



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)

## ANNOUNCEMENT OF RESULTS For the year ended 31st March 2004

The Board of Directors of Wah Ha Realty Company Limited (the “Company”) announces that the audited consolidated results of the Company and its subsidiary and associated companies (the “Group”) for the year ended 31st March 2004, with comparative figures of the previous year, are as follows:—

		2004	As restated 2003
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
Turnover		<b>9,788,505</b>	12,179,451
Direct costs		<b>(591,424)</b>	(523,028)
Gross profit		<b>9,197,081</b>	11,656,423
Other revenues		<b>3,465,540</b>	2,325,615
General and administration expenses		<b>(5,069,527)</b>	(5,062,687)
Other operating income/(expenses)		<b>7,669,652</b>	(6,816,761)
Operating profit	3	<b>15,262,746</b>	2,102,590
Share of profits less losses of associated companies		<b>15,096,975</b>	2,673,210
Profit before taxation		<b>30,359,721</b>	4,775,800
Taxation	4	<b>(1,945,893)</b>	(2,770,543)
Profit attributable to shareholders		<b>28,413,828</b>	2,005,257
Dividends	5	<b>7,257,600</b>	—
Earnings per share	6	<b>23.5 cents</b>	1.7 cents

Notes:—

**1. BASIS OF PREPARATION**

The accounts have been prepared under historical cost convention, as modified by the revaluation of investment properties, investments in certain associated companies and short-term investments, and in accordance with accounting principles generally accepted in Hong Kong.

**2. SEGMENT INFORMATION**

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. All of the Group's operation and assets are located in Hong Kong.

Analysis of the turnover and results by business segment is as follows:

	<b>Property investment, development and management and building contractor</b> <i>HK\$</i>	<b>Investments and corporate services</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
Year ended 31st March 2004			
Turnover	<b>6,200,929</b>	<b>3,587,576</b>	<b>9,788,505</b>
Segment results	<b>3,825,005</b>	<b>11,437,741</b>	<b>15,262,746</b>
Share of profits less losses of associated companies	<b>15,096,975</b>	—	<b>15,096,975</b>
Profit before taxation			<b>30,359,721</b>
Taxation			<b>(1,945,893 )</b>
Profit attributable to shareholders			<b>28,413,828</b>
Year ended 31st March 2003 — as restated			
Turnover	<b>7,353,214</b>	<b>4,826,237</b>	<b>12,179,451</b>
Segment results	<b>4,668,142</b>	<b>(2,565,552 )</b>	<b>2,102,590</b>
Share of profits less losses of associated companies	<b>2,673,210</b>	—	<b>2,673,210</b>
Profit before taxation			<b>4,775,800</b>
Taxation			<b>(2,770,543 )</b>
Profit attributable to shareholders			<b>2,005,257</b>

### 3. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2004 <i>HK\$</i>	2003 <i>HK\$</i>
<b><u>Crediting</u></b>		
Dividend income		
Listed investments	742,208	974,980
Unlisted investments	2,719,874	1,034,980
Profit on sales of short-term investments	1,006,017	405,013
Net unrealized gain on short-term investments	6,663,635	—
	<b><u>6,663,635</u></b>	<b><u>—</u></b>
<b><u>Charging</u></b>		
Cost of properties sold	219,588	111,548
Net unrealised loss on short-term investments	—	7,221,774
	<b><u>219,588</u></b>	<b><u>7,221,774</u></b>

### 4. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profit for the year. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004.

	2004 <i>HK\$</i>	As restated 2003 <i>HK\$</i>
Current taxation:		
Hong Kong profits tax	313,880	294,969
Under provision in prior years	10,082	272
	<b><u>323,962</u></b>	<b><u>295,241</u></b>
Share of taxation attributable to associated companies	1,621,931	2,475,302
	<b><u>1,621,931</u></b>	<b><u>2,475,302</u></b>
	<b><u>1,945,893</u></b>	<b><u>2,770,543</u></b>

### 5. DIVIDENDS

	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Proposed final of 3 cents (2003: nil ) per share	3,628,800	—
Proposed special of 3 cents (2003: nil ) per share	3,628,800	—
	<b><u>7,257,600</u></b>	<b><u>—</u></b>

At a meeting held on 9th July 2004, the Board of Directors declared a final dividend of 3 cents per share and a 30th Anniversary Special Dividend of 3 cents per share. This proposed final dividend and special dividend will be accounted for as an appropriation of retained profit for the year ending 31st March 2005.

## **6. EARNINGS PER SHARE**

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$28,413,828 (2003: HK\$2,005,257) and on 120,960,000 shares in issue during the year.

## **DIVIDENDS**

The Board has resolved to recommend a final dividend of 3 cents (2003: nil) per share for the year ended 31st March 2004. No interim dividend had been declared or paid (2003: nil) during the year. Subject to the approval of the shareholders at the forthcoming Annual General Meeting, the proposed final dividend of 3 cents per share will be payable on Monday, 30th August 2004 to shareholders whose names appear on the Register of Members of the Company on Monday, 23rd August 2004.

## **30TH ANNIVERSARY SPECIAL DIVIDEND**

On the occasion of the 30th Anniversary of the Group, the Board has decided to recommend the additional payment of a 30th Anniversary Special Dividend of 3 cents per share. Total dividend for the year will amount to 6 cents (2003: nil) per share. Subject to the approval of the shareholders at the forthcoming Annual General Meeting, the proposed 30th Anniversary Special Dividend of 3 cents per share will be payable on Monday, 30th August 2004 to shareholders whose names appear on the Register of Members of the Company on Monday, 23rd August 2004.

## **CLOSURE OF REGISTER OF MEMBERS**

The Transfer Books and Register of Members of the Company will be closed from Monday, 16th August 2004 to Monday, 23rd August 2004, both days inclusive, during which period no transfer of shares will be registered.

To qualify for the above-mentioned final dividend and special dividend, all transfers must be lodged with the Company's Registrars, Hongkong Managers and Secretaries Limited at 26th Floor, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong not later than 4:00 p.m. on Friday, 13th August 2004.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

This fiscal year of 2003/2004 marked a special year for the Group, the 30th anniversary of the Company being listed in Hong Kong since 1974. A new Company Logo has been designed.

## **FINANCIAL RESULTS**

For the year ended 31st March 2004, the Group's turnover declined as performance in the first half of this financial year on the back of SARS and the war in Iraq was disappointing. In spite of the pick up in the market during the third quarter of the fiscal year, overall operation

activities of the Group declined from the last year. The Group's turnover recorded a decline of 19.6% to HK\$9,788,505 (2003: HK\$12,179,451).

The Rental and Management Sectors remain the main contributors to the Group's turnover, accounting for nearly 82.4% of the Group's revenue. Revenue generated from Rental and Management Sectors declined by 10.5%. Under the historically low interest rate environment, interest income fell by 47.1% to HK\$685,576. In addition, a decrease in building contracts resulted in a decline of Building Contractor revenue of 65.6%, falling to HK\$513,529. In spite of an improvement in properties sales, the Group's revenue dropped when compared with last year.

Despite the decline in revenue, the Group's profit attributable to shareholders substantially grew by approximately 13.2 times, representing HK\$28,413,828 of profit for the year (2003: HK\$2,005,257). Earnings per share rose from 1.7 cents to 23.5 cents. This significant improvement was mainly attributable to the robust growth in the Group's Investment Business. Realized gains from sales of the Group's equity investments amounted to HK\$1,006,017 (2003: HK\$405,013). A net unrealized gain of HK\$6,663,635 against a net unrealized loss of short-term investments of HK\$7,221,774 was recorded in last year. Dividend Income from the Group's investment portfolio amounted to HK\$3,462,082 for the year, representing an increase of approximately 72.3% over that of last year. In the context of a recovery in the local economy and an improvement in economic fundamentals, the Group's share of the operating results of associated companies strongly rebounded, marking an impressive growth of 68.1 times. In particular, the consolidated net profit, opposed to recording revaluation deficits from investment properties as in previous years, posted a revaluation surplus of HK\$3.7 million this year (2003: deficit of HK\$9.9 million).

## **BUSINESS REVIEW**

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

For the year under review, with the gradual recovery of the local economy following the waning of SARS in July 2003, the Group's Sale Business registered a growth of 38.5%, approximately HK\$0.5 million, indicating that the sale activities of the Group had picked up gradually. During the year under review, a car park at Festigood Centre, Fanling and two flats at Delya Industrial Centre, Tuen Mun in which the Group had 50% interest were sold, generating approximately HK\$0.3 million of profits. Furthermore, the Group received about HK\$19.6 million from the sale of units at Belair Villa, Fanling. To date, 85.7% of the units in Belair Villa have been sold.

Subsequent to the year end, Suite C on 5th and 6th Floors together with two car parking spaces on 1/F of No. 1 Robinson Road, Hong Kong in which the Group had 50% interest was sold, contributing approximately HK\$3.3 million to the Group's profit in the forthcoming financial year. Apart from the above, the Group did not acquire or dispose of any property during and subsequent to this financial year end.

The Group's Property Investment Business remained difficult during the year under review. Keen competition on selling prices and rentals in the local property market during SARS placed pressure on rental value. Nevertheless, with intense marketing efforts and quality rental

services, the Group's Rental Business revenue came to approximately HK\$3.9 million, a slight drop of 5.4% from 2003. Profit from this segment recorded a decline of about 5.3%, representing approximately HK\$3.5 million.

Turnover of the Group's Property Management recorded a moderate decrease of 7.0 % due to a decrease in expenditure levels of serviced parties. The segment recorded a turnover of HK\$1.2 million which led to a decline in profit of about 17.5% to HK\$0.46 million.

During the year under review, the Group's construction activity remained weak on the back of a hard-pressed local construction market. Amidst a decrease in building contracts, revenue from the Group's Building Contractor Business fell to approximately HK\$0.5 million (2003: HK\$1.5 million), a decrease of 65.6% over that of last year. Loss from this segment amounted to about HK\$0.46 million (2003: loss of HK\$0.06 million).

### **Investment and Corporate Service**

The Group's Investment Business showed a remarkable turnaround for the year under review. Due to the impressive rally in global equity markets and favourable measures implemented by both the local and Central Governments in the second half of 2003, the Group's Investment Business performed extremely well. The Group witnessed a gain of approximately HK\$ 11.1 million this year from a loss of about HK\$ 4.1 million last year and it was the main pillar to the growth of the Group's profitability. Profit on sales of short-term investments for the year under review amounted to approximately HK\$1.0 million (2003: HK\$0.4 million). Equity markets have seen a correction from their first quarter of 2004 peaks on the back of geopolitical concerns and crude oil price and interest rate movements. The Group, nevertheless witnessed a net unrealized gain on short-term investment of approximately HK\$6.7 million opposed to the net unrealized loss of approximately HK\$7.2 million last year.

Revenue from the Group's Corporate Services Business recorded approximately HK\$2.9 million, representing a drop of about 17.8% over that of last year. An operating loss of approximately HK\$0.4 million as against a profit of about HK\$0.7 million for the last financial year had been resulted.

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**

Looking ahead, we shall continue to focus on our core property-related business in Hong Kong to secure and maintain stable returns. Therefore, the Group's performance in the coming fiscal years will still be highly correlated to the fluctuations of the local economy.

Abundant supply across all the property sectors is one of the major challenges for the Group. In addition, global and regional markets continue to be volatile on the back of rising interest rate and crude oil prices, geopolitical concerns and selective monetary tightening by the Chinese Government. Nevertheless, underlying market confidence and investment sentiment are improving amidst strong economic fundamentals.

We are confident that we shall overcome any challenges that lie ahead and adopt appropriate measures to safeguard and strengthen our operations. We shall continue to adopt prudent financial management, closely monitor uncertainties in the market and take cautious steps to safeguard the interests of the Group.

Given the strong balance sheet of the Group and our long established experience in the property business, we are confident of the prospect in our business during the upcoming year.

## **EMPLOYMENT 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.

## **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\$80.9 million at 31st March 2004. The Board believes that the Group has sufficient financial resources for its operations. The Group has no exposure to foreign exchange rate fluctuation and material contingent liabilities.

## **AUDIT COMMITTEE**

Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), an audit committee was established in December 1998. The committee comprising three Independent Non-executive Directors, namely Messrs. John Ho, Lam Hon Keung, Keith and Ng Kwok Tung, has reviewed the audited accounting financial statements of the Company for the year ended 31st March 2004 and has no reservation on the accounting treatments adopted by the Group.

Following the appointment of Messrs. Chan Woon Kong and Soo Hung Leung, Lincoln as additional Independent Non-executive Directors and members of the audit committee on 9 July 2004, the audit committee currently comprises five Independent Non-executive Directors of the Company. The Board is of the opinion that the members of the audit committee have sufficient accounting and financial management expertise or experience to discharge their duties.

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

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

## **PUBLICATION OF DETAILED ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE**

A detailed results announcement containing all information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

### **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 and Messrs. John Ho, Lam Hon Keung, Keith, Ng Kwok Tung, Chan Woon Kong and Soo Hung Leung, Lincoln as Independent Non-executive Directors.

By Order of the Board  
**Raymond Chu Wing Man**  
*Company Secretary*

Hong Kong, 9th July 2004

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