

# WAHHA

2003 ANNUAL REPORT

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# CORPORATE INFORMATION

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## BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

### Executive Directors

#### **Mr. Cheung Kee Wee, BBA, Chairman**

Aged 51. Joined the Group and appointed a director in 1976. Elected Chairman in 2000. Has over 25 years' experience in the property and building construction industry. Brother of Messrs. Cheung Lin Wee and Cheung Ying Wai, Eric.

#### **Mr. Cheung Lin Wee, BFin**

Aged 45. Joined the Group and appointed a director in 1985. Has over 15 years' experience in property management. Mainly responsible for the property management activities of the Group. Brother of Messrs. Cheung Kee Wee and Cheung Ying Wai, Eric.

#### **Mr. Cheung Ying Wai, Eric, BSc**

Aged 41. Joined the Group and appointed a director in 1999. Mainly responsible for the general management of the Group. Brother of Messrs. Cheung Kee Wee and Cheung Lin Wee.

### Independent Non-Executive Directors

#### **Mr. Lam Hon Keung, Keith, O.B.E., J.P.**

Aged 63. Appointed a director in 1993. A Committee Member of Far East Exchange Limited (1975-89) and The Stock Exchange of Hong Kong Limited (1983-94). An ex-President of Rotary Club of Hong Kong South (1976-77) and an appointed Legislative Councillor in the year 1984. Active in community and social involvements — Chairman of the Hong Kong Buddhist Hospital, Vice Chairman of the Hong Kong Buddhist Association, a member of The Board of Management of The Chinese Permanent Cemeteries, the Social Welfare Advisory Committee and the Estate Agents Authority, etc., A Fellow of the Institute of Directors and a member of the British Institute of Management.

#### **Mr. John Ho, LLB**

Aged 57. Appointed a director in 1994. A practising solicitor in Hong Kong. Qualified as a solicitor and joined a major firm of solicitors in 1972. A senior partner of Messrs. John Ho & Tsui, one of the Company's legal advisors in Hong Kong.

#### **Mr. Ng Kwok Tung, LIA (Dip), Chinese Law (Dip), B.Com, CPA, CA, FHKSA, ATIIHK, MSCA**

Aged 52. Appointed a director in 2001. A practising accountant in Hong Kong. The sole proprietor of Messrs. Tony Kwok Tung Ng & Co.. Independent non-executive directors of Fountain Set (Holdings) Limited, Universe International Holdings Limited and Timeless Software Limited.

### Senior Management

#### **Mr. Chu Wing Man, Raymond, BBA, LLB, FHKSA, FCCA, ACIS, Chief Accountant and Company Secretary**

Aged 41. A professional accountant. Joined the Group as Chief Accountant and appointed the Company Secretary of the Company in 1998. Has over 15 years' experience in Accountancy.

## **CORPORATE INFORMATION** *(Continued)*

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### **AUDIT COMMITTEE**

Mr. Lam Hon Keung, Keith (*Chairman*)  
Mr. John Ho  
Mr. Ng Kwok Tung

### **BANKERS**

The Bank of East Asia, Limited

### **AUDITORS**

PricewaterhouseCoopers

### **SHARE REGISTRARS**

Hongkong Managers and Secretaries Limited  
26th Floor  
Citicorp Centre  
18 Whitfield Road  
Causeway Bay  
Hong Kong  
Telephone: (852) 2806 3606  
Fax: (852) 2887 2054

### **REGISTERED OFFICE**

Room 2500, Dominion Centre  
43-59 Queen's Road East  
Wanchai  
Hong Kong  
Telephone: (852) 2527 1821  
Fax: (852) 2861 3771

### **STOCK CODES**

The Stock Exchange of Hong Kong Limited  
278  
Reuters  
0278.HK

### **WEBSITE**

<http://www.wahha.com>

# GROUP STRUCTURE

As at 31st March 2003

	<b>Effective percentage of equity held by the Group</b>	<b>Principal activities</b>
<b>Holding Company</b>		
Wah Ha Realty Company Limited	—	Investment holding
<b>Subsidiary Companies</b>		
Festigood Company Limited	100	Property development
Galy Property Management Limited	100	Property management
Khanman Construction Company Limited	100	Dormant
Tai Kong Shan Realty Limited	100	Property investment
Tinpoly Realty Limited	100	Property investment
Wah Ha Construction Company Limited	100	Building contractor
Wah Ha Real Estate Agency Limited	100	Property agency
<b>Associated Companies</b>		
Cantake Land Investment Company Limited	25	Property development
Chase Good Development Limited	25	Property development
Daily Eagle Development Limited	25	Property development
Eastern Tailor Enterprises Limited	25	Property investment
Fu Kung San Realty Limited	50	Investment holding
Fullion Realty Limited	50	Property investment
Fupoly Properties Limited	25	Property investment
Hinquand Enterprise Limited	50	Property investment
Kam Lee Wah Realty Limited	50	Property investment
Keneva Company Limited	25	Property development
Keneva Construction Company Limited	25	Building contractor
Kin Yuen Hing Investment Company Limited	50	Property development
Mass Collection Company Limited	50	Property development
Remadour Estate Limited	25	Property investment
Sing Mei Properties Limited	25	Property investment
Star Fortune Investments Limited	50	Provision of finance
Sun Prince Godown Limited	50	Property investment
Sun Tai Tsuen Godown Company Limited	50	Property investment
Wah Ha Property Development Limited	50	Property investment

All companies are incorporated in Hong Kong.

## NOTICE OF ANNUAL GENERAL MEETING

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**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting of the Members of Wah Ha Realty Company Limited (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.

# CHAIRMAN'S STATEMENT

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## RESULTS

The profit attributable to shareholders for the year ended 31st March 2003 amounted to HK\$2,087,257 (2002: HK\$8,744,220). Earnings per share for the year was 1.7 cents (2002: 7.2 cents).

## 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 favourable 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.

# CHAIRMAN'S STATEMENT *(Continued)*

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## 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 the 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 Business. As a result, its contribution to the Group's profitability was limited.



# CHAIRMAN'S STATEMENT *(Continued)*

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## **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.

## CHAIRMAN'S STATEMENT *(Continued)*

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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.

### APPRECIATION

I would like to take this opportunity to express my gratitude to all our board members including Madam Chin Lan Hong who has resigned in this year for their invaluable contribution. I would also like to extend my appreciation to our shareholders for their continued support and our staff for their hard work and dedication.

**Cheung Kee Wee**

*Chairman*

Hong Kong, 11th July 2003

# REPORT OF THE DIRECTORS

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The Directors have pleasure in submitting their report together with the audited accounts for the year ended 31st March 2003.

## PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiary companies (the “Group”) are investment holding, property development and investment, property management and building contractor.

## RESULTS

The results of the Company and the Group for the year ended 31st March 2003 are shown on page 16.

## DIVIDEND

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).

## FIVE YEAR FINANCIAL SUMMARY

A summary of the Group’s results and of its assets and liabilities for the past five financial years is shown on page 44.

## RESERVES

Movements in the reserves of the Company and the Group during the year are set out in note 22 to the accounts.

## PROPERTIES

Details of the movements in investment properties are shown in note 12 to the accounts.

Details of the properties held by the Group for investment and sale purposes are shown on pages 46 to 53.

# REPORT OF THE DIRECTORS *(Continued)*

## DIRECTORS

The Directors during the year and at the date of this report are:

### Executive Directors

Mr. Cheung Kee Wee (Chairman)  
 Mr. Cheung Lin Wee  
 Mr. Cheung Ying Wai, Eric  
 Madam Chin Lan Hong (resigned on 2nd September 2002)

### Independent Non-executive Directors

Mr. Lam Hon Keung, Keith  
 Mr. John Ho  
 Mr. Ng Kwok Tung

In accordance with Article 103(A) of the Company's Articles of Association, Mr. Cheung Lin Wee and Mr. Cheung Ying Wai, Eric retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

None of the Directors has a service contract with the Company or its subsidiary companies which is not determinable within one year without payment of compensation, other than statutory compensation.

Brief biographical details of Directors and senior management are set out on page 2.

## DIRECTORS' INTERESTS

At 31st March 2003, 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 Directors	Personal Interests	Corporate Interests	Total
Mr. Cheung Kee Wee	—	1,705,360 <sup>(Note)</sup>	1,705,360
Mr. Cheung Lin Wee	572,000	—	572,000
Mr. Cheung Ying Wai, Eric	660,000	—	660,000

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

# REPORT OF THE DIRECTORS *(Continued)*

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## **DIRECTORS' INTERESTS** *(Continued)*

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

Apart from certain non-beneficial interests held for the benefit of the Company in respect of its wholly-owned subsidiary companies, the Directors, chief executives and their respective associates have no other interest in the subsidiary companies, beneficial or non-beneficial.

No contracts of significance in relation to the Company's business to which the Company or its subsidiary companies was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

At no time during the year was the Company or its subsidiary companies a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## **SUBSTANTIAL SHAREHOLDERS**

As at 31st March 2003, 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	<u>87,391,440</u>

## **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 year.

## **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

# REPORT OF THE DIRECTORS *(Continued)*

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## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover during the year attributable to the Group's five largest customers was 45% of the Group's total turnover, of which 15% was made to the largest customer.

The aggregate purchase of revenue items during the year attributable to the Group's five largest suppliers were less than 30% of the Group's total revenue purchases.

None of the Directors, their associates or any shareholder who to the knowledge of the Directors owns more than 5% of the Company's issued share capital has an interest in the major customers or suppliers disclosed above, except that Mr. Cheung Kung Hai, deceased, substantial shareholder of the Company, has beneficial interests in two of the Group's five largest customers and Madam Chin Lan Hong, a shareholder owns more than 5% of the Company's issued share capital, has beneficial interest in one of the Group's five largest customers.

## THE 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 throughout the year, 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.

## AUDIT COMMITTEE

Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, 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.

## REPORT OF THE DIRECTORS *(Continued)*

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### AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**Cheung Kee Wee**

*Chairman*

Hong Kong, 11th July 2003

# REPORT OF THE AUDITORS

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## TO THE SHAREHOLDERS OF WAH HA REALTY COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the accounts on pages 16 to 43 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Hong Kong Companies Ordinance requires the Directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

### OPINION

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31st March 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 11th July 2003



## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st March 2003

	Note	2003 HK\$	2002 HK\$
<b>TURNOVER</b>	3	12,179,451	13,668,777
<b>COST OF SALES</b>		<u>(523,028)</u>	<u>(289,811)</u>
<b>GROSS PROFIT</b>		11,656,423	13,378,966
<b>OTHER REVENUES</b>	4	2,325,615	1,115,492
<b>GENERAL AND ADMINISTRATION EXPENSES</b>		(5,062,687)	(5,167,062)
<b>OTHER OPERATING EXPENSES</b>		<u>(6,816,761)</u>	<u>(8,914,782)</u>
<b>OPERATING PROFIT</b>	5	2,102,590	412,614
<b>SHARE OF PROFITS LESS LOSSES OF ASSOCIATED COMPANIES</b>	6	<u>2,673,210</u>	<u>10,863,576</u>
<b>PROFIT BEFORE TAXATION</b>		4,775,800	11,276,190
<b>TAXATION</b>	9	<u>(2,688,543)</u>	<u>(2,531,970)</u>
<b>PROFIT ATTRIBUTABLE TO SHAREHOLDERS</b>		<u>2,087,257</u>	<u>8,744,220</u>
<b>DIVIDENDS</b>	10	<u>—</u>	<u>2,419,200</u>
<b>EARNINGS PER SHARE</b>	11	<u>1.7 cents</u>	<u>7.2 cents</u>

# CONSOLIDATED BALANCE SHEET

As at 31st March 2003

	Note	2003 HK\$	2002 HK\$
<b>NON-CURRENT ASSETS</b>			
Investment properties	12	18,750,000	19,150,000
Associated companies	14	295,734,300	344,639,475
Long-term investments	15	250,448	250,448
Loans receivable	16	—	63,628
		<u>314,734,748</u>	<u>364,103,551</u>
<b>CURRENT ASSETS</b>			
Properties held for sale		7,450,022	7,365,948
Debtors and prepayments	17	3,615,644	3,231,288
Amounts due from related companies	18	168,705	637,086
Current portion of loans receivable	16	116,660	143,082
Taxation recoverable		—	5,937
Short-term investments	19	103,827,572	46,990,736
Cash and bank balances		45,689,520	62,228,458
		<u>160,868,123</u>	<u>120,602,535</u>
<b>CURRENT LIABILITIES</b>			
Creditors and accruals	20	1,559,916	1,689,272
Amounts due to related companies	18	1,111,915	1,071,164
Taxation payable		36,904	59,264
		<u>2,708,735</u>	<u>2,819,700</u>
<b>NET CURRENT ASSETS</b>		<u>158,159,388</u>	<u>117,782,835</u>
<b>EMPLOYMENT OF FUNDS</b>		<u>472,894,136</u>	<u>481,886,386</u>
Financed by:			
<b>SHARE CAPITAL</b>	21	78,624,000	78,624,000
<b>RESERVES</b>	22	394,270,136	403,252,079
<b>SHAREHOLDERS' FUNDS</b>		472,894,136	481,876,079
<b>DEFERRED TAXATION</b>	23	—	10,307
<b>FUNDS EMPLOYED</b>		<u>472,894,136</u>	<u>481,886,386</u>

**Cheung Kee Wee**  
Director

**Cheung Lin Wee**  
Director

# BALANCE SHEET

As at 31st March 2003

	Note	2003 HK\$	2002 HK\$
<b>NON-CURRENT ASSETS</b>			
Investment properties	12	18,750,000	19,150,000
Subsidiary companies	13	(10,789,224)	(9,785,679)
Associated companies	14	237,071,892	276,356,975
Long-term investments	15	250,448	250,448
		<u>245,283,116</u>	<u>285,971,744</u>
<b>CURRENT ASSETS</b>			
Properties held for sale		1,124,945	1,124,945
Debtors and prepayments		579,287	415,792
Amounts due from related companies	18	65,775	81,000
Short-term investments	19	103,827,572	46,990,736
Cash and bank balances		41,429,010	59,164,095
		<u>147,026,589</u>	<u>107,776,568</u>
<b>CURRENT LIABILITIES</b>			
Creditors and accruals		1,062,893	1,189,133
Amounts due to related companies	18	236,540	470,821
		<u>1,299,433</u>	<u>1,659,954</u>
<b>NET CURRENT ASSETS</b>		<u>145,727,156</u>	<u>106,116,614</u>
<b>EMPLOYMENT OF FUNDS</b>		<u>391,010,272</u>	<u>392,088,358</u>
Financed by:			
<b>SHARE CAPITAL</b>	21	78,624,000	78,624,000
<b>RESERVES</b>	22	312,386,272	313,464,358
<b>SHAREHOLDERS' FUNDS</b>		<u>391,010,272</u>	<u>392,088,358</u>

**Cheung Kee Wee**  
Director

**Cheung Lin Wee**  
Director

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March 2003

	2003 HK\$	2002 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating profit	2,102,590	412,614
Interest income	(1,296,737)	(2,463,002)
Dividend income	(2,009,278)	(1,033,995)
(Profit)/loss on sales of short-term investments	(405,013)	11,166,367
Net unrealised loss/(gain) of short-term investments	7,221,774	(2,251,585)
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>		
	5,613,336	5,830,399
Increase in properties held for sale	(84,074)	—
(Increase)/decrease in debtors and prepayments	(384,356)	94,828
Increase in net amounts due to related companies	509,132	123,681
Decrease in creditors and accruals	(129,356)	(5,109,923)
<b>CASH GENERATED FROM OPERATIONS</b>		
	5,524,682	938,985
Hong Kong profits tax paid	(321,971)	(583,508)
Dividends paid to shareholders	(2,419,200)	(3,386,880)
<b>NET CASH FROM/(USED IN) OPERATING ACTIVITIES</b>		
	2,783,511	(3,031,403)
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
Mortgage loans repaid	90,050	116,917
Dividend received from associated companies	1,650,000	6,500,000
Dividend received from investments	2,009,278	1,033,995
Decrease in investments in associated companies	39,285,085	5,896,686
Interest received	1,296,737	2,463,002
Disposals of short-term investments	14,004,757	59,382,520
Increase in short-term investments	(77,658,356)	(64,625,596)
<b>NET CASH (USED IN)/FROM INVESTING ACTIVITIES</b>		
	(19,322,449)	10,767,524
<b>NET (DECREASE)/INCREASE IN CASH AND BANK BALANCES</b>		
	(16,538,938)	7,736,121
<b>CASH AND BANK BALANCES AT BEGINNING OF YEAR</b>		
	62,228,458	54,492,337
<b>CASH AND BANK BALANCES AT END OF YEAR</b>		
	45,689,520	62,228,458

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31st March 2003*

	<b>2003</b>	2002
	<i>HK\$</i>	<i>HK\$</i>
<b>EQUITY AT BEGINNING OF YEAR</b>	<b>481,876,079</b>	488,668,739
Deficit on revaluation of investment properties		
Company and subsidiary companies	<b>(400,000)</b>	(1,650,000)
Associated companies	<b>(8,250,000)</b>	(10,500,000)
Profit for the year	<b>2,087,257</b>	8,744,220
Dividends	<b>(2,419,200)</b>	(3,386,880)
<b>EQUITY AT END OF YEAR</b>	<b>472,894,136</b>	481,876,079

# NOTES TO THE ACCOUNTS

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## I PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and property investment. The activities of the subsidiary and associated companies are shown in notes 13 and 14 to the accounts respectively.

## 2 PRINCIPAL ACCOUNTING POLICIES

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.

The principal accounting policies adopted in the preparation of these accounts are set out below:

### (a) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiary companies made up to 31st March and the Group's attributable share of post acquisition results and reserves of its associated companies.

Results attributable to subsidiary and associated companies acquired or disposed of during the year are included in the consolidated profit and loss accounts from the date of acquisition or up to the date of disposal as applicable.

The profit and loss on disposal of subsidiary or associated companies is determined as the difference between the net disposal proceeds and the Group's share of net assets at the date of disposal including the attributable amount of goodwill or negative goodwill which remains unamortised.

All significant intercompany transactions and balances within the Group are eliminated.

### (b) Subsidiary companies

A company is a subsidiary company if the Group holds for the long-term of more than half of the issued equity share capital, controls more than half of the voting power or controls the composition of the board of directors.

## NOTES TO THE ACCOUNTS *(Continued)*

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### 2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

#### (b) **Subsidiary companies** *(Continued)*

In the Company's balance sheet, investments in subsidiary companies are stated at costs less provision. Provision is made when, in the opinion of the Directors, there is impairment in value other than temporary in nature. The results of subsidiary companies are accounted for by the Company to the extent of dividend income.

#### (c) **Associated companies**

An associated company is a company, not being a subsidiary company, in which an equity interest is held for the long-term and significant influence is exercised in its management.

Associated companies are accounted for under the equity method whereby the consolidated profit and loss account includes the Group's share of the results of associated companies, and the consolidated balance sheet includes the Group's share of net assets.

In the Company's balance sheet, investments in associated companies are stated at cost or valuation less provision. Provision is made when, in the opinion of the Directors, there is a diminution in value other than temporary in nature.

#### (d) **Goodwill**

Goodwill represents the difference between the cost of an acquisition over the fair values ascribed to the Group's share of the net assets of the acquired subsidiary and associated companies at the effective date of acquisition. Goodwill on acquisitions 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. Where the fair values ascribed to the net assets exceed the purchase consideration, such differences are recognised as income in the year of acquisition or over the weighted average useful life of the non-monetary assets.

The carrying amount of goodwill is reviewed annually and provision is only made where, in the opinion of the Directors, there is impairment in value other than temporary in nature.

## NOTES TO THE ACCOUNTS *(Continued)*

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### 2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

#### (e) Investments

Investments intended to be held for the long-term are included under non-current assets and carried at cost less provision. Provision is made when, in the opinion of the Directors, there is impairment in value other than temporary in nature.

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are included under current assets and are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of short-term investments are recognised in the profit and loss account.

All purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the assets. Cost of purchase includes transaction costs. Profits or losses on disposal of investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

#### (f) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental being negotiated at arm's length. Investment properties are carried at their open market values based on professional valuations carried out by independent valuers at the balance sheet date. Increases in valuation are credited to the investment properties revaluation reserve; decreases are first set off against earlier valuation reserves on a portfolio basis and thereafter charged to the profit and loss account. Upon the disposal of an investment property, any relevant revaluation surplus realised is transferred to the profit and loss account.

No depreciation is provided on investment properties held on leases of more than twenty years.



## NOTES TO THE ACCOUNTS *(Continued)*

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### 2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

#### **(g) Properties under development**

Properties under development comprise land at cost or valuation, construction costs, an appropriate proportion of overhead expenditure and interest attributable to the development, and profit taken to date, less sales instalments received and provisions for possible losses.

#### **(h) Properties held for sale**

Properties held for sale are stated at the lower of cost and estimated net realisable value. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

#### **(i) Construction contracts in progress**

Construction contracts in progress are stated at cost less progress payments and provision for foreseeable losses.

#### **(j) Deferred taxation**

Deferred taxation is provided at the current rate of taxation under the liability method in respect of material timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

#### **(k) Provisions**

Provisions are recognised where there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

## NOTES TO THE ACCOUNTS *(Continued)*

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### 2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

#### (l) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Rentals applicable to operating leases net of any incentives received from the lessors are charged to the profit and loss account on a straight-line basis over the lease terms.

#### (m) Revenue recognition

Sales of completed properties are recognised when the sale agreements are completed or when the relevant building occupation permit is issued by the Building Authorities whichever is the later. When a development property is sold in advance of completion, sales are recognised over the course of the development and are computed as a proportion of the total estimated sales to completion; the proportion used being the lower of the proportion of construction costs incurred at the balance sheet date to estimated total construction costs and the proportion of sales proceeds received at the balance sheet date to total sales proceeds. Management fee is recognised when services are rendered. Rental income is recognised over the periods of the respective leases on a straight-line basis. Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable. Dividend income is recognised when the right to receive payment is certain. Revenue from construction contracts in progress is recognised using the percentage of completion method, measured by reference to the cost incurred to date compared with the estimated total cost of the contracts.

#### (n) Employee benefits

The Group's contributions under the scheme are charged to the profit and loss account as incurred. The amount of the Group's contributions is based on specified percentages of the basic salaries of employees.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

## NOTES TO THE ACCOUNTS *(Continued)*

### 2 PRINCIPAL ACCOUNTING POLICIES *(Continued)*

#### (o) Foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at exchange rates ruling at that date. Exchange differences arising are dealt with in the profit and loss account.

#### (p) Related parties

Related parties are individuals and companies, including subsidiary and associated companies, where the individual, company or group has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

### 3 TURNOVER

	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Rental income	<b>4,170,327</b>	4,256,544
Management fee income	<b>4,836,447</b>	5,498,677
Interest income	<b>1,296,737</b>	2,463,002
Construction supervision fee income	<b>1,494,640</b>	1,450,554
Sales of properties	<b>381,300</b>	—
	<b>12,179,451</b>	13,668,777

## NOTES TO THE ACCOUNTS *(Continued)*

### 4 OTHER REVENUES

	2003 HK\$	2002 HK\$
Dividend income		
Listed investments	974,980	628,995
Quoted mutual funds	1,034,298	—
Unlisted investments	—	405,000
Sundries	316,337	81,497
	<u>2,325,615</u>	<u>1,115,492</u>

### 5 OPERATING PROFIT

	2003 HK\$	2002 HK\$
Operating profit is stated after crediting:		
Gross rental income		
Investment properties	1,142,142	1,277,426
Other properties	3,028,185	2,979,118
Less: related outgoings	(411,480)	(289,811)
Profit on sales of short-term investments	405,013	—
Net unrealised gain on short-term investments	—	2,251,585
	<u>4,163,860</u>	<u>6,217,324</u>

and after charging:

Staff costs (including Directors' remuneration and retirement benefits)	4,233,774	3,962,180
Auditors' remuneration	297,648	345,000
Cost of properties sold	111,548	—
Operating lease rental for land and buildings	—	73,125
Loss on sales of short-term investments	—	11,166,367
Net unrealised loss on short-term investments	7,221,774	—
	<u>12,264,744</u>	<u>15,546,672</u>

## NOTES TO THE ACCOUNTS *(Continued)*

### 6 SHARE OF PROFITS LESS LOSSES OF ASSOCIATED COMPANIES

The Group's share of results of associated companies included deficits on revaluation of properties held by associated companies amounting to HK\$9,882,820 (2002: HK\$4,212,532).

### 7 REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

	<b>2003</b>	2002
	<i>HK\$</i>	<i>HK\$</i>
Fees	<u><b>135,000</b></u>	<u>155,000</u>

Directors' fees paid to Independent Non-executive Directors amounted to HK\$75,000 (2002: HK\$75,000) and no other emoluments were paid.

None of the Directors has waived the right to receive their emoluments.

Details of the emoluments paid to the five individuals, who are not Directors, whose emoluments were the highest in the Group are:

	<b>2003</b>	2002
	<i>HK\$</i>	<i>HK\$</i>
Salaries and other emoluments	<b>1,555,109</b>	1,719,628
Contributions to retirement benefits scheme	<u><b>119,730</b></u>	<u>121,427</u>
	<u><b>1,674,839</b></u>	<u>1,841,055</u>

The emoluments of each of the five individuals are below HK\$1,000,000.

## NOTES TO THE ACCOUNTS *(Continued)*

### 8 RETIREMENT BENEFITS SCHEME

The Group participates in a defined contribution scheme which covers all the employees of the Group and certain related companies. The assets of the scheme are held in a trust fund separated from the Group and the related companies. Contributions to the scheme are based on a percentage of employee salary depending upon the length of service of the employee and charged to the profit and loss account in the year to which they relate. The charge for the scheme for the year was HK\$240,130 (2002: HK\$216,070).

### 9 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.

### 10 DIVIDENDS

	2003 HK\$	2002 HK\$
Proposed final (2002: 2.0 cents per share)	<u>—</u>	<u>2,419,200</u>

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).

## NOTES TO THE ACCOUNTS *(Continued)*

### 11 EARNINGS PER SHARE

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

### 12 INVESTMENT PROPERTIES

	<b>Group and Company</b> HK\$
Valuation	
At 31st March 2002	19,150,000
Deficit on revaluation ( <i>note 22</i> )	<u>(400,000)</u>
<b>At 31st March 2003</b>	<b><u>18,750,000</u></b>

The properties are held under leases of over 50 years in Hong Kong and are stated at professional valuation made on 31st March 2003 by Chung Sen Surveyors Limited on an open market value basis.

### 13 SUBSIDIARY COMPANIES

	<b>Company</b>	
	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Unlisted shares, at cost	110,246	110,246
Amounts receivable	211,454	34,500
Amounts payable	<u>(11,110,924)</u>	<u>(9,930,425)</u>
	<b><u>(10,789,224)</u></b>	<b><u>(9,785,679)</u></b>

The amounts receivable and payable are unsecured, interest free and have no specific repayment terms.

## NOTES TO THE ACCOUNTS *(Continued)*

### 13 SUBSIDIARY COMPANIES *(Continued)*

Particulars of the subsidiary companies, all of which are wholly-owned by the Company, are as follows:

Name	Place of incorporation and operation	Principal activities	Nominal value of issued share capital HK\$
Festigood Company Limited	Hong Kong	Property development	2
Galy Property Management Limited	Hong Kong	Property management	2
Khanman Construction Company Limited	Hong Kong	Dormant	200
Tai Kong Shan Realty Limited	Hong Kong	Property investment	100,000
Tinpoly Realty Limited	Hong Kong	Property investment	40
Wah Ha Construction Company Limited	Hong Kong	Building contractor	2
Wah Ha Real Estate Agency Limited	Hong Kong	Property agency	10,000



# NOTES TO THE ACCOUNTS *(Continued)*

## 14 ASSOCIATED COMPANIES

	Group		Company	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Unlisted shares, at cost or Directors' valuation in 1990	<b>26,240,628</b>	26,240,627	<b>26,240,628</b>	26,240,627
Share of retained post- acquisition reserves	<b>58,662,408</b>	68,282,500	—	—
Share of net assets	<b>84,903,036</b>	94,523,127	<b>26,240,628</b>	26,240,627
Amounts receivable	<b>217,398,027</b>	252,266,312	<b>217,398,027</b>	252,266,312
Amounts payable	<b>(6,566,763)</b>	(2,149,964)	<b>(6,566,763)</b>	(2,149,964)
	<b>210,831,264</b>	250,116,348	<b>210,831,264</b>	250,116,348
	<b>295,734,300</b>	344,639,475	<b>237,071,892</b>	276,356,975

Particulars of the associated companies and amounts receivable/(payable) are as follows:

Name	Principal activities	Amounts receivable/ (payable) by Group		Effective percentage of equity held by Group
		2003 HK\$	2002 HK\$	
Cantake Land Investment Company Limited	Property development	<b>72,355,056</b>	106,252,760	25
Chase Good Development Limited	Property development	<b>16,105,303</b>	16,865,803	25

## NOTES TO THE ACCOUNTS *(Continued)*

### 14 ASSOCIATED COMPANIES *(Continued)*

Name	Principal activities	Amounts receivable/ (payable) by Group		Effective percentage of equity held by Group
		2003 HK\$	2002 HK\$	
Daily Eagle Development Limited	Property development	<b>(3,489,839)</b>	1,772,661	25
Eastern Tailor Enterprises Limited	Property investment	<b>20,406,419</b>	21,364,919	25
Fu Kung San Realty Limited	Investment holding	<b>(1,690,610)</b>	(997,110)	50
Fullion Realty Limited	Property investment	<b>26,284</b>	12,284	50
Fupoly Properties Limited	Property investment	—	(16,540)	25
Hinquand Enterprise Limited	Property investment	<b>21,506,760</b>	17,106,760	50
Kam Lee Wah Realty Limited	Property investment	<b>190,230</b>	176,525	50
Keneva Company Limited	Property development	<b>38,607,400</b>	39,057,400	25
Keneva Construction Company Limited	Building contractor	—	—	25

## NOTES TO THE ACCOUNTS *(Continued)*

### 14 ASSOCIATED COMPANIES *(Continued)*

Name	Principal activities	Amounts receivable/ (payable) by Group		Effective percentage of equity held by Group
		2003 HK\$	2002 HK\$	
Kin Yuen Hing Investment Company Limited	Property development	14,709,056	16,059,056	50
Mass Collection Company Limited	Property development	(1,386,314)	(1,136,314)	50
Remadour Estate Limited	Property investment	9,820,495	10,606,495	25
Sing Mei Properties Limited	Property investment	—	—	25
Star Fortune Investments Limited	Provision of finance	1,865,374	—	50
Sun Prince Godown Limited	Property investment	3,396,575	3,414,575	50
Sun Tai Tsuen Godown Company Limited	Property investment	3,417,469	3,435,469	50
Wah Ha Property Development Limited	Property investment	14,991,606	16,141,605	50
		210,831,264	250,116,348	

## NOTES TO THE ACCOUNTS *(Continued)*

### 14 ASSOCIATED COMPANIES *(Continued)*

- (1) The amounts receivable and payable are unsecured, interest free and have no specific repayment terms. The Group has not provided any guarantees in respect of any borrowings or facilities of the associated companies and has not entered into any agreements to make further advances to the associated companies.
- (2) All associated companies are incorporated in Hong Kong and are held directly by the Company except Sing Mei Properties Limited which is 50% owned by Fu Kung San Realty Limited.

### 15 LONG-TERM INVESTMENTS

	<b>Group and Company</b>	
	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Unlisted shares, at cost	<u>250,448</u>	<u>250,448</u>

### 16 LOANS RECEIVABLE

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Mortgage loans	116,660	206,710
Current portion included in current assets	<u>(116,660)</u>	<u>(143,082)</u>
	<u>—</u>	<u>63,628</u>

Mortgage loans are provided to purchasers of the Group's properties.

## NOTES TO THE ACCOUNTS *(Continued)*

### 17 DEBTORS AND PREPAYMENTS

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Trade debtors		
Below 60 days	<b>106,046</b>	162,219
Other receivables	<b>3,110,461</b>	2,632,143
Prepayments and utility deposits	<b>399,137</b>	436,926
	<u><b>3,615,644</b></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.

### 18 BALANCES WITH RELATED COMPANIES

The amounts receivable and payable are unsecured, interest free and have no specific repayment terms.

### 19 SHORT-TERM INVESTMENTS

	<b>Group and Company</b>	
	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Quoted mutual funds, at market value	<b>83,843,621</b>	—
Listed shares, at market value		
Hong Kong	<b>12,557,576</b>	19,715,576
Overseas	<b>7,426,375</b>	27,275,160
	<u><b>103,827,572</b></u>	<u>46,990,736</u>

## NOTES TO THE ACCOUNTS *(Continued)*

### 20 CREDITORS AND ACCRUALS

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Trade creditors		
Below 90 days	<b>125,784</b>	228,313
Over 90 days	<b>10</b>	10
	<b>125,794</b>	228,323
Other payables	<b>210,250</b>	270,889
Rental and utility deposits received	<b>822,948</b>	751,775
Accrued expenses	<b>400,924</b>	438,285
	<b>1,559,916</b>	1,689,272

### 21 SHARE CAPITAL

	<b>Company</b>	
	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
<i>Authorised:</i>		
150,000,000 shares of HK\$0.65 each	<b>97,500,000</b>	97,500,000
<i>Issued and fully paid:</i>		
120,960,000 shares of HK\$0.65 each	<b>78,624,000</b>	78,624,000

## NOTES TO THE ACCOUNTS *(Continued)*

### 22 RESERVES

<b>Group</b>	<b>Asset revaluation reserve HK\$</b>	<b>Investment properties revaluation reserve HK\$</b>	<b>Retained Profit HK\$</b>	<b>Total HK\$</b>
At 31st March 2001	24,461,230	44,697,693	340,885,816	410,044,739
Deficit on revaluation				
Company and subsidiary companies	—	(1,650,000)	—	(1,650,000)
Associated companies	—	(10,500,000)	—	(10,500,000)
Profit for the year	—	—	8,744,220	8,744,220
Dividend	—	—	(3,386,880)	(3,386,880)
At 31st March 2002	24,461,230	32,547,693	346,243,156	403,252,079
Deficit on revaluation				
Company and subsidiary companies	—	(400,000)	—	(400,000)
Associated companies	—	(8,250,000)	—	(8,250,000)
Profit for the year	—	—	2,087,257	2,087,257
Dividend	—	—	(2,419,200)	(2,419,200)
<b>At 31st March 2003</b>	<b>24,461,230</b>	<b>23,897,693</b>	<b>345,911,213</b>	<b>394,270,136</b>

## NOTES TO THE ACCOUNTS *(Continued)*

### 22 RESERVES *(Continued)*

	<b>Asset revaluation reserve</b>	<b>Investment properties revaluation reserve</b>	<b>Retained Profit</b>	<b>Total</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
<b>Company</b>				
At 31st March 2001	23,600,000	15,502,285	274,186,329	313,288,614
Deficit on revaluation	—	(1,650,000)	—	(1,650,000)
Profit for the year	—	—	5,212,624	5,212,624
Dividend	—	—	(3,386,880)	(3,386,880)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March 2002	23,600,000	13,852,285	276,012,073	313,464,358
Deficit on revaluation	—	(400,000)	—	(400,000)
Profit for the year	—	—	1,741,114	1,741,114
Dividend	—	—	(2,419,200)	(2,419,200)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31st March 2003</b>	<b>23,600,000</b>	<b>13,452,285</b>	<b>275,333,987</b>	<b>312,386,272</b>

- (1) Asset revaluation reserve, investment properties revaluation reserve and retained profit of the Group attributable to associated companies amounted to HK\$24,461,230 (2002: HK\$24,461,230), HK\$10,445,408 (2002: HK\$18,695,408), HK\$47,355,770 (2002: HK\$48,725,862) respectively.
- (2) Distributable reserves of the Company, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK\$275,333,987 (2002: HK\$276,012,073).



## NOTES TO THE ACCOUNTS *(Continued)*

### 23 DEFERRED TAXATION

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
Balances brought forward	<b>10,307</b>	18,341
Reclassified to current taxation	<b>(10,307)</b>	(8,034)
	<u>          </u>	<u>          </u>
Balances carried forward	<u>          </u> <u>          </u>	<u>          </u> <u>          </u>

Provision is made in respect of timing differences on computing profit on sales of properties for taxation purposes. The surplus arising from the revaluation of investment properties does not constitute a timing difference and accordingly no provision for deferred taxation is required. There are no material timing differences not provided for in the accounts.

### 24 OPERATING LEASE RENTAL RECEIVABLE

The future aggregate minimum lease rental income under non-cancellable operating leases in respect of land and buildings is receivable in the following years:

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
First year	<b>2,810,986</b>	2,742,666
Second to fifth years inclusive	<b>563,981</b>	999,570
	<u>          </u>	<u>          </u>
	<u><b>3,374,967</b></u>	<u>3,742,236</u>

## NOTES TO THE ACCOUNTS *(Continued)*

### 25 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 year:

	Note	2003 HK\$	2002 HK\$
Associated companies			
Management fee income	1	<u>3,005,500</u>	<u>3,592,500</u>
Related companies			
Management fee income	1	324,000	324,000
Construction supervision fee income	2	1,494,640	1,450,554
Estate agency fee income	3	200,000	200,000
Rental expense	4	<u>—</u>	<u>73,125</u>

Note:

- (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 companies. Service fees are calculated based on the number of employee on the job.
- (3) The Group provides estate agency services to a related company at a fixed annual fee.
- (4) The rental expense was paid to a related company at a monthly fixed rate.

### 26 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.

## NOTES TO THE ACCOUNTS *(Continued)*

### 26 SEGMENT INFORMATION *(Continued)*

#### Primary reporting segment — business segment

	Property investment, development and management and building contractor HK\$	Investments and corporate services HK\$	Total HK\$
<b>Year ended 31st March 2003</b>			
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

## NOTES TO THE ACCOUNTS *(Continued)*

### 26 SEGMENT INFORMATION *(Continued)*

#### Primary reporting segment — business segment *(Continued)*

	Property investment, development and management and building contractor HK\$	Investments and corporate services HK\$	Total HK\$
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

### 27 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 11th July 2003.

## FIVE YEAR FINANCIAL SUMMARY

	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
<b>Results</b>					
<b>Year ended 31st March</b>					
Turnover	12,179	13,669	16,976	16,672	17,932
Profit before taxation	4,776	11,276	3,256	27,182	34,881
Profit attributable to shareholders	2,087	8,744	355	23,311	31,839
Dividends	—	2,419	4,717	6,048	6,048
<b>Assets and liabilities</b>					
<b>As at 31st March</b>					
Investment properties	18,750	19,150	20,800	23,300	23,600
Associated companies	295,734	344,639	358,945	378,356	389,505
Other investments	250	250	250	250	250
Loans receivable	—	64	198	366	443
Current assets	160,868	120,603	116,529	99,970	77,811
Total assets	475,602	484,706	496,722	502,242	491,609
Current liabilities	2,708	2,820	8,035	2,819	3,035
<b>Employment of funds</b>	<b>472,894</b>	<b>481,886</b>	<b>488,687</b>	<b>499,423</b>	<b>488,574</b>
Share capital	78,624	78,624	78,624	78,624	78,624
Reserves	394,270	403,252	410,045	420,771	409,913
Shareholders' funds	472,894	481,876	488,669	499,395	488,537
Deferred taxation	—	10	18	28	37
<b>Funds employed</b>	<b>472,894</b>	<b>481,886</b>	<b>488,687</b>	<b>499,423</b>	<b>488,574</b>

## FINANCIAL SUMMARY OF ASSOCIATED COMPANIES

A significant portion of the Group's property development and investment activities is undertaken by associated companies. However, none of the individual associated company is significant in relation to the results and assets of the Group. To provide shareholders with information on the financial performance and position of the associated companies, the following is a summary of the aggregated results and net assets of the Group's associated companies for the year ended 31st March 2003:

	<b>2003</b>	2002
	<b>HK\$</b>	HK\$
<b>Results</b>		
Turnover	<b>147,216,999</b>	89,318,641
Operating profit	<b>47,350,610</b>	56,981,855
Deficit on revaluation of properties	<b>(39,336,372)</b>	(13,925,906)
Profit before taxation	<b>8,014,238</b>	43,055,949
Taxation	<b>(8,084,708)</b>	(8,059,301)
(Loss)/profit after taxation	<b>(70,470)</b>	34,996,648
Group's share of profits before taxation	<b>2,673,210</b>	10,863,576
<b>Net assets</b>		
Investment properties	<b>738,014,494</b>	853,059,558
Loans receivable	<b>4,967,623</b>	2,278,624
Current assets		
Properties held for sale	<b>315,045,478</b>	345,220,007
Debtors and prepayments	<b>20,464,487</b>	24,989,880
Current portion of loans receivable	<b>306,036</b>	—
Taxation recoverable	<b>149,307</b>	510,575
Cash and bank balances	<b>10,339,453</b>	11,049,297
Current liabilities		
Creditors and accruals	<b>(40,124,720)</b>	(50,705,718)
Taxation payable	<b>(1,390,033)</b>	(1,990,556)
Net amounts due to shareholders	<b>(800,337,840)</b>	(898,245,972)
Deferred taxation	<b>(1,698,902)</b>	(1,559,841)
Net assets	<b>245,735,383</b>	284,605,854
Group's share of net assets	<b>84,903,036</b>	94,523,127

# PRINCIPAL PROPERTIES

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**(a) For investment**

<b>Description</b>	<b>Lot No.</b>
<b>Hong Kong</b>	
Flat B & C on 2/F, Hin Wah Building at Nos. 446-450 Hennessy Road, Causeway Bay	The Remaining Portion (“RP”) of Sub-Section (“Subsec.”) I of Section (“Sec.”) A of Marine Lot No. 269; RP of Sec. A of Marine Lot No. 269; and RP of Sec. E of Marine Lot No. 201
Flat C on 12/F, Wah Ha Factory Building at No. 8 Shipyard Lane, Quarry Bay	Subsec. 6 of Sec. E of Quarry Bay Marine Lot No. 2 and the extension thereto
Apartment B on 1/F & 2/F & 2 carparks, Repulse Bay Towers at No. 119A Repulse Bay Road, Repulse Bay	Sec. B of Rural Building Lot No. 168; RP of Sec. A of Rural Building Lot No. 168; and Sec. B of Subsec. 3 of Sec. A of Rural Building Lot No. 168
Flat 11 on G/F of Montane Mansion at King’s Road, Quarry Bay	Sec. C of Inland Lot No. 8104
Unit B3, Block B including main roof & 2 carparks, Grosse Pointe Villa at No. 4 Stanley Village Road, Stanley	RP of Rural Building Lot No. 392
G/F & 2/F, Midland Centre (82 shops) at No. 328 Queen’s Road Central	Inland Lot No. 8426
Suite C on 5/F & 6/F & 2 carparks on 1/F at No. 1 Robinson Road, Central	RP of Subsec. 2 of Sec. A of Inland Lot No. 2850; and RP of Inland Lot No. 1213
Flat 2 on G/F and Basement and 2 carparks on Basement, Stewart Terrace at Nos. 81-95 Peak Road	Rural Building Lot Nos. 299-306

As at 31st March 2003

Type	Lease Term	Registered Owner
Commercial	Long Lease	Wah Ha Realty Company Limited
Industrial	Long Lease	Wah Ha Realty Company Limited
Residential	Long Lease	Wah Ha Realty Company Limited
Commercial	Long Lease	Wah Ha Property Development Limited
Residential	Long Lease	Wah Ha Property Development Limited
Commercial	Long Lease	Hinquand Enterprise Limited
Residential	Long Lease	Wah Ha Property Development Limited
Residential	Medium Lease	Wah Ha Property Development Limited



## PRINCIPAL PROPERTIES *(Continued)*

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**(a) For investment** *(Continued)*

<b>Description</b>	<b>Lot No.</b>
<b>Hong Kong</b> <i>(Continued)</i>	
Flat A on 6/F & 1 carpark, Mountain Lodge at No. 44 Mount Kellet Road	Rural Building Lot No. 199
Belvedere (5 townhouses & 12 carparks) at No. 41 Chung Hom Kok Road, Chung Hom Kok	Rural Building Lot No. 968
Vista Stanley (8 duplex units, 4 flats and 23 carparks) at No. 20 Stanley Village Road, Stanley	RP of Rural Building Lot No. 239
Horizon Plaza at No. 2 Lee Wing Street, Ap Lei Chau West, Aberdeen	Ap Lei Chau Inland Lot No. 122
<b>New Territories</b>	
Agricultural Land at Yuen Long	Lots Nos. 124, 126, 156 & 158 in D.D. No. 109, Yuen Long
Central Trading Centre at No. 9 Lok Yip Road, On Lok Tsuen, Fanling	Fanling Sheung Shui Town Lot No. 23
Belair Villa (17 townhouses, 37 duplex units and 88 carparks) at No. 9 Yu Tai Road, Kai Leng, Fanling	Fanling Sheung Shui Town Lot No. 116

As at 31st March 2003

Type	Lease Term	Registered Owner
Residential	Long Lease	Wah Ha Property Development Limited
Residential	Long Lease	Remadour Estate Limited
Residential	Long Lease	Eastern Tailor Enterprises Limited
Industrial/Godown	Medium Lease	Daily Eagle Development Limited and Double Joy Investment Company Limited
Agricultural	Medium Lease	Wah Ha Property Development Limited
Industrial/Godown	Medium Lease	Chase Good Development Limited
Residential	Medium Lease	Cantake Land Investment Company Limited

## PRINCIPAL PROPERTIES *(Continued)*

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**(b) For sale**

<b>Description</b>	<b>Lot No.</b>
<b>Hong Kong</b>	
Shops Nos. 10, 26 & 37 on 1/F, Gold Mine Building at No. 345 Chai Wan Road, Chai Wan	Chai Wan Inland Lot No. 80
Eight Commercial Tower (186 office/industrial units, 69 shops on G/F and 1/F & 162 carparks) at junction of Sun Yip Street and On Yip Street, Chai Wan	Chai Wan Inland Lot No. 144
<b>Kowloon</b>	
Flat A on G/F, May Wah Court at Nos. 111 & 113 Chatham Road, Tsimshatsui	RP of Kowloon Inland Lot No. 9935 and RP of Kowloon Inland Lot No. 9936
Flat B on 1/F & 2 carparks, Yip Win Factory Building at No. 10 Tsun Yip Lane, Kwun Tong	Kun Tong Inland Lot No. 71
<b>New Territories</b>	
Festigood Centre (4 units & 1 carpark) at No. 8 Lok Yip Road, On Lok Tsuen, Fanling	Fanling Sheung Shui Town Lot No. 98
Delya Industrial Centre (33 units & 18 carparks) at Shek Pai Tau Road, Tuen Mun	Tuen Mun Town Lot No. 164

As at 31st March 2003

Type	Approximate Gross Floor Area (sq. ft.)	Registered Owner	Group's Interest (%)
Commercial	773	Kam Lee Wah Realty Limited and Kamlloyds Company Limited	25
Office/Industrial Commercial (G/F & I/F)	238,590 36,853	Keneva Company Limited	25
Commercial	2,860	Wah Ha Realty Company Limited	100
Industrial	5,253	Wah Ha Realty Company Limited and Aik San Realty Limited	50
Industrial/Godown	6,784	Festigood Company Limited	100
Industrial/Godown	31,925	Tinpoly Realty Limited and Delya Realty Limited	50

## PRINCIPAL PROPERTIES *(Continued)*

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**(b) For sale** *(Continued)*

<b>Description</b>	<b>Lot No.</b>
<b>New Territories</b> <i>(Continued)</i>	
Texaco Road Industrial Centre (27 units & 7 carparks) at Nos. 256-264 Texaco Road, Tsuen Wan	Tsuen Wan Town Lots Nos. 242 and 243
Wing Kin Industrial Building (workshop on G/F & 6 carparks) at Nos. 4-6 Wing Kin Road, Kwai Chung	Kwai Chung Town Lot No. 273
Good Harvest Centre (14 units) at No. 33 On Chuen Street, On Lok Tsuen, Fanling	Fanling Sheung Shui Town Lot No. 100
Tsing Yi Industrial Centre at Nos. 1-33 Cheung Tat Road, Tsing Yi (Phase I: 11 units & 8 carparks) (Phase II: 6 units & 14 carparks)	Tsing Yi Town Lot No. 65
World Trade Square (159 units & 11 carparks) at No. 21 On Lok Mun Road, On Lok Tsuen, Fanling	Fanling Sheung Shui Town Lot No. 12

As at 31st March 2003

<b>Type</b>	<b>Approximate Gross Floor Area (sq. ft.)</b>	<b>Registered Owner</b>	<b>Group's Interest (%)</b>
Industrial/Godown	74,794	Sun Prince Godown Limited and Sun Tai Tsuen Godown Company Limited	50
Industrial	13,456	Tai Kong Shan Realty Limited and Good Fully Realty Limited	50
Industrial/Godown	20,780	Mass Collection Company Limited	50
Industrial/Godown	103,100 (Phase I: 91,644) (Phase II: 11,456)	Sing Mei Properties Limited	25
Industrial/Godown	168,556	Kin Yuen Hing Investment Limited and Kin Ngai Enterprises Limited	25

華 廈 置 業 有 限 公 司  
WAH HA REALTY COMPANY LIMITED