlement records, past experience and available forward-looking information. The Group has concluded that the impact of ECL on financial assets is insignificant as at 1 April 2018.

(ii) HKFRS 9 “Financial Instruments” – Summary of significant accounting policies

The following describes the Group’s updated financial instruments policy to reflect the adoption of HKFRS 9:

*Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (“OCI”), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (“FVOCI”).

*Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the profit and loss.

The Group subsequently measures all equity investments at fair value. Where the Group’s management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the profit and loss. Dividends received from such investments continue to be recognised in the profit and loss as other income when the Group’s right to receive payments is established.

## **NOTES TO THE INTERIM FINANCIAL INFORMATION** (Continued)

### **3 CHANGES IN ACCOUNTING POLICIES** (Continued)

#### **(b) Adoption of HKFRS 9 “Financial Instruments”** (Continued)

- (ii) HKFRS 9 “Financial Instruments” – Summary of significant accounting policies (Continued)

##### *Measurement (Continued)*

Changes in the fair value of financial assets at FVPL are recognised and separately disclosed in the profit and loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at FVOCI are not reported separately from other changes in fair value.

##### *Impairment of financial assets*

From 1 April 2018, the Group assesses on a forward looking basis the ECL associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL.

(c) ***Adoption of HKFRS 15 “Revenue from Contracts with Customers”***

- (i) HKFRS 15 “Revenue from Contracts with Customers” – Impact of adoption

HKFRS 15 deals with revenue recognition and establishes principles for reporting information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of goods or services and thus has the ability to direct the use and obtain the benefits from the goods or services.

The adoption of HKFRS 15 has no material impact to the retained earnings as at 1 April 2018 and therefore, no adjustment was made.

- (ii) HKFRS 15 “Revenue from Contracts with Customers” – Summary of significant accounting policies

The following describes the Group’s updated revenue recognition policy to reflect the adoption of HKFRS 15:

*Sales of properties*

Revenue from sales of completed properties is recognised at a point in time when the underlying property is legally and/or physically transferred to the customer.

*Provision of management services and construction supervision services*

Revenue from providing management services and construction supervision services is recognised over time in the accounting period in which the services are rendered.



**NOTES TO THE INTERIM FINANCIAL INFORMATION** (Continued)

**4. 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 2018.

**5. 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 2018.

**6. REVENUES AND SEGMENTAL INFORMATION**

The principal activities of the Group include those relating to investment holding, property development, investment and management in Hong Kong. There is no other significant identifiable separate business. In accordance with the Group's internal financial reporting provided to the chief operating decision-maker for the purpose of allocating resources, assessing performance of the operating segments and making strategic decision, the reportable operating segments are property development, investment and management and investments.

Segment assets consist of investment properties, 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 tax recoverable and deferred income tax assets. Segment liabilities comprise operating liabilities and exclude items such as tax payable and unpaid dividend.

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2018</b>	2017
	<b>HK\$</b>	<b>HK\$</b>
Rental income	<b>3,124,247</b>	3,183,427
Management fee income	<b>741,231</b>	683,575
Bank interest income	<b>4,145,907</b>	2,456,934
Dividend income – Listed investments	<b>21,588</b>	42,950
Construction supervision fee income	<b>45,100</b>	127,050
	<b>8,078,073</b>	6,493,936

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

	Property development, investment and management HK\$	Investments HK\$	Total HK\$
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>	12,852,049
Unallocated costs			<u>(3,505,485)</u>
Operating profit			9,346,564
Share of profits less losses 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	–	<u>13,500,000</u>

The segment assets and liabilities at 30 September 2018 are as follows:

	Property development, investment and management HK\$	Investments HK\$	Total HK\$
Segment assets	259,290,921	315,289,356	574,580,277
Associated companies	851,943,317	–	851,943,317
Unallocated assets			<u>2,547,450</u>
Total assets			<u>1,429,071,044</u>
Segment liabilities	71,715,521	–	71,715,521
Unallocated liabilities			<u>1,656,941</u>
Total liabilities			<u>73,372,462</u>

**NOTES TO THE INTERIM FINANCIAL INFORMATION** (Continued)

**6. REVENUES AND SEGMENTAL INFORMATION** (Continued)

The segment results for the six months ended 30 September 2017 are as follows:

	Property development, investment and management <i>HK\$</i>	Investments <i>HK\$</i>	Total <i>HK\$</i>
Revenues	<u>3,994,052</u>	<u>2,499,884</u>	<u>6,493,936</u>
Segment results	<u>11,270,556</u>	<u>4,622,470</u>	15,893,026
Unallocated costs			<u>(3,345,065)</u>
Operating profit			12,547,961
Share of profits less losses of associated companies	77,481,311	-	<u>77,481,311</u>
Profit before income tax			90,029,272
Income tax credit			<u>91,622</u>
Profit attributable to the equity holders of the Company			<u>90,120,894</u>
Changes in fair value of investment properties	8,500,000	-	<u>8,500,000</u>

The segment assets and liabilities at 31 March 2018 are as follows:

	Property development, investment and management <i>HK\$</i>	Investments <i>HK\$</i>	Total <i>HK\$</i>
Segment assets	245,911,586	483,536,255	729,447,841
Associated companies	771,352,287	-	771,352,287
Unallocated assets			<u>2,362,173</u>
Total assets			<u>1,503,162,301</u>
Segment liabilities	47,815,881	-	47,815,881
Unallocated liabilities			<u>1,524,118</u>
Total liabilities			<u>49,339,999</u>

7. OTHER (LOSSES)/GAINS, NET

	Six months ended 30 September	
	2018	2017
	HK\$	HK\$
Net exchange (losses)/gains	(6,789,730)	2,821,287
Sundries	2,547	1,105
	<u>(6,787,183)</u>	<u>2,822,392</u>

8. INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the Group's estimated assessable profit for the period.

	Six months ended 30 September	
	2018	2017
	HK\$	HK\$
Hong Kong profits tax		
Provision for the period	(17,390)	(66,925)
Deferred income tax credit	201,676	158,547
	<u>184,286</u>	<u>91,622</u>

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to equity holders of the Company of HK\$96,621,880 (2017: HK\$90,120,894) and on 120,960,000 shares (2017: 120,960,000 shares) in issue during the period. The diluted earnings per share equals to the basic earnings per share since there are no dilutive potential shares in issue during both periods.

**NOTES TO THE INTERIM FINANCIAL INFORMATION** (Continued)

**10. DIVIDENDS**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2018</b>	2017
	<b>HK\$</b>	<b>HK\$</b>
Interim dividend declared of HK11 cents (2017: HK11 cents) per share	<b><u>13,305,600</u></b>	<u>13,305,600</u>

The Board of Directors has resolved to declare an interim dividend of HK11 cents per share for the six months ended 30 September 2018 (2017: HK11 cents) payable on Monday, 21 January 2019 to equity holders whose names appear on the Register of Members of the Company on Friday, 4 January 2019.

**11. TRADE AND OTHER RECEIVABLES**

	<b>30 September</b>	31 March
	<b>2018</b>	2018
	<b>HK\$</b>	<b>HK\$</b>
Trade receivables		
Within 3 months (based on debit note date)	<b>167,579</b>	172,190
Other receivables	<b>1,265,437</b>	1,734,081
Prepayments and utility deposits	<b><u>255,902</u></b>	<u>283,815</u>
	<b><u>1,688,918</u></b>	<u>2,190,086</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.

**12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>30 September 2018 HK\$</b>	31 March 2018 HK\$
Listed shares – Overseas	<u><b>1,446,945</b></u>	<u>1,732,077</u>

**13. SHARE CAPITAL**

	<b>30 September 2018 HK\$</b>	31 March 2018 HK\$
<i>Issued and fully paid:</i>		
120,960,000 ordinary shares	<u><b>78,624,000</b></u>	<u>78,624,000</u>

**14. RETAINED PROFITS**

	<i>HK\$</i>
At 31 March 2017	1,157,378,707
Profit for the period	90,120,894
Dividends	<u>(27,820,800)</u>
At 30 September 2017	1,219,678,801
Profit for the period	168,825,101
Dividends	<u>(13,305,600)</u>
At 31 March 2018	1,375,198,302
Profit for the period	96,621,880
Dividends	<u>(194,745,600)</u>
<b>At 30 September 2018</b>	<u><b>1,277,074,582</b></u>

**NOTES TO THE INTERIM FINANCIAL INFORMATION** (Continued)

**15. TRADE AND OTHER PAYABLES**

	<b>30 September</b>	31 March
	<b>2018</b>	2018
	<b>HK\$</b>	HK\$
Trade payables		
Within 3 months (based on invoice date)	<b>1,600</b>	35,352
Other payables	<b>1,642,350</b>	1,545,846
Rental and utility deposits received	<b>1,283,693</b>	1,256,093
Accrued expenses	<b>1,480,368</b>	983,326
	<b><u>4,408,011</u></b>	<u>3,820,617</u>

**16. 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 2018, 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 net book value 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.

## 17 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	
	2018	2017
	HK\$	HK\$
Key management compensation		
Directors' emoluments	<u>870,000</u>	<u>870,000</u>

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



## **INTERIM DIVIDEND**

The Board of Directors has resolved to declare an interim dividend of HK11 cents per share for the six months ended 30 September 2018 (2017: HK11 cents) payable on Monday, 21 January 2019 to equity holders whose names appear on the Register of Members of the Company on Friday, 4 January 2019.

## **CLOSURE OF REGISTER OF MEMBERS**

The Transfer Books and Register of Members of the Company will be closed from Friday, 28 December 2018 to Friday, 4 January 2019, 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 Units 1607-8, 16th Floor, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong not later than 4:00 p.m. on Thursday, 27 December 2018.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Results**

For the period under review, the Group's unaudited profit attributable to equity holders of the Company amounted to HK\$96.6 million, representing an increase of about 7.2% from the corresponding period in 2017. Amongst these, HK\$9.5 million (2017: HK\$12.6 million) came from the Group and HK\$87.1 million (2017: HK\$77.5 million) was the contribution from the Group's associated companies. This moderate increase was mainly attributable to various favourable factors, namely improvement in the fair value gains from the Group's and its associated companies' investment properties for HK\$9.0 million, better realised profits from the sales of certain properties of the Group and its associated companies for HK\$5.8 million, and greater interest income of HK\$1.7 million. Such increase was nevertheless eroded by the unfavourable net exchange difference of HK\$9.6 million as a result of the recent significant depreciation of RMB/HK\$.

## Business Review

### *Property Development, Investment and Management*

During the period under review, even though the disposals of numerous properties in last year led to a reduction in rental income, our Rental Business still performed satisfactorily. A reduction of after-tax profit for HK\$0.5 million was reported.

During the period under review, two associated companies had disposed of 4 industrial units in Fanling and 1 industrial unit in Tsing Yi respectively. The aggregate profits derived by the Group therefrom were HK\$5.8 million higher than that of the last corresponding period.

During the period under review, an associated company had acquired 1 residential unit in Yau Ma Tei. Subsequent to the period under review, this associated company had further acquired 1 residential unit 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 Group's investment portfolio performed better and an improvement of HK\$0.4 million was recorded. The better deposit interest rates had a favourable effect on the interest income of the Group and an increase of HK\$1.7 million was reported during the period under review.

RMB was under great downside pressure after the recent outbreak of the trade war promulgated by the US President. A substantial depreciation of the exchange rate of RMB/HK\$ resulted in an unfavourable net exchange difference of HK\$9.6 million.

## **MANAGEMENT DISCUSSION AND ANALYSIS** (Continued)

### **Prospects**

For the period under review, the local economy exhibited stable growth. The 3rd Quarter GDP and private consumption growths in real term were 2.9% and 5.2% respectively. The seasonally adjusted unemployment rate stood at a relatively stable level of 2.8%. Inflation was maintained at below 3%. For September 2018, the year-on-year change for Composite Consumer Price Index was 2.7%. A positive growth of 4.5% in the total exports was recorded in September 2018. However, these figures had not reflected the impact of the trade war between the United States and China.

Globally, the United States had raised the interest rates three times in 2018 and the fourth increase in interest rate in the coming December is a market consensus. The balance sheet normalisation by the Federal Reserve is in progress. All these measures had the effects of tighter money supply and attracting tremendous funds to flow to the United States for higher yield. The banks in Hong Kong had finally followed the interest hike in the prime rate though with a lower magnitude. Nevertheless, the interest rates in Hong Kong, as reflected in HIBOR, is generally much higher than that in 2017. Last year's problem of the refugee issue, the Brexit and the independence issue in Spain are still the hurdles that the European Union should overcome. The past close relationship between the United States and Europe is somewhat affected by the attitude taken by President Trump in the United States. Furthermore, no or little progress was seen in the nuclear threat after the talk between the United States and North Korea. China still faces the problem of the sovereignty issue in the South China Sea and the impact of the trade war initiated by the United States need to be observed. Hong Kong, being a small open economy, is vulnerable to all of the above uncertainties.

In Hong Kong, the adverse impact of the interest rate hikes on the local economy was first seen in the price adjustments of the property market. The stock market was hit by the deteriorating market sentiment resulted from the tighter liquidity and the confrontation between China and the United States. Our core property business will undoubtedly be affected. The Group should act cautiously and prudently to cope with the challenges ahead.

### **Employment and Remuneration Policies**

As at 30 September 2018, the Group had less than twenty employees and their remuneration is maintained at competitive levels. Total staff costs (including Directors' remuneration) amounted to HK\$3.5 million (2017: HK\$3.4 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\$312.9 million at 30 September 2018 (2017: HK\$262.4 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 2018, 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**

<b>Name of Director</b>	<b>Personal interests</b>	<b>Corporate interests</b>	<b>Family interests</b>	<b>Total</b>	<b>% of issued share capital</b>
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 2018, 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 2018, 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
<b>Substantial Shareholders:</b>		
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
<b>Persons other than Substantial Shareholders:</b>		
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 Mr. 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 (in which CKW and his spouse in aggregate owned 50% interest) through its wholly owned subsidiary, 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 2018, 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 "CG Code") contained in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2018, except for the following deviations:

1. Under the code provision A.2.1 of the CG Code, 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 of the CG Code, 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 2018.

## **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 2018 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 interim results for the six months ended 30 September 2018 have been reviewed by the Audit Committee of the Company and by the Company's Auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee has no reservation on the accounting treatments adopted by the Group.

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

Hong Kong, 29 November 2018