

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.

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

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

3. OPERATING (LOSS)/PROFIT

	Unaudited	
	2001 HK\$	2000 HK\$

Operating (loss)/profit is stated after crediting:

Gross rental income		
Investment properties	637,026	626,142
Other properties	1,493,329	1,447,041
Less related outgoings	(156,008)	(240,322)
Dividend income from listed investments	185,426	—

and after charging:

Staff costs	1,725,041	1,920,955
Auditors' remuneration	208,500	190,250
Net unrealised loss of short-term investments	16,877,165	—
Operating lease rental expense for land and buildings	73,125	87,750

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.

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7. DEBTORS AND PREPAYMENTS

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

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	16,912	22,822
Over 90 days	—	404,200
	16,912	427,022
Other creditors	739,378	5,113,789
Rental and utility deposits received	802,650	883,384
Accrued expenses	268,250	375,000
	1,827,190	6,799,195

9. SHARE CAPITAL

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

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)
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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)
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At 30th September 2001	24,461,230	44,697,693	331,813,658	400,972,581

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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:

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