

WAH HA REALTY COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

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.