

WAH HA REALTY COMPANY LIMITED

(Page 1)

(Incorporated in Hong Kong with Limited Liability)

ANNOUNCEMENT OF RESULTS For the year ended 31st March 2003

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

	Note	2003 HK\$	2002 HK\$
Turnover		12,179,451	13,668,777
Cost of sales		(523,028)	(289,811)
Gross profit		11,656,423	13,378,966
Other revenues		2,325,615	1,115,492
General and administration expenses		(5,062,687)	(5,167,062)
Other operating expenses		(6,816,761)	(8,914,782)
Operating profit		2,102,590	412,614
Share of profits less losses of associated companies		2,673,210	10,863,576
Profit before taxation		4,775,800	11,276,190
Taxation	3	(2,688,543)	(2,531,970)
Profit attributable to shareholders		2,087,257	8,744,220
Dividends	4	—	2,419,200
Earnings per share	5	1.7 cents	7.2 cents

Notes:

1. Basis of preparation

The accounts have been prepared under historical cost convention as modified by the revaluation of investment properties and investments in certain associated companies 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. 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 and assets are located in Hong Kong. Segment assets consist primarily of associated companies, investment properties, properties held for sale, other non-current assets and debtors and prepayments. Segment liabilities comprise mainly creditors and accruals.

Primary reporting segment — business segment

	Property investment, development and management and building contractor HK\$	Investments and corporate services HK\$	Total HK\$
Year ended 31st March 2003			
Turnover	7,353,214	4,826,237	12,179,451
Segment results	4,668,142	(2,565,552)	2,102,590
Share of profits less losses of associated companies	2,673,210	—	2,673,210
Profit before taxation			4,775,800
Taxation			(2,688,543)
Profit attributable to shareholders			2,087,257
Segment assets	325,432,012	104,481,339	429,913,351
Common assets			45,689,520
Total assets			475,602,871
Segment liabilities	2,461,581	210,250	2,671,831
Common liabilities			36,904
Total liabilities			2,708,735
Year ended 31st March 2002			
Turnover	7,089,275	6,579,502	13,668,777
Segment results	4,492,550	(4,079,936)	412,614
Share of profits less losses of associated companies	10,863,576	—	10,863,576
Profit before taxation			11,276,190
Taxation			(2,531,970)
Profit attributable to shareholders			8,744,220
Segment assets	374,984,163	47,487,528	422,471,691
Common assets			62,234,395
Total assets			484,706,086
Segment liabilities	1,100,482	1,659,954	2,760,436
Common liabilities			69,571
Total liabilities			2,830,007

3. Taxation

	2003 HK\$	2002 HK\$
Company and subsidiary companies		
Provision for the year	294,969	260,066
Under/(over) provision in prior years	272	(317)
Associated companies		
Provision for the year	2,135,192	2,338,232
Under/(over) provision in prior years	258,110	(66,011)
	<u>2,688,543</u>	<u>2,531,970</u>

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profits for the year. There are no material timing differences not provided for in the accounts.

4. Dividends

	2003 HK\$	2002 HK\$
2003 final proposed of nil cents (2002: 2.0 cents) per share	—	2,419,200

The Board has resolved not to recommend the payment of a final dividend for the year ended 31st March 2003 (2002: 2.0 cents per share).

5. Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders HK\$2,087,257 (2002: HK\$8,744,220) and on 120,960,000 shares in issue during the year.

DIVIDENDS

The Board has resolved not to recommend the payment of a final dividend for the year ended 31st March 2003 (2002: 2.0 cents per share).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

During the year under review we experienced further deterioration in the local economy. The Government of the Hong Kong Special Administrative Region ("the Government") had undertaken a broad directions to invigorate the economy which included the announcement of the nine measures last November aimed at ailing the property sector. However, this together with some favorable factors, like the persistent low interest-rate and comparably affordable property prices, failed to spur buying desire for properties amid the weak market condition. Furthermore, the US-Iraq war and the sudden outbreak of the atypical pneumonia ("SARS") inevitably aggravated the already weak local market. As the Group's businesses are primarily conducted in Hong Kong, we are unavoidably being affected by such poor economic sentiment and fundamentals.

For the year under review, the Group recorded a turnover of HK\$12,179,451, representing a drop of 10.9% when compared to that of last year. This moderate decrease was mainly caused by the significant shrinkage in the Group's interest income by 47.4% to HK\$1,296,737. Reduction in the instalment loans extended to purchasers of the Group's properties and the persistent low interest rate environment were the main contributors of the sharp decline. Apart from the above, the business volume was stable throughout the year under review. The Group principally derived its revenue from the rental and management sectors which aggregately accounted for about 74% of the Group's turnover. Despite the decrease in the Group's revenue, operating profit had improved from HK\$412,614 to HK\$2,102,590.

The Group's profit attributable to shareholders slumped 76.1% to HK\$2,087,257 for the year. This dramatic decline was largely attributable to the increased revaluation deficits of about HK\$9.9 million in the Group's investment properties, compared to HK\$4.2 million of last year. The share of realized loss of about HK\$7.0 million from the sale of units in the low-rise residential projects at Belair Villa, Fanling, in which the Group has 25% interest, had further eroded the profitability of the Group. On the other hand, improvement in the operating result of the investment business for HK\$2.1 million had mitigated the downside pressure on profitability.

BUSINESS REVIEW

Property Investment, Development, Management and Building Contractor

On the Group's Property Sale Business, two car parks at Festigood Centre, Fanling were sold during this financial year. Furthermore, the Group had received about HK\$34 million from the sale of units at Belair Villa, Fanling. In spite of the intense efforts and sale campaign, the shrinking demand as a result of the weak economy and increasing unemployment rate had severe pressure on the selling prices. The sale of this property became stagnant especially following the outbreak of the SARS in this March. To date, about 57% of the units at Belair Villa had been sold.

During this financial year, the rental market at all fronts continued to come under great pressure in the oversupply and highly competitive situation. The Group's Rental Business had been able to sustain a comparable revenue level to that of the last year. The turnover of the Rental Business for the year under review stood at about HK\$4.2 million, representing a marginal decrease of 2% from last year. Although rental income had decreased slightly when compared to that of 2002, the recurrent rental income base of the Group's property portfolio remains strong.

Performance of the Group's Property Management Business remained weak, in line with the shrinkage in rental business of the associates and the related companies of the Group. During the year under review, turnover was about HK\$1.3 million, representing a decrease of 5.4%. However, with the implementation of the effective cost-trimming measures, the operating profit had improved by 2.5%.

For the year ended 31st March 2003, the Group's Building Contractor Business was inevitably affected by the continuing hard-pressed construction industry. However, turnover of this segment was comparable to that of last year and recorded a slight increase of 3% to about HK\$1.5 million.

Investment and Corporate Service

For the year under review, although the operating result of Group's Investment Business was better than last year, it was still disappointing due to the slackened global economy and the local fragile stock market. In the early part of the year under review, improvement in the market sentiment was seen on the stock market as witnessed by the upward trend both in transaction

volume and in securities prices. However, this upward trend was subsequently reversed in the following months. Stocks slumped as investors curtailed investment in advance of the war in Iraq coupled with the adverse effects afflicted by the sudden outbreak of SARS in March. Unavoidably, profit generated from the sales of the Group's short-term investments was wholly squeezed out by the decrease in the value of our investment portfolio. Consequently, a loss of approximately HK\$3.3 million was recorded, 41.2% lower than that of the last financial year.

The reduction in management income was further hampered by the rising costs and expenses in the Corporate Services. As a result, its contribution to the Group's profitability was limited.

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.

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\$45.7 million at 31st March 2003. 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.

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 2002.

PROSPECTS

Looking ahead, we shall focus our resources and energy on our core business in Hong Kong. Therefore, the Group's performance will heavily depend on the local business environment. The coming fiscal year will still be challenging and difficult amid the weak and uncertain local economy. Externally, Hong Kong will be influenced by the global political and economic conditions. Internally, Hong Kong still faces significant economic hurdles including the concerns on restructuring of the economy, persistent deflationary pressure, a record high unemployment rate of 8.3%, mounting bankruptcies and the enlarged budget deficit etc.. Furthermore, the impacts of US-Iraq war and SARS-infection on the general economy are likely to take effect in the second half of 2003.

Fortunately, on the economic fronts, there are some lights shed on the local bleak market, such as the delisting of Hong Kong from the SARS-infected area, the scrapping of the 25-year-old Home Ownership Scheme and the commitment of the Government to boost and revive the SARS-hit economy. Furthermore, the recent signing of the Closer Economic Partnership Agreement confers Hong Kong a competitive edge in its access to China. These news and efforts put by the Government signal the Government's supportive attitude towards the market.

However, significant improvement in the local economy would unlikely come along with the end of the SARS epidemic. With the sheer number of unsold and new units in the pipeline, keen competition amongst developers in launching sales of property projects will continue.

Barring any unforeseen circumstances, the management will maintain its prudent financial policies so as to face the challenges ahead with confidence and dedication and adopt appropriate measures to safeguard and strengthen its business operations.

AUDIT COMMITTEE

Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Stock Exchange"), an audit committee, comprising three Independent Non-executive Directors, namely Mr. Lam Hon Keung, Keith, Mr. John Ho and Mr. Ng Kwok Tung was set up.

By reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants, written terms of reference which describe the authority and duties of the audit committee were prepared and adopted by the Board of the Company. The principal activities of the audit committee include the review and supervision of the Group's financial reporting process and internal controls.

PUBLICATION OF DETAILED ANNUAL RESULTS ON 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 Rules Governing the Listing of Securities on the Stock Exchange will be published on the website of the Stock Exchange in due course.

By Order of the Board
Raymond Chu Wing Man
Company Secretary

Hong Kong, 11th July 2003

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Members of the Company will be held at Room 2500, Dominion Centre, 43-59 Queen's Road East, Wanchai, Hong Kong on Monday, 25th August 2003 at 12:00 noon for the following purposes:

1. To receive, consider and adopt the Audited Accounts and the Reports of the Directors and Auditors for the year ended 31st March 2003.
2. To re-elect Directors and fix the Directors' fees.
3. To re-appoint Messrs. PricewaterhouseCoopers as Auditors of the Company and authorize the Board to fix their remuneration.

By Order of the Board
Raymond Chu Wing Man
Company Secretary

Hong Kong, 11th July 2003

Notes:

- (i) A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.
- (ii) To be valid, the proxy form, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the Company's registered office, Room 2500, Dominion Centre, 43-59 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof.

