

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 consolidated interim results of the Company and its subsidiary and associated companies (the "Group") for the six months ended 30th September 2002, 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	2002 HK\$	2001 HK\$
TURNOVER	2	6,658,650	6,817,253
COST OF SALES		(252,656)	(156,008)
GROSS PROFIT		6,405,994	6,661,245
OTHER REVENUES		1,359,619	427,829
GENERAL AND ADMINISTRATION EXPENSES		(2,467,850)	(2,500,104)
OTHER OPERATING EXPENSES		(5,968,279)	(16,877,165)
OPERATING LOSS	3	(670,516)	(12,288,195)
SHARE OF PROFITS LESS LOSSES OF ASSOCIATED COMPANIES		6,387,714	7,857,006
PROFIT/(LOSS) BEFORE TAXATION		5,717,198	(4,431,189)
TAXATION	4	(1,452,594)	(1,254,089)
PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS		4,264,604	(5,685,278)
DIVIDENDS	5	2,419,200	3,386,880
EARNINGS/(LOSS) PER SHARE	6	3.53 cents	(4.70 cents)

Interim Results

for the six months ended 30th September 2002

WAH HA REALTY COMPANY LIMITED

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CONSOLIDATED BALANCE SHEET

As at 30th September 2002 and 31st March 2002

		Unaudited 30th September 2002 HK\$	Audited 31st March 2002 HK\$
NON-CURRENT ASSETS			
INVESTMENT PROPERTIES		19,150,000	19,150,000
ASSOCIATED COMPANIES		339,692,039	344,639,475
OTHER INVESTMENTS		250,448	250,448
LOANS RECEIVABLE		3,648	63,628
		359,096,135	364,103,551
CURRENT ASSETS			
Properties held for sale		7,267,926	7,365,948
Debtors and prepayments	7	3,543,257	3,231,288
Amounts due from related companies		102,761	637,086
Current portion of loans receivable		147,225	143,082
Taxation recoverable		—	5,937
Short-term investments		52,465,099	46,990,736
Cash and bank balances		64,643,414	62,228,458
		128,169,682	120,602,535
CURRENT LIABILITIES			
Creditors and accruals	8	1,584,358	1,689,272
Amounts due to related companies		1,716,076	1,071,164
Taxation payable		237,400	59,264
		3,537,834	2,819,700
NET CURRENT ASSETS		124,631,848	117,782,835
EMPLOYMENT OF FUNDS		483,727,983	481,886,386
Financed by:			
SHARE CAPITAL	9	78,624,000	78,624,000
RESERVES		405,097,483	403,252,079
SHAREHOLDERS' FUNDS		483,721,483	481,876,079
DEFERRED TAXATION		6,500	10,307
FUNDS EMPLOYED		483,727,983	481,886,386

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September 2002

	Unaudited	
	Six months ended	
	30th September	
	2002	2001
	HK\$	HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss	(670,516)	(12,288,195)
Interest income	(1,054,088)	(1,720,765)
Dividend income	(650,577)	(185,426)
Profit on sales of short-term investments	(446,905)	—
Net unrealised loss of short-term investments	5,968,279	16,877,165
Operating profit before working capital changes	3,146,193	2,682,779
Decrease in properties held for sale	98,022	—
(Increase)/decrease in debtors and prepayments	(311,969)	660,083
Decrease/(increase) in net amount due from related companies	1,179,237	(7,882)
Decrease in creditors and accruals	(104,914)	(129,105)
Cash generated from operations	4,006,569	3,205,875
Hong Kong profits tax paid	—	(1,556,706)
Dividends paid to shareholders	(2,419,200)	(3,386,880)
Net cash generated/(used in) operating activities	1,587,369	(1,737,711)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in investments in associated companies	10,062,822	8,126,501
Increase in short-term investments	(10,995,737)	(13,093,134)
Mortgage loan repaid	55,837	73,060
Dividend received from listed investments	650,577	185,426
Interest received	1,054,088	1,720,765
Net cash generated/(used in) investing activities	827,587	(2,987,382)
NET INCREASE/(DECREASE) IN CASH AND BANK BALANCES		
	2,414,956	(4,725,093)
CASH AND BANK BALANCES AT BEGINNING OF PERIOD	62,228,458	54,492,337
CASH AND BANK BALANCES AT END OF PERIOD	64,643,414	49,767,244

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September 2002

	Share capital HK\$	Asset revaluation reserve HK\$	Investment properties revaluation reserve HK\$	Retained profit HK\$	Total HK\$
At 31st March 2001	78,624,000	24,461,230	44,697,693	340,885,816	488,668,739
Loss for the period	—	—	—	(5,685,278)	(5,685,278)
Dividend	—	—	—	(3,386,880)	(3,386,880)
At 30th September 2001	<u>78,624,000</u>	<u>24,461,230</u>	<u>44,697,693</u>	<u>331,813,658</u>	<u>479,596,581</u>
At 31st March 2002	78,624,000	24,461,230	32,547,693	346,243,156	481,876,079
Profit for the period	—	—	—	4,264,604	4,264,604
Dividend	—	—	—	(2,419,200)	(2,419,200)
At 30th September 2002	<u>78,624,000</u>	<u>24,461,230</u>	<u>32,547,693</u>	<u>348,088,560</u>	<u>483,721,483</u>

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.

The accounting policies adopted by the Group are consistent with those described in the annual accounts for the year ended 31st March 2002.

2. TURNOVER AND SEGMENTAL INFORMATION

	Unaudited	
	2002	2001
	HK\$	HK\$
Rental	2,069,817	2,130,355
Management fee	2,401,139	2,265,913
Interest	1,054,088	1,720,765
Construction supervision fee	752,306	700,220
Sales of properties	381,300	—
	<u>6,658,650</u>	<u>6,817,253</u>

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.

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Primary reporting segment — business segment

	Property investment, development and management and building contractor HK\$	Investments and corporate services HK\$	Total HK\$
Six months ended 30th September 2002			
Turnover	<u>3,858,062</u>	<u>2,800,588</u>	<u>6,658,650</u>
Segment results	<u>2,523,976</u>	<u>(3,194,492)</u>	<u>(670,516)</u>
Share of profits of associated companies	6,387,714	—	<u>6,387,714</u>
Profit before taxation			5,717,198
Taxation			(1,452,594)
Profit attributable to shareholders			<u>4,264,604</u>
Six months ended 30th September 2001			
Turnover	<u>3,505,988</u>	<u>3,311,265</u>	<u>6,817,253</u>
Segment results	<u>2,196,400</u>	<u>(14,484,595)</u>	(12,288,195)
Share of profits of associated companies	7,857,006	—	<u>7,857,006</u>
Loss before taxation			(4,431,189)
Taxation			<u>(1,254,089)</u>
Loss attributable to shareholders			<u>(5,685,278)</u>

Interim Results

for the six months ended 30th September 2002

3. OPERATING LOSS

	Unaudited	
	Six months ended	
	30th September	
	2002	2001
	HK\$	HK\$
Operating loss is stated after crediting:		
Gross rental income		
Investment properties	587,142	637,026
Other properties	1,482,675	1,493,329
Less related outgoings	(141,108)	(156,008)
Dividend income from listed investments	650,577	185,426
Profit on sales of short-term investments	446,905	187,500

and after charging:

Staff costs (including directors' remuneration)	1,836,312	1,790,041
Net unrealised loss of short-term investments	5,968,279	16,877,165
Auditors' remuneration	190,500	208,500
Operating lease rental for land and buildings	—	73,125

4. TAXATION

	Unaudited	
	Six months ended	
	30th September	
	2002	2001
	HK\$	HK\$
Company and subsidiary companies		
Provision for the period	179,936	133,170
Under/(over) provision in prior periods	330	(112)
Associated companies		
Provision for the period	1,281,921	1,187,005
Over provision in prior periods	(9,593)	(65,974)
	1,452,594	1,254,089

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits for the period. There are no material timing differences not provided for in the interim accounts.

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5. DIVIDENDS

	2002 HK\$	2001 <i>HK\$</i>
2002 Final dividend, paid of HK\$ 2 cents (2001: HK\$2.8 cents) per share	<u>2,419,200</u>	<u>3,386,880</u>

The Board of Directors has resolved not to declare the payment of an interim dividend for the six months ended 30th September 2002 (2001: nil).

6. EARNINGS/(LOSS) PER SHARE

The calculation of earnings/(loss) per share is based on the profit attributable to shareholders of HK\$4,264,604 (2001: loss of HK\$5,685,278) and on 120,960,000 shares in issue during the period.

7. DEBTORS AND PREPAYMENTS

	Unaudited 30th September 2002 HK\$	Audited 31st March 2002 <i>HK\$</i>
Trade debtors		
Below 60 days	243,160	162,219
Other receivables	2,660,515	2,632,143
Prepayments and utility deposits	639,582	436,926
	<u>3,543,257</u>	<u>3,231,288</u>

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 2002 HK\$	Audited 31st March 2002 HK\$
Trade creditors		
Below 90 days	22,833	228,313
Over 90 days	22,878	10
	45,711	228,323
Other creditors	272,658	270,889
Rental and utility deposits received	794,476	751,775
Accrued expenses	471,513	438,285
	<u>1,584,358</u>	<u>1,689,272</u>

9. SHARE CAPITAL

	30th September 2002 HK\$	31st March 2002 HK\$
Authorised:		
150,000,000 shares of HK\$0.65 each	<u>97,500,000</u>	<u>97,500,000</u>
Issued and fully paid:		
120,960,000 shares of HK\$0.65 each	<u>78,624,000</u>	<u>78,624,000</u>

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10. 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 period:

		Unaudited	
		Six months ended	
		30th September	
		2002	2001
	Note	HK\$	HK\$
Associated companies			
Management fee income	a	<u>1,484,500</u>	<u>1,328,500</u>
Related companies			
Management fee income	a	162,000	162,000
Construction fee income	b	752,306	700,220
Estate agency fee income	c	100,000	100,000
Rental expense	d	<u>—</u>	<u>73,125</u>

Notes:

- (a) 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.
- (b) 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.
- (c) The Group provides estate agency services to a related company at a fixed annual fee.
- (d) The rental expense was paid to a related company at a monthly fixed rate.

FINANCIAL INFORMATION OF ASSOCIATED COMPANIES

The Group continues to provide financial assistance to certain associated companies as at 30th September 2002. Set out below is a summary of the aggregated financial information of the associated companies as at 30th September 2002, being the latest practicable date for determining the relevant information:

	30th September 2002 HK\$	31st March 2002 HK\$
INVESTMENT PROPERTIES	844,273,028	853,059,558
LOANS RECEIVABLE	543,119	2,278,624
CURRENT ASSETS		
Properties held for sale	315,045,478	345,220,007
Debtors and other receivables	14,255,537	24,989,880
Current portion of loans receivable	1,467,921	—
Taxation recoverable	199,971	510,575
Cash and bank balances	41,308,649	11,049,297
CURRENT LIABILITIES		
Creditors and other payables	(43,801,386)	(50,705,718)
Taxation payable	(4,301,088)	(1,990,556)
Net amounts due to shareholders	(863,817,768)	(898,245,972)
Deferred taxation	(1,701,841)	(1,559,841)
NET ASSETS	<u>303,471,620</u>	<u>284,605,854</u>
GROUP'S SHARE OF NET ASSETS	<u>99,638,513</u>	<u>94,523,127</u>

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INTERIM DIVIDEND

The Board of Directors has resolved not to declare the payment of an interim dividend for the six months ended 30th September 2002 (2001: nil).

FINANCIAL RESULTS

The first half of fiscal 2002/2003 continued to be challenging as Hong Kong's economy has remained sluggish and is susceptible to global political and economic uncertainties. Local economic recession was evidenced by a record high unemployment rate of 7.8%, persistent deflationary pressure, slackened domestic demand and general business contraction. The overall property market positively correlates with these economic settings. It had exhibited weakened signs across all sectors on shrinking volumes. The Group's core property-related business unavoidably continued to be adversely affected.

Despite tough conditions circumventing the business environment, the Group had been able to maintain the turnover and gross profit for the period ended 30th September 2002 at a level similar to the previous period with a slight decrease of 2.3% and 3.8% respectively. The Group's Rental, Property Management and Corporate Services businesses were still the major contributors which aggregately accounted for about 67.1% of the Group's turnover, an increase of 1.7% over that of last period to HK\$4,470,956. However, the increased revenue from the aforesaid businesses was more than offset by the contraction of HK\$0.67 million in interest income. The shrinkage in interest income was attributable to two factors, namely the reduction in the instalment loans extended to end-buyers of the Group's properties and the persistent low levels of interest rate in the local market.

While the Group's business operated under the impact of the persistent economic downturn, the Group's profit had been improved. For the period under review, the profit attributable to shareholders was HK\$4,264,604 against a loss of HK\$5,685,278 in the previous period. Earnings per share reversed from a loss of HK\$4.7 cents to an earning of HK\$3.53 cents per share. The turn-around is mainly attributable to a reduction of net loss of the Group's marketable investments by 70.3% from HK\$16.5 million in the last corresponding period to HK\$4.9 million in this financial period. However, the profit was narrowed by the share of loss as a result of the disposal of the investment property of Belair Villa at Fanling. The share of loss in this regard was about HK\$2.8 million. As mentioned previously in the 2002 Annual Report, two car parks at Festigood Centre were sold generating a profit of HK\$0.3 million.

BUSINESS REVIEW

Property Investment, Development, Management and Building Contractor

As mentioned in the previous Annual Report, subsequent to the last financial year end, the Group had proceeded to sell its 25% owned project of Belair Villa at Fanling. About 25.7% of the units were sold during the period under review. Under the bleak market condition, the disposal of the units did not give rise to any profit to the Group. To date, 42.9% of the units have been sold.

Notwithstanding the soft rental market due to the tremendous pressure of the lack of business opportunities and stubbornly high supply, rental income from the Group's investment property portfolio remained broadly stable and recorded HK\$2.1 million in the period under review.

Performance of the Group's Property Management Business had been reasonable amidst the difficult operating environment. Turnover of HK\$0.7 million was reported for the period under review, a decrease of 3.1% over that of the last period.

The Group's Building Contractor business recorded growth led by the increased supervision services. During the period under review, the net profit had been much enhanced by the Group's tight control in both costs and expenses with a slight increase of 7.4% in turnover.

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Investment and Corporate Services

During the period under review, the performance of the Group's Investment Business remained weak as in line with the poor and sluggish worldwide equity market. Market sentiment was further dampened by disappointing news of US corporations' accounting scandals, corporate governance issues, shaky corporate earnings, etc. All of these had caused investors to become more conservative about equity investments. Additionally, the proposal put forward by the local Stock Exchange in late July relating to Initial Listing and Continuing Listing Eligibility and Cancellation of Listing Procedure also added pressure to the local fragile stock market. Unavoidably, the Group's Investment Business reported a sustained loss of HK\$3.8 million, nonetheless 74% lower than that of the last period.

During the period under review, contribution to the Group's profits from the Corporate Services Business amounted to HK\$0.6 million (2001: HK\$0.3 million) based on a turnover of HK\$1.8 million (2001: HK\$1.6 million).

FORMATION OF A 50% OWNED ASSOCIATED COMPANY

During the period under review, a 50% owned associated company named Star Fortune Investments Limited was formed for the purposes of providing second mortgage loans to the end-buyers of the Group's property of Belair Villa at Fanling.

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 31 March 2002.

PROSPECTS

Looking ahead, we will continue to follow our strategy of focusing our resources and energy on its core property-related business in Hong Kong, raising our productivity, and controlling our operating costs in order to enhance the Group's overall profitability.

Given the property sector and the economy are closely linked, the Group's results in the second half of the year are likely to remain under pressure from economic uncertainty. It is expected that the local operating environment may remain difficult in the near future mainly because the overall market sentiment is darkening as concerns grow over global political and economic uncertainties, weak domestic demand and investment, ongoing deflation, high unemployment and burgeoning Hong Kong's budget deficit.

On the economic fronts, some positive news emerge, such as the announcements of the property market-boosting nine-measures by the Hong Kong Government, the better-than-expected local GDP growth in the third quarter of 3.3% and the recently positive US economic figures as well as the naming of China's new group of leaders at its 16th Communist Party Congress. These factors, though unable to herald a strong and sustained rebound in market sentiment, can help to shed some lights to the moribund domestic market. Furthermore, the commitment given by the Central Government to help Hong Kong ride out the economic difficulties and the ongoing efforts put forward by the Hong Kong Government would be considered as a hope of triggering a revival in the local stagnant market. We believe that the local economy would recover once some weak fundamentals are better off to restore the public confidence.

In light of the uncertainties in the global and local economies, the Group will continue to adopt prudent financial management and will closely monitor the market situation and to make appropriate response. Given the strong foundation, adequate cash flow and debt-free financial position of the Group, the management is optimistic about its performance in the second half of the financial year.

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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\$64.6 million at 30th September 2002. 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.

EMPLOYEE INFORMATION

The Group has less than 20 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.

DIRECTORS' INTEREST IN SHARES

At 30th September 2002, 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:

Name of director	Personal interests	Corporate interests	Total
Mr. Cheung Kee Wee (<i>Chairman</i>)	—	1,266,560 (<i>Note</i>)	1,266,560
Mr. Cheung Lin Wee	572,000	—	572,000
Mr. Cheung Ying Wai, Eric	598,000	—	598,000

Note: These shares are held by a corporation in which Mr. Cheung Kee Wee is taken to be interested by virtue of Section 8 of the SDI Ordinance.

Save as disclosed above, none of the directors had any Family Interests or Other Interests in the share capital of the Company and its associated corporations.

SUBSTANTIAL SHAREHOLDERS

As at 30th September 2002, 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.

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

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim accounts of the Company for the six months ended 30th September 2002 and has no reservation on the accounting policies adopted by the Group.

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 2002, 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.

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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, 12th December 2002

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