

WAH HA REALTY COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2003

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 2003, with comparative figures of the previous period, are as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th September

| | Note | Unaudited | |
|--|------|----------------|----------------|
| | | 2003 | 2002 |
| | | As restated | |
| | | 30th September | 30th September |
| | | HK\$ | HK\$ |
| Turnover | 2 | 4,835,554 | 6,658,650 |
| Cost of sales | | (305,889) | (252,656) |
| Gross profit | | 4,529,665 | 6,405,994 |
| Other revenues | | 1,731,209 | 1,359,619 |
| General and administration expenses | | (2,749,554) | (2,467,850) |
| Other operating income/(expenses), net | | 4,749,127 | (5,968,279) |
| Operating profit/(loss) | 3 | 8,260,447 | (670,516) |
| Share of profits less losses of associated companies | | 3,121,229 | 6,387,714 |
| Profit before taxation | | 11,381,676 | 5,717,198 |
| Taxation | 4 | (1,067,561) | (1,534,594) |
| Profit attributable to shareholders | | 10,314,115 | 4,182,604 |
| Dividends | 5 | — | 2,419,200 |
| Earnings per share | 6 | 8.53 cents | 3.46 cents |

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 Society of Accountants. These accounts should be read in conjunction with the annual accounts for the year ended 31st March 2003.

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 2003 except that the Group has changed its accounting policy in respect of accounting for deferred taxation following its adoption of revised SSAP 12 "Income Taxes" issued by the Hong Kong Society of Accountants which becomes effective for accounting periods commencing on or after 1st January 2003.

The changes to the Group's accounting policy and the effect of adopting this new policy are set out below:

Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

In this connection, opening equity at 1st April 2002 and 2003 had been reduced by HK\$4,307,000 and HK\$4,756,000 respectively, which represented the Group's share of its associated companies' additional provision for deferred tax liabilities resulted from the adoption of revised SSAP 12. This change had resulted in a decrease in the carrying value of associated companies at 31st March 2003 by HK\$4,756,000 and a decrease in profit for the six months ended 30th September 2002 by HK\$82,000.

2. Turnover and Segmental Information

| | Unaudited | |
|-------------------------------------|----------------|----------------|
| | 2003 | 2002 |
| | 30th September | 30th September |
| | HK\$ | HK\$ |
| Rental income | 2,013,194 | 2,069,817 |
| Management fee income | 1,868,971 | 2,401,139 |
| Interest income | 323,889 | 1,054,088 |
| Construction supervision fee income | 359,500 | 752,306 |
| Sales of properties | 270,000 | 381,300 |
| | 4,835,554 | 6,658,650 |

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 investment, development and management and building contractor | Investments and corporate services | Total |
|--|---|------------------------------------|-------------|
| | HK\$ | HK\$ | HK\$ |
| Six months ended 30th September 2003 (unaudited) | | | |
| Turnover | 3,251,164 | 1,584,390 | 4,835,554 |
| Segment results | 1,918,628 | 6,341,819 | 8,260,447 |
| Share of profits less losses of associated companies | 3,121,229 | — | 3,121,229 |
| Profit before taxation | | | 11,381,676 |
| Taxation | | | (1,067,561) |
| Profit attributable to shareholders | | | 10,314,115 |
| Six months ended 30th September 2002 (unaudited) | | | |
| Turnover | 3,858,062 | 2,800,588 | 6,658,650 |
| Segment results | 2,523,976 | (3,194,492) | (670,516) |
| Share of profits less losses of associated companies | 6,387,714 | — | 6,387,714 |
| Profit before taxation | | | 5,717,198 |
| Taxation | | | (1,534,594) |
| Profit attributable to shareholders | | | 4,182,604 |

3. Operating Profit/Loss

| | Unaudited | 2002 |
|---|------------------|----------------|
| | Six months ended | 30th September |
| | 2003 | 2002 |
| | HK\$ | HK\$ |
| Operating profit/loss is stated after crediting: | | |
| Gross rental income | | |
| Investment properties | 507,000 | 587,142 |
| Other properties | 1,506,193 | 1,482,675 |
| Less related outgoings | (186,550) | (141,108) |
| Net unrealised gain on short-term investments | 4,626,990 | — |
| Dividend income from listed investments and quoted mutual funds | 1,726,660 | 650,577 |
| Profit on sales of short-term investments | 122,137 | 446,905 |
| and after charging: | | |
| Staff costs (including directors' remuneration) | 1,903,675 | 1,836,712 |
| Net unrealised loss of short-term investments | — | 5,968,279 |
| Auditors' remuneration | 198,000 | 190,500 |

4. Taxation

| | Unaudited | 2002 |
|--|------------------|------------------|
| | Six months ended | 30th September |
| | 2003 | As restated 2002 |
| | HK\$ | HK\$ |
| Company and subsidiary companies | | |
| Current taxation, Hong Kong profits tax: | | |
| Provision for the period | 172,531 | 179,936 |
| Under provision in prior periods | — | 330 |
| Associated companies | | |
| Provision for the period | 895,030 | 1,363,921 |
| Over provision in prior periods | — | (9,593) |
| | 1,067,561 | 1,534,594 |

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits for the period.

5. Dividends

| | Unaudited | 2002 |
|--|------------------|----------------|
| | Six months ended | 30th September |
| | 2003 | 2002 |
| | HK\$ | HK\$ |
| 2003 final paid of nil cents (2002: 2.0 cents) per share | — | 2,419,200 |

The Board of Directors has resolved not to declare the payment of an interim dividend for the six months ended 30th September 2003 (2002: nil).

6. Earnings Per Share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$10,314,115 (2002: HK\$4,182,604) 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 2003 (2002: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The operating environment of the Group remained difficult in the period under review. The overall property market continued to suffer from a setback amidst a declining economy and lingering uncertainty about the global economy. This was further aggravated by the outbreak of the SARS in March. The performance of the Group's core property-related businesses therefore had suffered, at various levels, from such adverse environment.

Dragged by the weak property market, the Group's turnover for the period under review reduced to HK\$4,835,554 (2002: HK\$6,658,650). There was a sign of shrinkage across all the operation segments of the Group. A modest decrease of 27.4% in the overall turnover had been recorded. This reduced revenue was mainly attributed to notable decrease in the Group's interest income caused by the low interest rate as well as the continuous decline in the housing mortgage loans extended to end-buyers of the Group's properties. Another significant factor was the reduction in management fee income which decreased with the levels of rental income of the serviced parties. Finally, our construction supervision fee income reduced substantially due to the lack of building projects.

Despite the decline in revenue, the Group's profit attributable to shareholders grew impressively by approximately 1.5 times to HK\$10,314,115 as compared with HK\$4,182,604 recorded in the last period. Earnings per share also marked a significant improvement from HK\$3.46 cents to HK\$8.53 cents. These encouraging results were mainly driven by the upswing of the securities prices resulted from a general rebound in the global equities markets. Consequently, a net unrealized gain of HK\$4,626,990 was recorded against a net unrealized loss of short-term investments of HK\$5,968,279 in the last financial period. However, the contraction in interest income together with the Group's share of loss from the investment property of Belair Villa at Fanling had eroded part of the profitability of the Group.

BUSINESS REVIEW

Property Investment, Development, Management and Building Contractor

The sale performance of the Group had gradually picked up in the third quarter of 2003 from the setback caused by the SARS epidemic in the second quarter. During the period under review, the Group had realized a loss of about HK\$0.70 million from the sale of units at Belair Villa at Fanling. However, after taking into account the effect of lower property sales prices plagued by continuing soft demand, a further provision had been made for this property. Consequently, the Group's share of loss amounted to about HK\$2.22 million. Subsequent to the period under review, prompted by the recovery in economic activities since the end of the SARS crisis in July, the sale of this property had picked up. To date, 71.4% of the units have been sold. Furthermore, a car park at Festigood Centre was sold and generated a profit of approximately HK\$0.15 million.

During the financial period under review, the overall abundant supply of new and existing properties continued to exert pressure on prices and rentals. However, the gross rental revenue of the Group remained broadly stable, recording a slight decrease of 2.7% over the same period of last year to approximately HK\$2.01 million. Revenue from this sector remained the key driving force for the Group's turnover, accounting for nearly 41.6% of the Group's total turnover. It is anticipated that the stabilization of Rental Business will continue to act as strong support to the profit base of the Group in the foreseeable future.

Profit from the Group's Property Management Business amounted to approximately HK\$0.26 million (2002: HK\$0.31 million) for the period under review, representing a drop of about 16.9%. The revenue from this business is geared to the expenditure levels of the serviced parties which were suppressed in recent years. Consequently, the revenue as well as the profit of this segment were adversely affected.

The turnover of the Group's Building Contractor Business continued to shrink to approximately HK\$0.36 million (2002: HK\$0.75 million), amidst a dearth of new building project. A loss of approximately HK\$0.29 million (2002: profit of HK\$0.03 million) was recorded.

Investment and Corporate Service

The Group's Investment Business turned around sharply to profit during the period under review, from a loss of about HK\$3.82 million in last period to a profit of approximately HK\$6.80 million in this period. The performance of this segment had been improving since the third quarter of this year, in line with the general uptrend of the global stock markets. It was noted that the local stock market had improved since the end of the SARS crisis in July and rose significantly during the third quarter of this year. It was underpinned by growing optimism about the performance and near-term outlook of the Hong Kong economy. Furthermore, the concerted effort and support from the Central Government coupled with the rebound in the residential property market further lifted market sentiment. With further inflow of funds as well as the general uptrend in the global stock markets, it is anticipated that the results of this segment will continue to be improved.

The performance of the Group's Corporate Services Business however had been disappointing. Turnover of this segment during the period under review stood at about HK\$1.26 million (2002: HK\$1.75 million), representing a drop of about 27.8% over that of the last year, leading to an operating loss of approximately HK\$0.46 million against a profit of about HK\$0.62 million of the last financial period. As the revenue from this sector varies with the rental income levels of the serviced parties, the temporary contraction of rental income during the SARS period brought about these disappointing results. Following the recovery of the property market, improvements will be seen in this business.

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 2003.

PROSPECTS

Subsequent to the period under review, there have been some signs of recovery of the local economy, including greater sales volume in residential property market and the observed firming up property prices in the past few months. Additionally, there were strong inflows of funds into the local stock market and strong rebound in tourism after the SARS doldrums. The revised forecast growth rate in GDP for 2003 and improving labour market conditions with the down trend of unemployment rate have also strengthened the path of the recovery. Furthermore, concerted effort and support from the Central Government such as the signing of the CEPA, the implementation of the "individual visit" scheme for Mainland visitors to Hong Kong and the agreement allowing local banks to offer Renminbi services as well as various local government economic boosting measures have added momentum to the economy. We are confident that the Group's operating results for the second half of this financial year will be benefited from the improving global economic outlook and local fundamentals.

Although there are improved market sentiments and increased investment activities in Hong Kong, we should not overlook some of the unfavourable factors. The local unemployment rate, even though improved in this few months, remains at high level. Moreover, the US implementation of quota restrictions on the textile exports from China, the political conflict between Mainland China and Taiwan as well as the re-emergence of some terrorist attacks recently have cast a shadow on the recovery of the economy. In light of these, we are prudent towards the prospects of our business development and will closely monitor the development in the local market and prepare for the challenges ahead.

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\$55.3 million at 30th September 2003. 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 the unaudited interim accounts of the Company for the six months ended 30th September 2003 and has no reservation on the accounting treatments adopted by the Group.

PUBLICATION OF DETAILED INTERIM RESULTS ANNOUNCEMENT ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be published on the Stock Exchange's website in due course.

By Order of the Board
Raymond W M Chu
Company Secretary