



華 厦 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 2014

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 30th September 2014, with comparative figures of the previous period, are as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2014

		Six months ended	
		30th September	
	Note	2014	2013
		HK\$	HK\$
Revenues	2	6,606,391	13,141,113
Changes in fair value of investment properties		4,700,000	-
Net fair value (loss)/gain on financial assets at fair value through profit or loss		(29,844)	94,502
Other gains	3	942,206	883,460
Direct outgoings in relation to properties that generate income		(209,514)	(180,986)
Cost of sales of completed properties		-	(910,010)
Staff costs		(2,943,523)	(2,768,666)
Other operating expenses		(743,448)	(739,305)
Operating profit		8,322,268	9,520,108
Share of profits less losses of associated companies (including share of fair value gain on investment properties of HK\$2,650,000 (2013: HK\$16,250,000))		14,500,420	30,759,699
Profit before income tax		22,822,688	40,279,807
Income tax credit/(expense)	4	12,626	(1,046,567)
Profit and total comprehensive income attributable to equity holders of the Company		22,835,314	39,233,240
Earnings per share (Basic and diluted)	5	0.19	0.32
Dividends	6	13,305,600	13,305,600

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH SEPTEMBER 2014**

	Note	30th September 2014 HK\$	31st March 2014 HK\$
ASSETS			
Non-current assets			
Investment properties		70,600,000	65,900,000
Investments in associated companies		704,511,170	690,010,750
Amounts due from associated companies		3,419,679	5,520,179
Available-for-sale financial assets		250,448	250,448
Deferred income tax assets		899,065	762,776
		<hr/> 779,680,362 <hr/>	<hr/> 762,444,153 <hr/>
Current assets			
Completed properties held for sale		5,615,989	5,615,989
Amounts due from associated companies		36,486,010	38,446,010
Trade and other receivables	7	1,364,847	1,325,518
Tax recoverable		4,339	19,052
Financial assets at fair value through profit or loss		3,258,251	3,288,095
Cash and bank balances		348,527,865	358,649,739
		<hr/> 395,257,301 <hr/>	<hr/> 407,344,403 <hr/>
Total assets		<hr/> 1,174,937,663 <hr/>	<hr/> 1,169,788,556 <hr/>

	Note	30th September 2014 HK\$	31st March 2014 HK\$
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		78,624,000	78,624,000
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Retained profits			
- Interim dividend		13,305,600	-
- Proposed dividends		-	27,820,800
- Others		1,059,431,726	1,049,902,012
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		1,072,737,326	1,077,722,812
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Total equity		1,151,361,326	1,156,346,812
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LIABILITIES			
Current liabilities			
Amounts due to associated companies		18,390,283	8,755,283
Trade and other payables	8	3,849,075	3,416,487
Tax payable		1,336,979	1,269,974
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Total liabilities		23,576,337	13,441,744
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Total equity and liabilities		1,174,937,663	1,169,788,556
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Net current assets		371,680,964	393,902,659
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Total assets less current liabilities		1,151,361,326	1,156,346,812
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NOTES TO THE INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The interim financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and investment properties, which are carried at fair value, and in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31st March 2014 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 interim financial information are consistent with those applied in the annual financial statements for the year ended 31st March 2014, except as stated below.

The Group adopted the revised standards and amendments to existing standards below, which are relevant to its operations.

Amendment to HKAS 32	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
Amendment to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendment to HKAS 39	Financial Instruments: Recognition and Measurement- Novation of Derivatives
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Consolidation for Investment Entities
HK(IFRIC)-Int 21	Levies

The Group has assessed the impact of the adoption of these revised standards and amendments and considered that there were no significant impact on the Group’s results and financial position nor any substantial changes in the Group’s accounting policies and presentation of the financial information.

2. 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, available-for-sale financial assets, 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:

	Six months ended 30th September	
	2014	2013
	HK\$	HK\$
Rental income	2,810,097	2,350,403
Sales of completed properties held for sale	-	7,666,150
Management fee income	668,252	648,235
Bank interest income	2,964,005	2,254,232
Dividend income - Listed investments	39,087	33,793
Construction supervision fee income	124,950	188,300
	6,606,391	13,141,113

The segment results for the six months ended 30th September 2014 are as follows:

	Property development, investment and management HK\$	Investments HK\$	Total HK\$
Revenues	<u>3,603,299</u>	<u>3,003,092</u>	<u>6,606,391</u>
Segment results	<u>7,201,224</u>	<u>3,911,943</u>	11,113,167
Unallocated costs			<u>(2,790,899)</u>
Operating profit			8,322,268
Share of profits less losses of associated companies	14,500,420	-	<u>14,500,420</u>
Profit before income tax			22,822,688
Income tax credit			<u>12,626</u>
Profit attributable to the equity holders of the Company			<u>22,835,314</u>
Changes in fair value of investment properties	4,700,000	-	<u>4,700,000</u>

The segment assets and liabilities at 30th September 2014 are as follows:

	Property development, investment and management HK\$	Investments HK\$	Total HK\$
Segment assets	117,097,921	352,425,168	469,523,089
Associated companies	704,511,170	-	704,511,170
Unallocated assets			<u>903,404</u>
Total assets			<u>1,174,937,663</u>
Segment liabilities	21,361,827	-	21,361,827
Unallocated liabilities			<u>2,214,510</u>
Total liabilities			<u>23,576,337</u>

The segment results for the six months ended 30th September 2013 are as follows:

	Property development, investment and management HK\$	Investments HK\$	Total HK\$
Revenues	10,853,088	2,288,025	13,141,113
Segment results	8,917,022	3,265,841	12,182,863
Unallocated costs			(2,662,755)
Operating profit			9,520,108
Share of profits less losses of associated companies	30,759,699	-	30,759,699
Profit before income tax			40,279,807
Income tax expense			(1,046,567)
Profit attributable to the equity holders of the Company			39,233,240
Changes in fair value of investment properties	-	-	-

The segment assets and liabilities at 31st March 2014 are as follows:

	Property development, investment and management HK\$	Investments HK\$	Total HK\$
Segment assets	116,396,828	362,599,150	478,995,978
Associated companies			690,010,750
Unallocated assets			781,828
Total assets			1,169,788,556
Segment liabilities	11,330,835	-	11,330,835
Unallocated liabilities			2,110,909
Total liabilities			13,441,744

3. OTHER GAINS

	Six months ended 30th September	
	2014	2013
	HK\$	HK\$
Net exchange gains	938,695	883,314
Sundries	3,511	146
	<u>942,206</u>	<u>883,460</u>

4. INCOME TAX CREDIT / (EXPENSE)

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the Group's estimated assessable profit for the period.

	Six months ended 30th September	
	2014	2013
	HK\$	HK\$
Hong Kong profits tax		
Provision for the period	(123,663)	(1,236,391)
Deferred income tax credit	136,289	189,824
	<u>12,626</u>	<u>(1,046,567)</u>

5. 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\$22,835,314 (2013: HK\$39,233,240) and on 120,960,000 shares (2013: 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.

6. DIVIDENDS

	Six months ended 30th September	
	2014	2013
	HK\$	HK\$
Interim dividend declared of HK11 cents (2013: HK11 cents) per share	<u>13,305,600</u>	<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 30th September 2014 (2013: HK11 cents) payable on Thursday, 8th January 2015 to equity holders whose names appear on the Register of Members of the Company on Wednesday, 31st December 2014.

7. TRADE AND OTHER RECEIVABLES

	30th September 2014 HK\$	31st March 2014 HK\$
Trade receivables		
Within 3 months	307,806	385,416
Other receivables	935,429	698,637
Prepayments and utility deposits	121,612	241,465
	<u>1,364,847</u>	<u>1,325,518</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.

8. TRADE AND OTHER PAYABLES

	30th September 2014 HK\$	31st March 2014 HK\$
Trade payables		
Within 3 months	22,721	25,323
Other payables	1,572,760	1,513,098
Rental and utility deposits received	1,174,426	1,149,762
Accrued expenses	1,079,168	728,304
	<u>3,849,075</u>	<u>3,416,487</u>

INTERIM DIVIDEND

The Board of Directors has resolved to declare an interim dividend of HK11 cents per share for the six months ended 30th September 2014 (2013: HK11 cents) payable on Thursday, 8th January 2015 to equity holders whose names appear on the Register of Members of the Company on Wednesday, 31st December 2014.

CLOSURE OF REGISTER OF MEMBERS

The Transfer Books and Register of Members of the Company will be closed from Tuesday, 23rd December 2014 to Wednesday, 31st December 2014, 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 Monday, 22nd December 2014.

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\$22.8 million, representing a decrease of about 41.8% from the corresponding period in 2013. Amongst these, HK\$8.3 million came from the Group and HK\$14.5 million was the contribution from the Group's associated companies. The reduction in fair value gains from the Group's and its associated companies' investment properties for HK\$8.9 million was the major reason for the decrease. It was further adversely affected by the lack of sales of properties in the period under review. The after-tax profit from sales of the Group's and its associated companies' properties was HK\$8.8 million in the corresponding period last year. On the other hand, the better interest income for HK\$0.7 million and the better Rental Business for HK\$0.8 million were the mitigating factors.

BUSINESS REVIEW

Property Development, Investment and Management

Although maintenance expenditures were incurred for properties upon renewal of tenancy agreements, the Rental Business performed satisfactorily. General increase in rental rates for new and/or renewed tenancies was achieved. The overall after-tax profit was greater than that of last corresponding period by HK\$0.8 million.

During the period under review, no sales of properties were reported. However, an after-tax profit of HK\$8.8 million was reported in the corresponding period last year.

Subsequent to the period under review, an associated company had disposed of a unit in Tsing Yi and the Group's share of after-tax profit was about HK\$1.7 million.

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 after-tax profit from the Group's investment portfolio was HK\$0.1 million lower than that of the corresponding period in 2013. On the other hand, benefiting from the higher deposit rate of RMB, a better interest income of HK\$0.7 million was recorded and the exchange gains from the RMB deposit was comparable to that of last year.

PROSPECTS

For the period under review, as exhibited by the 3rd Quarter GDP and private consumption growths of 5.3% and 3.2% respectively, the local economy was relatively stable. The seasonally adjusted unemployment rate stood at 3.3% for the four consecutive months. However, inflation for the month of September 2014 was 6.6% which was the highest since July 2013. The total exports seemed to have been adversely affected by the weak economies of Europe and a relatively low growth rate of 4.5% was recorded. The advantages brought about by the Shanghai-Hong Kong Stock Connect need to be observed. The "Occupation Movement" may cast uncertainties on the local economy. The weakening retail market may further be hampered by the street blockades by protesters. This may probably have negative impact on the stock and property markets and the economy as a whole.

Recently, the International Monetary Fund downgraded the global economic growth for the year to 3.3%. In the United States, on the back of the unemployment rate dropping to below 6% and rebound of the housing sector, the Federal Reserve had just concluded its asset purchase program, probably the signal of the end of the quantitative easing measures. Although there is consensus that the low interest rate environment will still be maintained at least till mid-2015, interest rate hike is likely on the way. This is evidenced by the recent strength of US\$ against major currencies. The liquidity problem caused by the United States' tapering quantitative easing measures is however, to a certain extent, offset by the quantitative easing measures promulgated by Japan and Eurozone countries. This may lead to uncertainties in the global economy.

In China, the Central Government seems to be content with a slower but sustained economic growth. Accelerating industrialization, motivating internal consumption and promoting urbanization may result in healthy development of the economy of China.

Hong Kong is a small and open economy which is most susceptible to the global economy. The uncertainties of the global economy in addition to the unique political situation of Hong Kong will inevitably pose challenges to local business operators including the Group. The Group will be cautious and prudent in handling the challenges ahead so as to secure sustainable return to our shareholders.

EMPLOYMENT AND REMUNERATION POLICIES

As at 30th September 2014, the Group had less than twenty employees and their remuneration is maintained at competitive levels. Total staff costs (including Directors' remuneration) amounted to HK\$2.9 million (2013: HK\$2.8 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 subsidies, medical and retirement benefits.

LIQUIDITY AND FINANCIAL RESOURCES

The Group is virtually debt-free and generally finances its operations with internally generated cash flows. The Group's cash and cash equivalents amounted to HK\$348.5 million at 30th September 2014. 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.

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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("the Stock Exchange") ("the Listing Rules") throughout the six months ended 30th September 2014, 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 2014.

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 Group’s interim results for the six months ended 30th September 2014 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.

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.

INTERIM REPORT

The interim report of the Company for the six months ended 30th September 2014 will be published and dispatched to the equity holders of the Company in mid December 2014.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors of the Company comprises Messrs Cheung Kee Wee, Cheung Lin Wee and Cheung Ying Wai, Eric as Executive Directors, Messrs John Ho and Ng Kwok Tung as Non-executive Directors and Messrs Lam Hon Keung, Keith, Chan Woon Kong and Soo Hung Leung, Lincoln as Independent Non-executive Directors.

By Order of the Board
Raymond W M Chu
Company Secretary

Hong Kong, 27th November 2014