



華廈置業有限公司

WAH HA REALTY COMPANY LIMITED

# WAH HA REALTY COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 278)

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2004

The Board of Directors of Wah Ha Realty Company Limited (“the Company”) announces that the unaudited consolidated interim results of the Company and its subsidiary and associated companies (“the Group”) for the six months ended 30th September 2004, with comparative figures of the previous period, are as follows:

### CONSOLIDATED PROFIT AND LOSS ACCOUNT

*For the six months ended 30th September*

|   |      | Unaudited<br>Six months ended<br>30th September |                    |
|---|------|---|--------------------|
|   | Note | 2004<br>HK\$                                    | 2003<br>HK\$       |
| Turnover  | 2    | 2,843,667                                       | 4,835,554          |
| Cost of sales   |      | <u>(241,438)</u>                                | <u>(305,889)</u>   |
| Gross profit  |      | 2,602,229                                       | 4,529,665          |
| Other revenues  |      | 708,410   | 1,731,209          |
| General and administration expenses                     |      | (2,346,797)                                     | (2,749,554)        |
| Net other operating income                              |      | <u>989,260</u>                                  | <u>4,749,127</u>   |
| Operating profit  | 3    | 1,953,102                                       | 8,260,447          |
| Share of profits less losses<br>of associated companies |      | <u>8,355,992</u>                                | <u>3,121,229</u>   |
| Profit before taxation                                  |      | 10,309,094                                      | 11,381,676         |
| Taxation  | 4    | <u>(1,036,245)</u>                              | <u>(1,067,561)</u> |
| Profit attributable to shareholders                     |      | <u>9,272,849</u>                                | <u>10,314,115</u>  |
| Dividends   | 5    | <u>—</u>  | <u>—</u>           |
| Earnings per share                                      | 6    | <u>7.67 cents</u>                               | <u>8.53 cents</u>  |

## NOTES TO THE INTERIM ACCOUNTS

### 1. Basis of Preparation and Accounting Policies

The accounts have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

These accounts should be read in conjunction with the annual accounts for the year ended 31st March 2004.

The accounting policies and methods of computation used in the preparation of these accounts are consistent with those used in the annual accounts for the year ended 31st March 2004.

### 2. Turnover and Segmental Information

|                                     | Unaudited<br>Six months ended<br>30th September |                  |
|-------------------------------------|---|------------------|
|                                     | 2004<br>HK\$                                    | 2003<br>HK\$     |
| Rental income                       | 1,812,300                                       | 2,013,194        |
| Management fee income               | 873,414   | 1,868,971        |
| Interest income                     | 157,953   | 323,889          |
| Construction supervision fee income | —   | 359,500          |
| Sales of properties                 | —   | 270,000          |
|                                     | <u>2,843,667</u>                                | <u>4,835,554</u> |

The principal activities of the Group include those relating to investment holding, property development and investment, property management and building contractor. There are no other significant identifiable separate business. In accordance with the Group’s internal financial reporting and operating activities, the primary reporting is by business segments and the secondary reporting is by geographical segments. All of the Group’s operation is located in Hong Kong.

*Primary reporting segment — business segment*

|   | Property<br>investment,<br>development and<br>management<br>and building<br>contractor<br><i>HK\$</i> | Investments<br>and corporate<br>services<br><i>HK\$</i> | Total<br><i>HK\$</i>     |
|---|---|---|--------------------------|
| <b>Six months ended 30th September 2004 (unaudited)</b> |   |   |                          |
| Turnover  | <u><u>2,390,714</u></u>   | <u><u>452,953</u></u>                                   | <u><u>2,843,667</u></u>  |
| Segment results   | <u><u>1,542,490</u></u>   | <u><u>410,612</u></u>                                   | 1,953,102                |
| Share of profits less losses<br>of associated companies | 8,355,992   | —   | <u>8,355,992</u>         |
| Profit before taxation                                  |   |   | 10,309,094               |
| Taxation  |   |   | <u>(1,036,245)</u>       |
| Profit attributable to shareholders                     |   |   | <u><u>9,272,849</u></u>  |
| <b>Six months ended 30th September 2003 (unaudited)</b> |   |   |                          |
| Turnover  | <u><u>3,251,164</u></u>   | <u><u>1,584,390</u></u>                                 | <u><u>4,835,554</u></u>  |
| Segment results   | <u><u>1,918,628</u></u>   | <u><u>6,341,819</u></u>                                 | 8,260,447                |
| Share of profits less losses<br>of associated companies | 3,121,229   | —   | <u>3,121,229</u>         |
| Profit before taxation                                  |   |   | 11,381,676               |
| Taxation  |   |   | <u>(1,067,561)</u>       |
| Profit attributable to shareholders                     |   |   | <u><u>10,314,115</u></u> |

### 3. Operating Profit

|  | Unaudited<br>Six months ended<br>30th September |                |
|--|---|----------------|
|  | 2004<br>HK\$                                    | 2003<br>HK\$   |
| Operating profit is stated after crediting:                              |   |                |
| Gross rental income  |   |                |
| Investment properties  | 452,400   | 507,000        |
| Other properties   | 1,359,900                                       | 1,506,193      |
| <i>Less: related outgoings</i>   | (241,438)                                       | (186,550)      |
| Net unrealised gain on<br>short-term investments                         | 1,259,632                                       | 4,626,990      |
| Dividend income from listed investments<br>and unlisted investment funds | 649,894   | 1,726,660      |
| Profit on sales of short-term investments                                | <u>—</u>  | <u>122,137</u> |
| and after charging:  |   |                |
| Staff costs (including directors'<br>remuneration)                       | 1,591,138                                       | 1,903,675      |
| Loss on sales of short-term investments                                  | 270,372   | —              |
| Auditors' remuneration   | <u>194,000</u>                                  | <u>198,000</u> |

### 4. Taxation

|                                  | Unaudited<br>Six months ended<br>30th September |                  |
|----------------------------------|---|------------------|
|                                  | 2004<br>HK\$                                    | 2003<br>HK\$     |
| Company and subsidiary companies |   |                  |
| Hong Kong profits tax            | 122,591   | 172,531          |
| Associated companies             |   |                  |
| Hong Kong profits tax            | 857,336   | 812,324          |
| Deferred tax                     | <u>56,318</u>                                   | <u>82,706</u>    |
|                                  | <u>1,036,245</u>                                | <u>1,067,561</u> |

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits for the period.

## 5. Dividends

|  | Unaudited<br>Six months ended<br>30th September<br>2004 |  | 2003 |
|--|---|--|------|
|  | HK\$  |  | HK\$ |
| 2004 final dividend paid of<br>HK3 cents (2003: nil) per share   | 3,628,800   |  | —    |
| 2004 special dividend paid of<br>HK3 cents (2003: nil) per share | 3,628,800   |  | —    |
|  | <u>7,257,600</u>  |  | —    |

The Board of Directors has resolved not to declare an interim dividend for the six months ended 30th September 2004 (2003: nil).

## 6. Earnings Per Share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$9,272,849 (2003: HK\$10,314,115) and on 120,960,000 shares in issue during the period.

## INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30th September 2004 (2003: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Results

The Group's core property-related business improved with the rebound of local property industry on the back of improving global and local economic fundamentals. However, the overall profitability was negatively affected by the relatively disappointing results of the Investment and Corporate Services Businesses.

The Group's unaudited consolidated turnover in the first half of 2004/2005 decreased by 41.2% from the same period last year, from HK\$4,835,554 to HK\$2,843,667, mainly attributable to the cessation of receiving management fees from certain of our associated companies, leading to the fall in management fee income by HK\$963,500. However, this decrease in income was compensated by a corresponding increase in profits of associated companies. During the period under review, no construction supervision fee income (2003: HK\$359,500) was recorded due to the absence of building contracts. We have taken measures to control the overhead spending so as to survive from the weak building construction industry. The persisting low interest rate environment exerted downward pressure on the Group's interest income, leading to a decline of 51.2% to HK\$157,953. However, the revenue generated from the Group's Rental and Property Management Businesses had been able to maintain at a level comparable to that of the last period, accounting for nearly 84.1% of the Group's Turnover.

With the Group's revenue having exhibited some weakening, its profit attributable to shareholders for the reporting period fell slightly by approximately 10.1% to HK\$9,272,849 with the earnings per share of HK7.67 cents (2003: HK8.53 cents). On the other hand, significant improvement was exhibited in our property-related business, profit before taxation rose from HK\$5,039,857 of last period to HK\$9,898,482 of current period. This improved performance was partly caused by the cessation of paying management fees by associated companies totalling HK\$963,500 to shareholders. Excluding this factor, profit before taxation rose by 77.3% or HK\$3,895,125. Last period, the Group's Investment Business experienced significant gains on the back of an impressive capital markets rebound after a slump in the SARs period. For the period under review, investor concerns over high crude oil prices, rising US interest rates and global economic growth outlook had capped gains in the stock market. Consequently, the Group's Investment Business only recorded a profit of HK\$1,639,154, a significant drop of 74.7% from that of last period. The Group's net profit for the reporting period was consequently negatively affected.

## **BUSINESS REVIEW**

### **Property Investment, Development, Management and Building Contractor**

After years of deflation and slumping sales, the local property market experienced an impressive rebound during the period under review. Amidst such encouraging market environment, Wah Ha Property Development Limited, the Group's 50% owned associated company, fared well. It sold one of its investment properties that was acquired in 1996, namely Suite C on 5th and 6th Floors together with two car parking spaces on 1/F of No. 1 Robinson Road, Hong Kong at market value. The Group's profit derived therefrom amounted to approximately HK\$2.1 million. Apart from this, the Group did not acquire or dispose of any property during and subsequent to the period under review.

During the reporting period, the local leasing market remained very competitive, rental rate and profit margin experienced downward pressure due to the overall abundant supply of new and existing properties. However, with intense marketing efforts and quality rental services, the Group's turnover and profit in the Leasing Business stood at about HK\$1.81 million and HK\$1.54 million respectively, representing a moderate decline of 10.0% and 14.5% over that of last period respectively.

For the period under review, results of the Group's Property Management Business still suffered from the continuous fall in the expenditure levels of the serviced parties. The revenue as well as the profit of this segment were adversely affected. Revenue fell by 4.9% from HK\$0.60 million to HK\$0.58 million and profit fell by 12.1% from HK\$ 0.26 million to HK\$0.23 million.

The Group's Building Contractor Business performed weakly and no income was recorded in the first six months of this financial year. This lagging performance was due primarily to the continued lack of building activities. Notwithstanding the efforts on trimming down overhead spending, this segment experienced a loss of HK\$0.23 million (2003: loss of HK\$0.29 million).

## **Investment and Corporate Service**

In tandem with the global equity markets upturn, local stock market has clearly revived and risen since the second half of last financial year, the Group's Investment Business experienced a fresh high in the last financial period along with the soaring stock prices following years of declines. However, share prices have been capped as surging crude oil prices, a rising of US interest rate and the tightening macro-economic measures of the Chinese Government raised investor concerns. These factors led to a contraction in net unrealised gain on short-term investments of HK\$1.26 million during the reporting period (2003: HK\$4.63 million) and reversed the sale of short-term investment from a profit of approximately HK\$0.12 million during the last period to a loss of about HK\$0.27 million in this financial period. While the Group's Investment Business recorded a profit of about HK\$1.64 million, it was nonetheless a 74.7% decline from the HK\$6.48 million profit recorded last financial period.

During the period under review, the Group had ceased to receive management fees from its associates in the Group's Corporate Services Business, leading to a slump in revenue of this segment to about HK\$0.30 million (2003: HK\$1.26 million), representing a dramatic drop of about 76.6% over that of the last period. However, this decrease would result in an increase in the profits of our associated companies.

## **Other Disclosures**

Other than as disclosed above, the Directors are not aware of any other material changes to the information in relation to the Group's performance and the material factors underlying its results and financial position published in the annual report for the year ended 31st March 2004.

## **PROSPECTS**

Given the upturn of the Hong Kong economy on the back of further growth of GDP, continuous strong inflow of funds into the local stock market, growing consumer confidence and rebounding investment sentiments amidst improved local fundamentals namely falling unemployment rate and easing deflationary pressure, we are confident that by leveraging on our solid financial position, our Hong Kong-based business in the second half of this financial year will benefit from the ongoing improvements in the local economy.

However, we should not overlook certain risk factors overshadowing the global environment such as fluctuation in crude oil prices, interest rate up-cycle in US, macroeconomic adjustment in Mainland China and global geo-political threats. Therefore, we shall continue to adopt prudent financial management, closely monitor the market condition and make concerted efforts in raising our productivity in order to add value for our shareholders.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group is virtually debt-free and generally finances its operations with internally generated cash flows. The Group's cash and bank balances amounted to HK\$94.15 million at 30th September 2004. 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.

## **EMPLOYEE INFORMATION**

The Group has less than twenty employees and their remuneration are maintained at competitive levels. Employees' salaries are determined on performance basis with reference to the market trend. In addition, discretionary bonuses are granted to eligible employees by reference to the Group's result and individual performance. Other benefits include education subsidies, medical and retirement benefits.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with the auditors of the Company the unaudited consolidated interim results of the Company for the six months ended 30th September 2004 and has no reservation on the accounting treatments adopted by the Group.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiary companies has purchased or sold any of the Company's issued shares during the period.

## **CODE OF BEST PRACTICE**

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") ("the Listing Rules") at any time during the six months ended 30th September 2004, except that Non-Executive Directors of the Company are not appointed for a specific term as they are subject to retirement by rotation in accordance with Article 103(A) of the Company's Articles of Association.

## **PUBLICATION OF DETAILED INTERIM RESULTS ANNOUNCEMENT ON THE WEBSITE OF THE STOCK EXCHANGE**

A detailed Interim Results Announcement containing all the information in respect of the Company required by paragraphs 46(1) to (6) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.



## **DIRECTORS**

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

By Order of the Board  
**Raymond W M Chu**  
*Company Secretary*

Hong Kong, 13th December 2004

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