



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 2020

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	19
CLOSURE OF REGISTER OF MEMBERS	19
MANAGEMENT DISCUSSION AND ANALYSIS	19
DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES	22
SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS	23
PURCHASE, SALE OR REDEMPTION OF SHARES	25
CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT	25
MODEL CODE	26
CHANGES IN INFORMATION OF THE DIRECTORS	26
AUDIT COMMITTEE	26

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
Certified Public Accountants
Registered Public Interest Entity Auditor

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
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 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 2020, with comparative figures of the previous period, are as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		Six months ended 30 September	
		2020	2019
	Note	HK\$	HK\$
Revenues	5	5,233,184	7,292,684
Changes in fair value of investment properties		(300,000)	(1,500,000)
Net fair value losses on financial assets at fair value through profit or loss		(217,376)	(136,255)
Other gains/(losses), net	6	3,329,502	(4,700,969)
Direct outgoings in relation to properties that generate income		(677,301)	(744,188)
Staff costs		(3,207,547)	(3,649,576)
Other operating expenses		(840,131)	(821,724)
Operating profit/(loss)		3,320,331	(4,260,028)
Share of results of associated companies (including share of fair value loss on investment properties of HK\$22,600,000 (2019: HK\$20,900,000))		(9,687,233)	(3,926,368)
Loss before income tax		(6,366,902)	(8,186,396)
Income tax credit	7	337,044	190,776
Loss and total comprehensive loss attributable to equity holders of the Company		(6,029,858)	(7,995,620)
Loss per share (Basic and diluted)	8	(0.05)	(0.07)
Dividends	9	13,305,600	13,305,600

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2020

	30 September	31 March
	2020	2020
<i>Note</i>	HK\$	HK\$
ASSETS		
Non-current assets		
Investment properties	220,000,000	220,300,000
Investments in associated companies	798,810,340	808,497,573
Deferred income tax assets	4,586,161	4,200,793
	<u>1,023,396,501</u>	<u>1,032,998,366</u>
Current assets		
Completed properties held for sale	1,456,911	1,456,911
Amount due from an associated company	32,189,325	28,012,326
Trade and other receivables	1,209,261	1,397,244
Tax recoverable	9,222	13,315
Financial assets at fair value through profit or loss	790,491	1,007,867
Cash and cash equivalents	285,561,925	293,964,265
	<u>321,217,135</u>	<u>325,851,928</u>
Total assets	<u>1,344,613,636</u>	<u>1,358,850,294</u>

		30 September 2020	31 March 2020
	<i>Note</i>	HK\$	HK\$
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		–	22,982,400
– Others		1,171,858,878	1,191,194,336
		1,185,164,478	1,214,176,736
Total equity		1,263,788,478	1,292,800,736
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		893,818	849,587
Current liabilities			
Amounts due to associated companies		74,374,443	60,201,043
Trade and other payables	14	5,556,897	4,998,928
		79,931,340	65,199,971
Total liabilities		80,825,158	66,049,558
Total equity and liabilities		1,344,613,636	1,358,850,294
Net current assets		241,285,795	260,651,957

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Six months ended	
	30 September	
	2020	2019
	HK\$	HK\$
Total equity at beginning of the period	1,292,800,736	1,382,980,906
Loss and total comprehensive loss for the period	(6,029,858)	(7,995,620)
Transaction with equity holders		
Dividends	(22,982,400)	–
Total equity at end of the period	<u>1,263,788,478</u>	<u>1,374,985,286</u>

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2020

	Six months ended 30 September 2020 HK\$	2019 HK\$
Cash flows from operating activities		
Loss before income tax	(6,366,902)	(8,186,396)
Changes in fair value of investment properties	300,000	1,500,000
Share of results of associated companies	9,687,233	3,926,368
Exchange (gains)/losses	(3,329,502)	4,700,969
	<hr/>	<hr/>
Operating profit before working capital changes	290,829	1,940,941
Decrease in trade and other receivables	187,983	34,903
Decrease in financial assets at fair value through profit or loss	217,376	136,255
Increase in trade and other payables	557,969	936,660
	<hr/>	<hr/>
Net cash generated from operations	1,254,157	3,048,759
Hong Kong profits tax paid	-	(4,196)
	<hr/>	<hr/>
Net cash generated from operating activities	1,254,157	3,044,563
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Cash flows from investing activities		
Fund transfer to associated companies	(4,360,099)	(5,152,500)
Fund transfer and dividend received from associated companies	14,356,500	16,824,250
	<hr/>	<hr/>
Net cash generated from investing activities	9,996,401	11,671,750
	<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	(22,982,400)	-
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net (decrease)/increase in cash and cash equivalents	(11,731,842)	14,716,313
Cash and cash equivalents at beginning of the period	293,964,265	311,549,572
Exchange gains/(losses)	3,329,502	(4,700,969)
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	285,561,925	321,564,916
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

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.

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across Hong Kong. The Group pays close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

As at 30 September 2020, the Group's investment properties were stated at their fair values of approximately HK\$220.0 million. Included in investments in associated companies were the Group's share of fair value of investment properties held by associated companies of approximately HK\$657.0 million. Fair value losses of investment properties of HK\$0.3 million were accounted for in the Group's condensed consolidated statement of comprehensive income for the six months ended 30 September 2020, while share of associated companies' results also included the Group's share of fair value losses of investment properties held by the associated companies of HK\$22.6 million. The fair value of investment properties has taken into account the impact of COVID-19 outbreak based on information available as at 30 September 2020. Given the uncertainty over the length and severity of the COVID-19 outbreak in Hong Kong and ongoing development measures to address the outbreak, valuation may change significantly and unexpectedly over short period of time. Management has been closely monitoring the development of COVID-19 outbreak and considered that, save as discussed above, there is no other matters that would result in a significant adverse impact on the Group's results and financial position as at the reporting date as a result of the COVID-19 outbreak.

The financial information relating to the year ended 31 March 2020 that is included in the interim financial information for the six months ended 30 September 2020 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 2020 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 26 November 2020.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2020 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 2020, 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.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

2. BASIS OF PREPARATION (Continued)

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 2020, except as stated below.

(a) *New and amended standards adopted by the Group*

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

Amendments to HKFRS 3	Definition of a business
Amendments to HKAS 1 and HKAS 8	Definition of material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest rate benchmark reform
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting

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.

(b) *New standards and amendments to standards that have been issued but are not yet effective*

A number of new standards and amendments to standards have been issued but are not effective for the year beginning on or after 1 April 2020 and have not been early adopted by the Group. The Group is in the process of making an assessment of the impact of these new and amended standards upon initial application, and has concluded on a preliminary basis that the adoption of these new and amended standards is not expected to have any significant impact on the Group's results of operations and financial position.

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 consolidated financial statements for the year ended 31 March 2020.

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 consolidated financial statements for the year ended 31 March 2020.

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 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	
	2020	2019
	<i>HK\$</i>	<i>HK\$</i>
Rental income	2,260,357	2,874,855
Bank interest income	2,139,467	3,661,766
Dividend income – Listed investments	1,776	1,453
<i>Recognised over time</i>		
Management fee income	744,184	739,810
Construction supervision fee income (<i>Note</i>)	87,400	14,800
	5,233,184	7,292,684

Note: The amount was charged to associated companies based on services rendered and at fees mutually agreed between the relevant parties.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

5. REVENUES AND SEGMENTAL INFORMATION (Continued)

The segment results for the six months ended 30 September 2020 are as follows:

	Property development, investment and management HK\$	Investments HK\$	Total HK\$
Bank interest income	–	2,139,467	2,139,467
Rental income	2,260,357	–	2,260,357
Revenues under HKFRS 15	831,584	–	831,584
Other revenues	–	1,776	1,776
Revenues	<u>3,091,941</u>	<u>2,141,243</u>	<u>5,233,184</u>
Segment results	<u>1,368,919</u>	<u>5,253,369</u>	<u>6,622,288</u>
Unallocated costs			(3,301,957)
Operating profit			3,320,331
Share of results of associated companies	(9,687,233)	–	(9,687,233)
Loss before income tax			(6,366,902)
Income tax credit			337,044
Loss attributable to the equity holders of the Company			<u>(6,029,858)</u>
Changes in fair value of investment properties	(300,000)	–	(300,000)
Net fair value losses on financial assets at fair value through profit or loss	–	(217,376)	(217,376)

The segment assets and liabilities at 30 September 2020 are as follows:

	Property development, investment and management HK\$	Investments HK\$	Total HK\$
Segment assets	254,385,239	286,822,674	541,207,913
Associated companies	798,810,340	–	798,810,340
Unallocated assets			4,595,383
Total assets			<u>1,344,613,636</u>
Segment liabilities	77,481,729	–	77,481,729
Unallocated liabilities			3,343,429
Total liabilities			<u>80,825,158</u>

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

	Property development, investment and management HK\$	Investments HK\$	Total HK\$
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
Revenues	<u>3,629,465</u>	<u>3,663,219</u>	<u>7,292,684</u>
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>(7,995,620)</u>
Changes in fair value of investment properties	(1,500,000)	–	<u>(1,500,000)</u>
Net fair value losses on financial assets at fair value through profit or loss	–	(136,255)	<u>(136,255)</u>

The segment assets and liabilities at 31 March 2020 are as follows:

	Property development, investment and management HK\$	Investments HK\$	Total HK\$
Segment assets	250,387,357	295,751,256	546,138,613
Associated companies	808,497,573	–	808,497,573
Unallocated assets			<u>4,214,108</u>
Total assets			<u>1,358,850,294</u>
Segment liabilities	62,978,045	–	62,978,045
Unallocated liabilities			<u>3,071,513</u>
Total liabilities			<u>66,049,558</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

6. OTHER GAINS/(LOSSES), NET

	Six months ended 30 September	
	2020	2019
	<i>HK\$</i>	<i>HK\$</i>
Net exchange gains/(losses)	<u>3,329,502</u>	<u>(4,700,969)</u>

7. INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the Group's estimated assessable profit for the period.

	Six months ended 30 September	
	2020	2019
	<i>HK\$</i>	<i>HK\$</i>
Hong Kong profits tax		
Provision for the period	(4,093)	(12,675)
Deferred income tax credit	<u>341,137</u>	<u>203,451</u>
	<u>337,044</u>	<u>190,776</u>

8. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the loss attributable to equity holders of the Company of HK\$6,029,858 (2019: HK\$7,995,620) and on 120,960,000 shares (2019: 120,960,000 shares) in issue during the period. The diluted loss per share equals to the basic loss per share since there are no dilutive potential shares in issue during both periods.

9. DIVIDENDS

	Six months ended 30 September	
	2020	2019
	<i>HK\$</i>	<i>HK\$</i>
Interim dividend declared of HK11 cents (2019: 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 30 September 2020 (2019: HK11 cents) payable on Friday, 22 January 2021 to equity holders whose names appear on the Register of Members of the Company on Tuesday, 5 January 2021.

10. TRADE AND OTHER RECEIVABLES

	30 September 2020 <i>HK\$</i>	31 March 2020 <i>HK\$</i>
Trade receivables		
Within 3 months (based on debit note date)	252,491	314,697
Other receivables	759,594	814,623
Prepayments and utility deposits	<u>197,176</u>	<u>267,924</u>
	<u>1,209,261</u>	<u>1,397,244</u>

Trade receivables represent rental and management fee receivables. Rental receivables are normally due for payment upon presentation of debit note at the beginning of each rental period (normally on a monthly basis). The rental receivables are generally fully covered by the rental deposits from corresponding tenants. Management fee receivable is normally due for payment upon presentation of debit note at the end of each month.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2020 HK\$	31 March 2020 HK\$
Listed shares – Overseas	790,491	1,007,867

12. SHARE CAPITAL

	30 September 2020 HK\$	31 March 2020 HK\$
<i>Issued and fully paid:</i>		
120,960,000 ordinary shares	78,624,000	78,624,000

13. RETAINED PROFITS

	<i>HK\$</i>
At 31 March 2019	1,304,356,906
Loss for the period	<u>(7,995,620)</u>
At 30 September 2019	1,296,361,286
Loss for the period	(41,058,150)
Dividends	<u>(41,126,400)</u>
At 31 March 2020	1,214,176,736
Loss for the period	(6,029,858)
Dividends	<u>(22,982,400)</u>
At 30 September 2020	<u>1,185,164,478</u>

14. TRADE AND OTHER PAYABLES

	30 September	31 March
	2020	2020
	HK\$	HK\$
Trade payables		
Within 3 months (based on invoice date)	466,700	609,300
Other payables	2,813,831	2,222,994
Rental and utility deposits received	1,065,872	1,169,472
Accrued expenses	1,210,494	997,162
	<u>5,556,897</u>	<u>4,998,928</u>

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 2020, 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.

NOTES TO THE INTERIM FINANCIAL INFORMATION (Continued)

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	
	2020	2019
	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 2020 (2019: HK11 cents) payable on Friday, 22 January 2021 to equity holders whose names appear on the Register of Members of the Company on Tuesday, 5 January 2021.

CLOSURE OF REGISTER OF MEMBERS

The Transfer Books and Register of Members of the Company will be closed from Tuesday, 29 December 2020 to Tuesday, 5 January 2021, 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 Monday, 28 December 2020.

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\$6.0 million as compared to an unaudited loss of HK\$8.0 million in the corresponding period in 2019. The Group contributed a profit of HK\$3.7 million (2019: loss of HK\$4.1 million) whereas a loss of HK\$9.7 million was derived from its share of the results of its associated companies (2019: loss of HK\$3.9 million). Exchange gains of HK\$3.3 million versus exchange losses of HK\$4.7 million in the last corresponding period as a result of the relative strength of the exchange rate of RMB/HK\$ was the major reason for the reduction of unaudited loss. This favourable result was however eroded by various unfavourable factors, namely the lower contribution from the rental business by HK\$2.5 million, the lower interest income by HK\$1.5 million, the greater fair value losses by HK\$0.5 million recorded upon the revaluation of the Group's and its associated companies' investment properties and the absence of realized profit from the sales of properties of the Group and its associated companies versus a realized profit for HK\$2.0 million in the last corresponding period.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Business Review

Property Development, Investment and Management

During the period under review, the contribution from the rental business was adversely affected by the rental concessions and early termination of tenancies especially in the retail sector. The after-tax profit of the rental business decreased by HK\$2.5 million.

During the period under review, no disposal of properties was recorded by the Group and its associated companies whereas a realized profit of HK\$2.0 million was recorded in the last corresponding period. On the other hand, an associated company 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

During the period under review, the performance of the Group's investment portfolio was similar to that of the last corresponding period. Interest income decreased by HK\$1.5 million because of the general lower bank deposit interest rates. For RMB, the Group benefited from the rebound of the exchange rate of RMB/HK\$ and a favourable exchange difference of HK\$8.0 million was reported.

Prospects

For the period under review, the declining trend of the local economy persisted. A negative year-on-year GDP growth of 3.5% for the 3rd Quarter of 2020 was recorded. The private consumption expenditure in real term for the same quarter shrank by 8.2%. The latest seasonally adjusted unemployment rate climbed to a record high of 6.4% since the outbreak of the COVID-19. Deflation as reflected by the Composite Consumer Price Index for September 2020 was 2.2%. On the other hand, the imports and exports for September, after several months' negative growths, rose by 3.4% and 9.1% respectively.

In Hong Kong, the outbreak of the COVID-19 pandemic further exerts great pressure on the already sluggish retail sales. Further contraction in retail sales was observed when a series of anti-pandemic measures were implemented since early this year. Both inbound and outbound tourism were severely hit. Unfortunately, it is not sure whether the worst economic situation has occurred. Inevitably, our core property related business was adversely affected. Requests for rental concessions were quite common. The outlook for the local economy is not optimistic. Bearing this in mind, the Group will be mindful of the risks associated with the uncertain economic position and act cautiously. Sufficient financial resources will be reserved to meet the unpredictable challenges ahead.

Employment and Remuneration Policies

As at 30 September 2020, the Group had less than twenty employees and their remuneration is maintained at competitive levels. Total staff costs (including Directors' remuneration) amounted to HK\$3.2 million (2019: HK\$3.6 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\$285.6 million at 30 September 2020 (31 March 2020: HK\$294.0 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 2020, the interests or 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	14,394,800	–	338,000 <i>(Note 2)</i>	14,732,800	12.18
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 2020, 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 2020, 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	14,732,800 <i>(Note 4)</i>	12.18
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 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 through Humphrey, the registered owner of the said 15,150,160 shares. CKW is a director of Biochoice and Humphrey.
- (4) Out of the 14,732,800 shares, 338,000 shares were beneficially held by Ms. Wu Suet Yi, Rita, and Ms. Wu was taken to be interested in the remaining 14,394,800 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 2020, 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 2020, 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 2020.

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 2020 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 2020 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, 26 November 2020