



# Wah Ha Realty Company Limited

## **INTERIM REPORT**

for the six months ended 30th September 2001

# WAH HA REALTY COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

The Board of Directors of Wah Ha Realty Company Limited (the "Company") announces that the unaudited interim results of the Company and its subsidiary and associated companies (the "Group") for the six months ended 30th September 2001, with comparative figures of the previous period, are as follows:

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th September

		Unaudited Six months ended 30th September	
	Note	2001 HK\$	2000 HK\$
TURNOVER	2	<b>6,817,253</b>	8,061,135
COST OF SALES		<b>(156,008)</b>	(240,322)
GROSS PROFIT		<b>6,661,245</b>	7,820,813
OTHER REVENUES		<b>427,829</b>	1,455,419
GENERAL AND ADMINISTRATION EXPENSES		<b>(19,377,269)</b>	(2,949,077)
OPERATING (LOSS)/PROFIT	3	<b>(12,288,195)</b>	6,327,155
SHARE OF PROFITS LESS LOSSES OF ASSOCIATED COMPANIES		<b>7,857,006</b>	8,189,731
(LOSS)/PROFIT BEFORE TAXATION		<b>(4,431,189)</b>	14,516,886
TAXATION	4	<b>(1,254,089)</b>	(1,794,997)
(LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<b>(5,685,278)</b>	12,721,889
DIVIDENDS	5	<b>3,386,880</b>	4,717,440
(LOSS)/EARNINGS PER SHARE	6	<b>(4.70) cents</b>	10.52 cents

There are no other recognised gains or losses apart from the results as shown above. Therefore, a separate statement of recognised gains and losses is not presented.

# WAH HA REALTY COMPANY LIMITED

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## CONSOLIDATED BALANCE SHEET

As at 30th September 2001 and 31st March 2001

	Note	Unaudited 30th September 2001 HK\$	Audited 31st March 2001 HK\$
INVESTMENT PROPERTIES		20,800,000	20,800,000
ASSOCIATED COMPANIES		357,554,280	358,944,806
OTHER INVESTMENTS		250,448	250,448
LOANS RECEIVABLE		112,341	197,831
		<hr/>	<hr/>
NON-CURRENT ASSETS		378,717,069	380,193,085
CURRENT ASSETS			
Properties held for sale		7,365,948	7,365,948
Debtors and prepayments	7	2,666,033	3,326,116
Amounts due from related companies		430,409	470,243
Current portion of loans receivable		138,226	125,796
Tax recoverable		1,169,298	85,882
Short-term investments		42,035,511	50,662,442
Cash and bank balances		49,767,244	54,492,337
		<hr/>	<hr/>
		103,572,669	116,528,764
CURRENT LIABILITIES			
Creditors and accruals	8	1,827,190	6,799,195
Amounts due to related companies		732,924	780,640
Taxation		119,702	454,934
		<hr/>	<hr/>
		2,679,816	8,034,769
		<hr/>	<hr/>
NET CURRENT ASSETS		100,892,853	108,493,995
		<hr/>	<hr/>
EMPLOYMENT OF FUNDS		479,609,922	488,687,080
Financed by:			
SHARE CAPITAL	9	78,624,000	78,624,000
RESERVES	10	400,972,581	406,657,859
PROPOSED DIVIDEND		—	3,386,880
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS		479,596,581	488,668,739
DEFERRED TAXATION		13,341	18,341
		<hr/>	<hr/>
FUNDS EMPLOYED		479,609,922	488,687,080
		<hr/>	<hr/>

## Interim Results

For the six months ended 30th September 2001

## CONSOLIDATED CASH FLOW STATEMENT

For the six month ended 30th September

	Unaudited	
	Six months ended	
	30th September	
	2001	2000
	HK\$	HK\$
NET CASH INFLOW FROM OPERATING ACTIVITIES	2,320,170	2,416,416
NET CASH (OUTFLOW)/INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(782,482)	21,164,980
TAXATION PAID	(1,556,706)	(187,938)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<u>(4,706,075)</u>	<u>(18,089,975)</u>
(DECREASE)/INCREASE IN CASH AND BANK BALANCES	(4,725,093)	5,303,483
CASH AND BANK BALANCES AT BEGINNING OF PERIOD	<u>54,492,337</u>	<u>89,433,516</u>
CASH AND BANK BALANCES AT END OF PERIOD	<u>49,767,244</u>	<u>94,736,999</u>

# WAH HA REALTY COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

## NOTES TO THE INTERIM ACCOUNTS

### 1. ACCOUNTING POLICIES

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

In 2001, the Group adopted the following revised or new Statement of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants:

SSAP 9 (revised)	Events after the balance sheet date
SSAP 10 (revised)	Accounting for investments in associates
SSAP 14 (revised)	Leases
SSAP 17 (revised)	Property, plant and equipment
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 29	Intangible assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries

The adoption of these SSAPs has no change in the accounting policies of the Group except for the following:

- (1) In accordance with the revised SSAP 9, dividends proposed or declared after the balance sheet date are no longer recognised as liability at the balance sheet date. This change in accounting policy has been applied retrospectively and as a result, shareholders funds of the Group as at 31st March 2001 have been increased by HK\$3,386,880.
- (2) Goodwill arising on acquisition of subsidiary and associated companies occurring on or after 1st April 2001 is included in the balance sheet as a separate asset and amortised using the straight line method over its estimated useful life of not more than twenty years. Goodwill on acquisition, which occurred prior to 1st April 2001, was taken directly to reserves. This change in accounting policy has no effect to the accounts for the period.

Apart from the foregoing, the accounting policies adopted are consistent with those described in the annual accounts for the year ended 31st March 2001.

## 2. TURNOVER

The Group is principally engaged in investment holding, property investment, property development, property management, property agency and building contractor.

An analysis of the Group's turnover and contribution to operating (loss)/profit for the six months ended 30th September 2001 by principal activities is as follows:

	Unaudited			
	Turnover		Operating (loss)/profit	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Rental	<b>2,130,355</b>	2,073,183	<b>1,953,798</b>	1,832,861
Management fee	<b>2,265,913</b>	2,282,421	<b>535,021</b>	1,751,683
Investment	<b>1,720,765</b>	2,788,811	<b>(14,783,474)</b>	2,788,811
Construction supervision fee	<b>700,220</b>	916,720	<b>6,460</b>	(46,200)
	<b>6,817,253</b>	8,061,135	<b>(12,288,195)</b>	6,327,155

The activities of the Group are primarily conducted in Hong Kong.

## 3. OPERATING (LOSS)/PROFIT

	Unaudited	
	2001	2000
	HK\$	HK\$
Operating (loss)/profit is stated after crediting:		
Gross rental income		
Investment properties	<b>637,026</b>	626,142
Other properties	<b>1,493,329</b>	1,447,041
Less related outgoings	<b>(156,008)</b>	(240,322)
Dividend income from listed investments	<b>185,426</b>	—
and after charging:		
Staff costs	<b>1,725,041</b>	1,920,955
Auditors' remuneration	<b>208,500</b>	190,250
Net unrealised loss of short-term investments	<b>16,877,165</b>	—
Operating lease rental expense for land and buildings	<b>73,125</b>	87,750

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## 4. TAXATION

	Unaudited	
	2001	2000
	HK\$	HK\$
Company and subsidiary companies		
Provision for the period	133,170	594,537
(Over)/under provision in prior periods	(112)	5,509
Associated companies		
Provision for the period	1,187,005	1,199,015
Overprovision in prior periods	(65,974)	(4,064)
	<u>1,254,089</u>	<u>1,794,997</u>

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits for the period. There are no material timing differences not provided for in the interim accounts.

## 5. DIVIDENDS

	2001	2000
	HK\$	HK\$
Final dividend in respect of 2001 of HK2.8 cents (2000: HK3.9 cents) per share	<u>3,386,880</u>	<u>4,717,440</u>

The Board of directors has resolved not to declare the payment of an interim dividend for the six months ended 30th September 2001 (2000: HK1.1 cents per share).

## 6. (LOSS)/EARNINGS PER SHARE

The calculation of (loss)/earnings per share is based on the loss attributable to shareholders of HK\$5,685,278 (2000: profit of HK\$12,721,889) and on 120,960,000 shares in issue during the period.

## 7. DEBTORS AND PREPAYMENTS

	Unaudited 30th September 2001 HK\$	Audited 31st March 2001 HK\$
Trade debtors		
Below 60 days	<b>84,772</b>	331,358
Other debtors	<b>2,494,781</b>	2,804,013
Prepayments and utility deposits	<b>86,480</b>	190,745
	<b><u>2,666,033</u></b>	<b><u>3,326,116</u></b>

Trade debtors represent rental receivable which is normally due for payment upon presentation of debit note at the beginning of each rental period.

## 8. CREDITORS AND ACCRUALS

	Unaudited 30th September 2001 HK\$	Audited 31st March 2001 HK\$
Trade creditors		
Below 90 days	<b>16,912</b>	22,822
Over 90 days	—	404,200
	<b><u>16,912</u></b>	<b><u>427,022</u></b>
Other creditors	<b>739,378</b>	5,113,789
Rental and utility deposits received	<b>802,650</b>	883,384
Accrued expenses	<b>268,250</b>	375,000
	<b><u>1,827,190</u></b>	<b><u>6,799,195</u></b>



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## 9. SHARE CAPITAL

	30th September 2001 HK\$	31st March 2001 HK\$
<i>Authorised:</i>		
150,000,000 shares of HK\$0.65 each	<u>97,500,000</u>	<u>97,500,000</u>
<i>Issued and fully paid:</i>		
120,960,000 shares of HK\$0.65 each	<u>78,624,000</u>	<u>78,624,000</u>

## 10. RESERVES

	Asset revaluation reserve HK\$	Investment Properties revaluation reserve HK\$	Retained profit HK\$	Total HK\$
At 31st March 2000	24,461,230	49,731,451	341,861,580	416,054,261
Deficit on revaluation	—	(5,033,758)	—	(5,033,758)
Profit for the year	—	—	354,796	354,796
Dividend	—	—	(4,717,440)	(4,717,440)
	<u>24,461,230</u>	<u>44,697,693</u>	<u>337,498,936</u>	<u>406,657,859</u>
At 31st March 2001	24,461,230	44,697,693	337,498,936	406,657,859
Loss for the period	—	—	(5,685,278)	(5,685,278)
	<u>24,461,230</u>	<u>44,697,693</u>	<u>331,813,658</u>	<u>400,972,581</u>

## 11. SIGNIFICANT RELATED PARTY TRANSACTIONS

The following is a summary of the related party transactions, which also constitute connected transactions, carried out in the normal course of the Group's business activities during the six months ended 30th September 2001:

		<b>Unaudited Six months ended 30th September</b>	
	<i>Note</i>	<b>2001 HK\$</b>	<b>2000 HK\$</b>
Associated companies			
Management fee income	1	<b>1,328,500</b>	1,379,000
Related companies			
Management fee income	1	<b>162,000</b>	162,000
Construction fee income	2	<b>700,220</b>	916,720
Estate agency fee income	3	<b>100,000</b>	100,000
Rental expense	4	<b>73,125</b>	87,750

### Notes:

- (1) The Group provides management services to associated companies and a related company. Fees are charged based on a percentage of annual rental income received by associated companies and a related company.
- (2) The Group provides supervisory services for building construction work to related parties. Service fees are calculated based on the number of employees on the job.
- (3) The Group provides estate agency services to a related company at a fixed annual fee of HK\$200,000.
- (4) The rental was paid to a related company at a monthly fixed rate.

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## FINANCIAL INFORMATION OF ASSOCIATED COMPANIES

As the provision of financial assistance by the Company and/or its subsidiary companies to certain associated companies continued to exist as at 30th September 2001, set out below is a summary of the aggregated financial information of the associated companies as at 30th September 2001, being the latest practicable date for determining the relevant information:

	<b>30th September 2001 HK\$</b>	31st March 2001 HK\$
INVESTMENT PROPERTIES	<b>941,916,478</b>	907,375,573
LOANS RECEIVABLE	<b>4,836,582</b>	5,433,965
CURRENT ASSETS		
Properties held for sale	<b>290,759,573</b>	333,837,010
Debtors and other receivables	<b>24,513,187</b>	22,632,892
Current portion of loans receivable	<b>447,512</b>	673,959
Tax recoverable	<b>117,056</b>	159,656
Cash and bank balances	<b>7,780,685</b>	6,507,065
CURRENT LIABILITIES		
Creditors and other payables	<b>(45,390,509)</b>	(36,845,018)
Taxation	<b>(4,122,711)</b>	(2,140,184)
NET AMOUNTS DUE TO SHAREHOLDERS	<b>(897,299,946)</b>	(913,149,218)
DEFERRED TAXATION	<b>(1,189,113)</b>	(1,189,113)
NET ASSETS	<b><u>322,368,794</u></b>	<u>323,296,587</u>
GROUP'S SHARE OF NET ASSETS	<b><u>109,667,747</u></b>	<u>102,931,772</u>

## INTERIM DIVIDEND

The Board of directors has resolved not to declare the payment of an interim dividend for the six months ended 30th September 2001 (2000: HK1.1 cents per share).

## BUSINESS REVIEW

The Group's unaudited loss attributable to shareholders for the six months ended 30th September 2001 amounted to HK\$5,685,278 (2000: profit of HK\$12,721,889).

In this period under review, the weakening US economy was further aggravated by the tragic events of September 11th. Although certain economic and political measures have been undertaken to ease the pressure, war, recession and plunging corporate profits have made this year a trying time for investors. Equity markets worldwide were severely hit, reflecting an erosion of consumer and investor confidence. After allowing for the provisions made for investments held, the Group recorded a loss of about HK\$14.8 million from its investment portfolio, compared with a profit of HK\$2.8 million last year. Excluding this loss, the Group suffered a drop of approximately 6.6% in net profit. Subsequent to the period under review, consumer confidence has clearly rebounded, leading to a rise in worldwide equity markets. This has improved the Group's position in listed investments significantly. The Group anticipates an improvement in the second half of the year if the market remained at current level.

The general downturn of the economy has a direct adverse impact on the operating profit from property management activity.

Although the Group is able to control the costs of the operating segment of construction supervision fee, the reduction in turnover has limited the contribution from this segment.

Following the completion of the renovation of the Shopping Arcade at Midland Centre at No. 328 Queen's Road Central, in which the Group has a 50% interest, rental income from the premises has seen a double digit increase. We are optimistic that a satisfactory growth will be achieved at the end of this year. In spite of the weakened property market, Horizon Plaza at Ap Lei Chau remains fully occupied and most of the luxury residential units are rented with satisfactory returns.

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## PROSPECTS

The Hong Kong economy had been observed to be on the road to recovery. However, the events of September 11th and the deteriorating US economy had terminated the hopes for market recovery. The recent announcement of the unemployment rate and negative GDP growth gives evidence to this. Deflation along with layoffs further reflect this poor economic condition. On the contrary, with China's recent admission to the World Trade Organisation, Hong Kong will benefit from the many investment opportunities as the traditional and historical gateway to the mainland. The Group is committed to prudent financial management and allocation of assets and our virtually debt-free financial position endows us with an assured position to deal with the uncertainties 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\$49.8 million at 30th September 2001. The Board believes that the Group has sufficient financial resources for its operations. The Group has no exposure to fluctuation in exchange rates and material contingent liabilities.

## EMPLOYEE INFORMATION

The Group has less than 20 employees and their salaries are maintained at comparative levels. Promotion and salary increments are assessed according to the performances of each individual.

## DIRECTORS' INTEREST IN SHARES

At 30th September 2001, the beneficial interests of the directors and their associates in the share capital of the Company, as recorded in the Company's register maintained pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

<b>Name of director</b>	<b>Personal interests</b>
Madam Chin Lan Hong	1,634,400
Mr. Cheung Kee Wee	482,160
Mr. Cheung Lin Wee	372,000
Mr. Cheung Ying Wai, Eric	10,000

None of the directors had any Family Interests, Corporate Interests or Other Interests in the share capital of the Company and its associated corporations.

## SUBSTANTIAL SHAREHOLDERS

As at 30th September 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had been notified of the following interests, being 10% or more, in its issued share capital.

<b>Name of shareholder</b>	<b>Number of shares</b>
Mr. Cheung Kung Hai, deceased	87,391,440

## AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim accounts of the Company for the six months ended 30th September 2001 and has no reservations on the accounting treatments adopted by the Group.

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## 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 at any time during the six months ended 30th September 2001, except that independent 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.

## PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiary companies has purchased, sold or redeemed any of the Company's shares during the period.

By Order of the Board

**Raymond W M Chu**

*Company Secretary*

Hong Kong, 14th December 2001

Website: <http://www.wahha.com>