WHEELOCK AND COMPANY LIMITED

INTERIM REPORT TO SHAREHOLDERS
FOR THE HALF-YEAR PERIOD ENDED 30 SEPTEMBER 2002

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Property Marking to Market
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GROUP RESULTS

The unaudited Group profit attributable to Shareholders for the six months ended 30 September 2002 amounted to HK$158.3 million, compared to HK$460.8 million achieved in the same period last year. Earnings per share were 7.8 cents (2001: 22.7 cents).

The results for the period under review included a provision of HK$756.1 million made for impairment in value of certain properties.

INTERIM DIVIDEND

The Board has declared an interim dividend in respect of the half-year period ended 30 September 2002 of 2.5 cents (2001: 2.5 cents) per share, payable on Wednesday, 29 January 2003 to Shareholders on record as at 10 January 2003.

BUSINESS REVIEW

Property Development and Other Assets – 20% of Group assets

Sorrento

Eighty per cent of the 1,272 Sorrento Phase I units were sold last year. The 854 units under Phase II will be released to the market in batches. Completion for Phase I is expected to take place some time during first quarter 2003, one year ahead of the scheduled completion for Phase II. Benefiting from the Government's property stimulus package, total sales for Phase II's Tower 1 of 390 units quickly approached the Group's target of 200 units in spite of the much larger average size per unit when compared against the average for Phase I. Sorrento is an MTRC joint-venture project above the Kowloon Station, equally owned by a five-member consortium comprising Wheelock, New Asia Realty, Realty Development Corporation, Wharf and Harbour Centre Development. Throughout the whole development, each and every one of the five stakeholders contributed exactly on a pro rata basis for the amount of financial capital and funding to the project company holding Sorrento. The total area for the entire development is 2.5 million square feet, with 2,126 units under two phases.

Bellagio

In September 2002, Bellagio Phase I, consisting of 840 units, was launched. Due to the positive response received, a decision was made shortly after the initial launch to add also the entire 864 Phase II units to the offer list. As of the end of October 2002, total sales had accumulated to 1,082 units or 63 per cent of available units under Phases I and II. Bellagio, the Sham Tseng site on the western shore of the New Territories, is a joint-venture development equally owned by Wheelock, New Asia Realty and Wharf. Throughout the whole development, each and every one of the three stakeholders contributed exactly on a pro rata basis for the amount of financial capital and funding to the project company holding Bellagio. With a total area of 3.1 million square feet, it is being developed into 3,354 units in eight towers under four phases. Completion for Phases I and II is expected by first quarter 2003.

Distribution and Retail – 2% of Group assets

Lane Crawford (wholly-owned subsidiary)

Operating environment for the retail sector remained to be very difficult during the period under review. Other than the extremely weak consumer confidence which already had an adverse impact on the demand side, excessive investments made into new capacity in early years just before the burst of the economic bubble also led to serious consequences on the supply side. It is observed globally that there is over-branding and an over-retailing imbalance spanning high-end, middle and low-end segments.

Against the backdrop of intensive retail competition and with tight cost containment, Lane Crawford reported a small profit of HK$0.5 million for the period under review as compared with the same period last year which saw a loss of HK$27.2 million that included cessation expenses of HK$8.6 million in respect of the Taiwan development project. The business relies on frequent promotional activities, putting the margin under pressure. Profitability is not only subject to rental renewal pressures but also the need for constant capital expenditure demands in the face of competition.

Joyce Boutique Holdings Limited (listed subsidiary)

Despite the 10.8 per cent increase in sales turnover due to intensive promotion efforts, Joyce recorded a loss of HK$11.3 million for the reporting period as compared to a loss of HK$26.1 million for the same period a year ago. This is due to fierce retail competition affecting margin and the closure of Joyce Café and Ad Hoc cessation expenses.

The Wharf (Holdings) Limited – 48% of Group assets

Share of Wharf's profit contribution to Wheelock for the six months ended 30 September 2002 was HK$636 million with dividend to Wheelock totalling HK$620.8 million.

Wharf Holdings (a listed associate) recorded an unaudited profit of HK$1,202 million for the six-month period ended 30 June 2002, representing a growth of 5 per cent over the same period last year.

All five core assets including **Harbour City, Times Square, Modern Terminals, i-CABLE** and **Wharf New T&T** continued to deliver resilient performance in spite of the challenging operating environment. These five brands make up 90 per cent of Wharf's total business assets.

Harbour City

For the first six months of 2002, **Harbour City** generated HK$1.5 billion in total revenue. **Harbour City** offices, excluding Tower 6 of Gateway II, maintained a 90 per cent occupancy while average vacancy rates in Central and Tsimshatsui were approaching 10 and 15 per cent respectively. Keen demand from small/medium trading, manufacturing and other China trade related tenants was the driving force for such outperformance. The consolidated occupancy for the three Marco Polo Hotels at **Harbour City** recovered gradually from last year end's 911 shock to around 84 per cent at the end of June 2002. Gateway Apartments continued to outperform market with average occupancy at 84 per cent while others in the market were mostly at 70-per cent level. During the first six months of 2002, **Harbour City**'s retail podium maintained its occupancy at 98 per cent with double-digit rental increments recorded out of most renewals. With the critical mass established in Tsimshatsui along Canton Road, **Harbour City** is considered by international brands and retail chains as a "must" in terms of retail presence.

Times Square

Times Square generated HK$450 million in total revenue during the first six months of 2002. **Times Square** offices' average occupancy improved to 93 per cent. Anchor tenants including Shell Oil, AT&T and Apple Computer have all renewed their tenancies. With these successful renewals accounting for more than half of the total expiring leases in 2002, **Times Square**'s office occupancy is expected to stay above the 93-per cent level for the remainder of the year. The **Times Square** retail podium with more than 230 shops and retail outlets continued to enjoy a respectable occupancy rate of 96 per cent during the first half of 2002. Similar to **Harbour City**, positive rental reversion was also achieved by **Times Square**'s retail section. Improvement and refinement of the retail trade mix will continue through the second half of 2002.

Modern Terminals

For the first six months of 2002, **Modern Terminals** handled altogether 1.57 million TEUs in Kwai Chung, representing a drop of 7.1 per cent against the same period in 2001 due to the absence of Maersk's "one-off" shift of containers from South East Asia which took place in first half 2001. However, as a result of the continuation of **Modern Terminals**' re-engineering process, the falling income was partially offset by savings in operating costs. Average tariff was stable during the first half of the year.

i-CABLE (listed subsidiary)

Share of **i-CABLE**'s profit contribution to Wharf for the six months ended 30 June 2002 was HK$81.5 million with dividend to Wharf totalling HK$40 million.

In a weak economy and competitive operating environment, **i-CABLE**, a listed subsidiary, continued to report growth in the first half of 2002. Anti-piracy measures have proven to be helpful in arresting the decline in ARPU and revenue. While total subscribers increased to 600,000 on the back of World Cup, first half ARPU recovered to HK$244 from HK$239 a year ago and monthly churn eased back to 1.5 per cent. New channels first introduced in April to target the international communities and special interest groups also received very positive market response. The Broadband subscriber base expanded from 160,000 to 192,000 during the first six months of 2002. ARPU declined to HK$213 from HK$225 a year ago mainly due to keen competition.

Wharf New T&T (wholly-owned subsidiary)

Wharf New T&T's installed base of fixed lines grew to 270,000 as at 30 June 2002, for a market share of over 7 per cent. This represented a net gain of 33,000 in 6 months and 86,000 in 12 months. In the middle of a very weak economy and a global meltdown within the industry, the overall telecommunications market in Hong Kong actually contracted during the period under review. However, underpinned by the solid foundation and headstart built steadily in earlier years, **Wharf New T&T** was able to continue to gain market share and control costs to report a small profit of HK$3 million.

New Asia Realty and Trust Company, Limited – 30% of Group assets

New Asia Realty's assets including its stake in Sorrento and Bellagio represent about 30 per cent of Group total assets. Attributable profit for the six months ended 30 September 2002 before property provisions from New Asia Realty to Wheelock was HK$169.5 million with dividend to Wheelock totalling HK$76.8 million.

New Asia Realty, a listed subsidiary, reported an unaudited loss of HK$122.3 million for the six months ended 30 September 2002, compared to a profit of HK$204.7 million in the same period last year. The weakened performance was mainly due to lower property sales as well as the provision made for impairment in value of properties held for development.

New Asia Realty has a 20 per cent direct stake in Sorrento and a 33 per cent stake in Bellagio. Throughout the development process, New Asia Realty contributed to these projects on a pro rata basis for the amount of financial capital and funding as all other stakeholders of Sorrento and Bellagio.

Property Development

The two projects, Sorrento and Bellagio, are effectively 35 and 33 per cent owned by New Asia Realty.

Realty Development Corporation Limited (listed subsidiary)

Share of Realty Development Corporation's loss attributable to New Asia Realty for the six months ended 30 September 2002 was HK$255.5 million with dividend to New Asia Realty totalling HK$50 million.

The King's Park development is owned by a five-member consortium comprising Realty Development Corporation, New World Development, Sino Land, Chinese Estates and Manhattan Garments. This residential site located in Homantin is being developed into eight towers consisting of 700 units with a total GFA of 904,200 square feet. Following the completion of demolition works, foundation works are now in progress. Pre-sale is targeted to take place during the first quarter of 2003.

Realty Development Corporation has a 20 per cent direct stake in Sorrento. Throughout the development process, Realty Development Corporation contributed to this project on a pro rata basis for the amount of financial capital and funding as all other stakeholders of Sorrento.

Marco Polo Developments Limited (listed subsidiary)

Share of Marco Polo Developments' profit contribution to New Asia Realty for the six months ended 30 September 2002 was HK$200.6 million with dividend to New Asia Realty totalling HK$46.6 million.

Wheelock Place, a commercial building with 464,900 square feet in GFA on Orchard Road, is currently 96 per cent leased at satisfactory rental rates.

As at 30 September 2002, all 330 apartments in Ardmore Park were sold and resulting proceeds have been substantially collected.

OUTLOOK

As Hong Kong is going through structural adjustments in the near term, her fundamentals remain indisputably intact. With international trading and commerce being Hong Kong's core competence, macro-factors are moving towards favourable directions – the continual high growth story of China, the dynamic partnership with the Pearl River Delta for overseas markets and Mainland markets, low interest rates plus the increase in tourism business. The third quarter GDP growth of 3.3 per cent is positive for Hong Kong's base building towards a brighter outlook.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 September 2002

	Note	**Unaudited 30/9/2002 HK$ Million**	Unaudited 30/9/2001 HK$ Million (Restated)
Turnover	3	**3,332.1**	3,316.9
Other net (loss)/income	4	**(158.7)**	54.3
		3,173.4	3,371.2
Direct costs and operating expenses		**(2,420.6)**	(2,050.4)
Selling and distribution expenses		**(362.6)**	(339.6)
Administrative expenses		**(163.4)**	(148.3)
Operating profit before property provision		**226.8**	832.9
Provision for impairment in value of properties	5	**(756.1)**	(273.8)
Operating (loss)/profit	3	**(529.3)**	559.1
Borrowing costs	6	**(148.9)**	(319.0)
Share of profits less losses of associates	2	**841.3**	659.4
Profit before taxation		**163.1**	899.5
Taxation	7	**(109.3)**	(256.4)
Profit after taxation		**53.8**	643.1
Minority interests		**104.5**	(182.3)
Group profit attributable to shareholders		**158.3**	460.8
Interim dividend proposed after the balance sheet date	8	**50.8**	50.8
Earnings per share	9	**7.8 cents**	22.7 cents

CONSOLIDATED BALANCE SHEET

At 30 September 2002

	Note		Unaudited 30/9/2002 HK$ Million		Audited 31/3/2002 HK$ Million
Non-current assets					
Fixed assets			**4,583.9**		4,934.6
Associates			**23,136.1**		23,379.4
Long-term investments			**1,256.0**		3,727.7
Deferred debtors			**106.5**		43.9
			29,082.5		32,085.6
Current assets					
Properties under development for sale		**13,179.4**		16,767.3	
Properties held for sale		**4,425.7**		395.5	
Inventories		**369.3**		325.3	
Short-term investments		**101.4**		–	
Trade and other receivables	10	**1,292.2**		1,642.4	
Bank balances and deposits		**4,020.2**		3,451.1	
		23,388.2		22,581.6	
Current liabilities					
Bank loans and overdrafts		**4,873.0**		7,310.2	
Trade and other payables	11	**1,656.6**		1,444.4	
Deposits from sale of properties		**3,898.5**		2,945.9	
Taxation		**476.9**		929.1	
		10,905.0		12,629.6	
Net current assets			**12,483.2**		9,952.0
Total assets less current liabilities			**41,565.7**		42,037.6
Capital and reserves					
Share capital	12		**1,015.9**		1,015.8
Reserves	13		**25,493.0**		25,469.3
			26,508.9		26,485.1
Minority interests			**5,414.1**		5,730.3
Non-current liabilities					
Long-term bank loans		**9,176.0**		9,315.9	
Deferred taxation		**74.3**		110.4	
Deferred profits		**392.4**		395.9	
			9,642.7		9,822.2
Total equity and non-current liabilities			**41,565.7**		42,037.6

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2002

	Note	**Unaudited 30/9/2002 HK$ Million**	Unaudited 30/9/2001 HK$ Million (Restated)
Net cash inflow from operating activities		**775.9**	1,521.8
Net cash inflow/(outflow) relating to investing activities		**2,461.9**	(449.1)
Net cash (outflow)/inflow relating to financing activities		**(2,773.0)**	586.8
Increase in cash and cash equivalents		**464.8**	1,659.5
Cash and cash equivalents at 1 April	1(c)	**3,451.1**	1,299.1
Effect of foreign exchange rate changes		**104.3**	19.2
Cash and cash equivalents at 30 September		**4,020.2**	2,977.8
Analysis of the balance of cash and cash equivalents			
Deposits and cash		**4,020.2**	2,977.8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2002

	Unaudited 30/9/2002 HK$ Million	Unaudited 30/9/2001 HK$ Million
Total equity at 1 April	**26,485.1**	28,419.3
Company and subsidiaries		
Deficit on revaluation of non-trading securities	**(202.5)**	(498.0)
Deficit on revaluation of investment properties	**(1.9)**	–
Impairment of other properties	**(40.2)**	–
Exchange difference on translation of financial statements of foreign entities	**95.1**	61.3
Associates		
Deficit on revaluation of non-trading securities	**(114.0)**	(176.5)
Others	**1.6**	2.4
Net losses not recognised in the profit and loss account	**(261.9)**	(610.8)
Group profit attributable to shareholders	**158.3**	460.8
Final dividend approved in respect of previous year	**(101.6)**	(101.5)
Company and subsidiaries		
Reserves transferred to the profit and loss account on		
Disposal of non-trading securities	**128.4**	–
Impairment of non-trading securities	**96.2**	–
Associates		
Reserves transferred to the profit and loss account on		
Disposal of non-trading securities	**1.4**	47.4
Impairment of non-trading securities	**2.4**	–
Goodwill transferred to the profit and loss account on disposal of an associate	**–**	144.2
	285.1	550.9
Exercise of share options	**0.6**	2.6
Total equity at 30 September	**26,508.9**	28,362.0

NOTES TO INTERIM ACCOUNTS

1. Basis of Preparation of the Accounts

The unaudited consolidated interim accounts have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" and Appendix 16 of Listing Rules of The Stock Exchange of Hong Kong Limited. The accounting policies and methods of computation used in the preparation of the interim accounts are consistent with those used in the annual accounts for the year ended 31 March 2002 except for the changes in accounting policies as described below.

(a) SSAP 1 (Revised) "Presentation of financial statements"

The consolidated statement of recognised gains and losses is replaced by the consolidated statement of changes in equity.

(b) SSAP 11 (Revised) "Foreign currency translation"

The profit and loss accounts of foreign enterprises are translated into Hong Kong dollars at the weighted average exchange rates during the period. This is a change in accounting policy from prior years where these were translated at the exchange rates ruling at the balance sheet date. The effect of such change is not material to the accounts.

(c) SSAP 15 (Revised) "Cash flow statements"

A revised classification of activities from which cash flows are derived has been made.

With effect from 1 April 2002, with the introduction of the revised SSAP 15 "Cash flow statements", the Group defines cash and cash equivalents as cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, which were within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement. The accounting policy has been adopted retrospectively. In adjusting prior year's figures, cash and cash equivalents as at 1 April 2002 was restated and increased by HK$214.6 million (1 April 2001: HK$259.4 million). In addition, certain presentational changes have been made on adoption of SSAP 15.

2. Segment Information

(a) Business segments

	Segment Revenue		Segment Results	
	30/9/2002 HK$ Million	30/9/2001 HK$ Million	**30/9/2002 HK$ Million**	30/9/2001 HK$ Million
Property development	**2,116.8**	2,096.2	**244.9**	718.8
Property investment	**174.9**	168.1	**128.9**	115.4
Retail and distribution	**952.7**	929.3	**(10.7)**	(52.6)
Investment and others	**139.4**	173.8	**(122.9)**	66.2
	3,383.8	3,367.4	**240.2**	847.8
Inter-segment revenue *(Note (i))*	**(51.7)**	(50.5)	**–**	–
	3,332.1	3,316.9	**240.2**	847.8
Unallocated expenses			**(13.4)**	(14.9)
Operating profit before property provision			**226.8**	832.9
Provision for impairment in value of properties				
– property development			**(550.3)**	(162.5)
– property investment			**(205.8)**	(111.3)
Operating (loss)/profit			**(529.3)**	559.1
Borrowing costs			**(148.9)**	(319.0)
Share of results of associates *(Note (ii))*			**841.3**	659.4
Profit before taxation			**163.1**	899.5

Notes:

(i) Inter-segment revenue eliminated on consolidation includes:

	Segment Revenue	
	30/9/2002 HK$ Million	30/9/2001 HK$ Million
Property investment	**27.9**	25.7
Investment and others	**23.8**	24.8
	51.7	50.5

(ii) Share of results of associates

	Segment Results	
	30/9/2002 HK$ Million	30/9/2001 HK$ Million (Restated)
Property investment	**802.9**	739.4
Communications, media and entertainment	**101.3**	48.4
Pay television	**76.9**	92.4
Internet and multimedia	**15.4**	(25.5)
Telecommunications	**1.5**	(22.0)
Others	**7.5**	3.5
Logistics	**392.4**	404.2
Terminals	**354.0**	383.7
Other logistics business	**38.4**	20.5
Property development	**(101.7)**	4.5
Investment and others	**58.9**	43.5
Unallocated expenses and other items	**(221.2)**	(264.8)
Borrowing costs	**(191.3)**	(315.8)
	841.3	659.4

(b) Geographical segments

	Segment Revenue		Segment Results	
	30/9/2002 HK$ Million	30/9/2001 HK$ Million	**30/9/2002 HK$ Million**	30/9/2001 HK$ Million
Hong Kong	**2,556.1**	1,254.5	**(24.8)**	97.2
Singapore	**739.6**	2,010.0	**253.0**	727.2
Others	**36.4**	52.4	**(1.4)**	8.5
	3,332.1	3,316.9	**226.8**	832.9
Provision for impairment in value of properties			**(756.1)**	(273.8)
Operating (loss)/profit			**(529.3)**	559.1

3. Turnover and Operating (Loss)/Profit

(a) Turnover

The principal activities of the Group are property development, property investment, retail and distribution and investment holding. Analysis of the Group's turnover is as follows:

	30/9/2002 HK$ Million	30/9/2001 HK$ Million
Property development	**2,116.8**	2,096.2
Property investment	**147.0**	142.4
Retail and distribution	**952.7**	929.3
Investment and others	**115.6**	149.0
	3,332.1	3,316.9

(b) Operating (loss)/profit

	30/9/2002 HK$ Million	30/9/2001 HK$ Million
Operating (loss)/profit is arrived at after charging:		
Cost of properties sold	**1,806.7**	1,402.6
Cost of inventories sold	**551.4**	551.9
Depreciation	**34.7**	34.9
and after crediting:		
Dividend income from listed investments	**32.6**	56.7

4. Other Net (Loss)/Income

	30/9/2002 HK$ Million	30/9/2001 HK$ Million
Net loss on disposal of non-trading securities	**(94.9)**	(16.6)
Provision for non-trading securities	**(96.2)**	–
Deferred profits realised	**22.1**	47.8
Others	**10.3**	23.1
	(158.7)	54.3

5. Provision for Impairment in Value of Properties

In view of the depressed property market and following an internal review, the Group has made a total provision of HK$756.1 million for the impairment in value of certain Group's properties and the Group's land bank reserved for development in Hong Kong. Included in the provision are mainly HK$434.5 million made by Realty Development Corporation group, HK$250.0 million made for Bellagio project plus some provisions for the Group's investment properties. The provision for the corresponding period last year was made for certain Singapore properties held by Marco Polo Developments group.

6. Borrowings Costs

	30/9/2002 HK$ Million	30/9/2001 HK$ Million
Interest payable on		
Bank loans and overdrafts	**178.4**	382.4
Other loans repayable within 5 years	**31.3**	88.5
Other borrowing costs	**22.8**	35.8
	232.5	506.7
Less: Amount capitalised	**(83.6)**	(187.7)
	148.9	319.0

The Group's average borrowing interest rate for the six-month period was 2.4% (2001: 4.6%) per annum.

7. Taxation

The provision for Hong Kong profits tax is based on the profit for the period as adjusted for tax purposes at the rate of 16% (2001: 16%). Overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessed for tax. The taxation charge is made up as follows:

	30/9/2002 HK$ Million	30/9/2001 HK$ Million
Company and subsidiaries		
Hong Kong profits tax for the period	**7.7**	5.5
Overseas taxation for the period	**113.9**	775.9
Overprovisions in prior years	**(94.3)**	–
Deferred taxation	**(40.0)**	(598.8)
	(12.7)	182.6
Associates		
Hong Kong profits tax for the period	**91.6**	71.9
Overseas taxation for the period	**10.4**	6.4
Underprovisions in prior years	**23.5**	–
Deferred taxation	**(3.5)**	(4.5)
	122.0	73.8
	109.3	256.4

Overprovisions represent the write-back of tax provisions made in prior years in respect of the Ardmore Park project in Singapore resulting from the reduction of Singapore income tax rate from 24.5% to 22% for the year of assessment 2003.

8. Dividends

(a) Dividends attributable to the period

	30/9/2002 HK$ Million	30/9/2001 HK$ Million
Interim dividend proposed after the balance sheet date of 2.5 cents (2001: 2.5 cents) per share	**50.8**	50.8

The interim dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends attributable to the previous financial year, approved and paid during the period

	30/9/2002 HK$ Million	30/9/2001 HK$ Million
Final dividend in respect of the previous financial year, approved and paid during the period, of 5.0 cents (2001: 5.0 cents) per share	**101.6**	101.5

9. Earnings Per Share

The calculation of basic earnings per share is based on earnings for the period of HK$158.3 million (2001: HK$460.8 million) and on the weighted average of 2,031.8 million (2001: 2,031.1 million) ordinary shares in issue during the period. For the period under review and the preceding comparative period, there is no difference between the basic and diluted earnings per share.

10. Trade and Other Receivables

The Group maintains defined credit policies for the respective businesses and trade debtors are closely monitored in order to control credit risk associated with trade receivables.

Included in trade and other receivables are stakeholders' deposits with banks in the amount of HK$885.8 million (31/3/2002: HK$1,153.1 million) in respect of pre-sale of properties and trade debtors of HK$126.0 million (31/3/2002: HK$90.3 million). The ageing analysis of the Group's trade debtors as at 30 September 2002 is as follows:

	30/9/2002 HK$ Million	31/3/2002 HK$ Million
Current	**116.3**	73.0
31 – 60 days	**3.9**	6.3
61 – 90 days	**2.9**	5.3
Over 90 days	**2.9**	5.7
	126.0	90.3

11. Trade and Other Payables

Included in trade and other payables are trade creditors with an ageing analysis as at 30 September 2002 as follows:

	30/9/2002 HK$ Million	31/3/2002 HK$ Million
Amounts payable in the next:		
0 – 30 days	**485.6**	501.1
31 – 60 days	**220.2**	146.8
61 – 90 days	**117.4**	24.7
Over 90 days	**361.3**	255.4
	1,184.5	928.0

12. Share Capital

	30/9/2002 No. of shares Million	31/3/2002 No. of shares Million	30/9/2002 HK$ Million	31/3/2002 HK$ Million
Authorised				
Ordinary shares of HK$0.50 each	**2,800.0**	2,800.0	**1,400.0**	1,400.0
Issued and fully paid				
Balance at 1 April	**2,031.7**	2,030.9	**1,015.8**	1,015.4
Exercise of share options granted under the Executive Share Incentive Scheme	**0.1**	0.8	**0.1**	0.4
Balance at 30 September/31 March	**2,031.8**	2,031.7	**1,015.9**	1,015.8

During the period under review, options were exercised to subscribe for 92,000 shares of HK$0.50 each at considerations of HK$5.50 per share.

13. Reserves

	Share premium HK$ Million	Capital redemption reserve HK$ Million	Investment property revaluation reserves HK$ Million	Investment revaluation reserves HK$ Million	Other capital reserves HK$ Million	Revenue reserves HK$ Million	Total HK$ Million
Company and subsidiaries							
Balance at 1 April 2002	1,913.1	19.5	1.9	(264.0)	134.1	8,111.0	9,915.6
Final dividend approved in respect of the previous year *(Note 8b)*	–	–	–	–	–	(101.6)	(101.6)
Premium on shares issued	0.5	–	–	–	–	–	0.5
Revaluation deficit	–	–	(1.9)	(202.5)	–	–	(204.4)
Impairment of other properties	–	–	–	–	(40.2)	–	(40.2)
Transferred to the profit and loss account on							
Disposal of non-trading securities	–	–	–	128.4	–	–	128.4
Impairment of non-trading securities	–	–	–	96.2	–	–	96.2
Exchange differences	–	–	–	–	95.1	–	95.1
Profit for the period retained	–	–	–	–	–	38.9	38.9
Balance at 30 September 2002	1,913.6	19.5	–	(241.9)	189.0	8,048.3	9,928.5
Associates							
Balance at 1 April 2002	–	–	12,602.8	51.9	(94.7)	2,993.7	15,553.7
Revaluation deficit	–	–	–	(114.0)	–	–	(114.0)
Transferred to the profit and loss account on							
Disposal of non-trading securities	–	–	–	1.4	–	–	1.4
Impairment of non-trading securities	–	–	–	2.4	–	–	2.4
Reclassification	–	–	(1.5)	–	1.5	–	–
Others	–	–	–	–	1.6	–	1.6
Profit for the period retained	–	–	–	–	–	119.4	119.4
Balance at 30 September 2002	–	–	12,601.3	(58.3)	(91.6)	3,113.1	15,564.5
Total reserves at 30 September 2002	**1,913.6**	**19.5**	**12,601.3**	**(300.2)**	**97.4**	**11,161.4**	**25,493.0**
Total reserves at 31 March 2002	1,913.1	19.5	12,604.7	(212.1)	39.4	11,104.7	25,469.3

14. Contingent Liabilities

At 30 September 2002

(a) Guarantees given by the Group in respect of banking facilities available to associates amounted to HK$570.5 million (31/3/2002: HK$601.4 million) of which HK$328.5 million (31/3/2002: HK$320.2 million) has been drawn at the balance sheet date.

(b) The Company together with two non wholly-owned subsidiaries and two associates have jointly and severally guaranteed the performance and observance of the terms by another subsidiary under an agreement for the development of the Sorrento project.

15. Commitments

(a) Commitments in respect of property developments and capital expenditures

	30/9/2002 HK$ Million	31/3/2002 HK$ Million
Contracted but not provided for	**1,661.3**	3,566.1
Authorised but not contracted for	**38.5**	–

(b) Operating lease commitments

The Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30/9/2002 HK$ Million	31/3/2002 HK$ Million
Within 1 year	**141.8**	188.8
After 1 year but within 5 years	**128.6**	139.3
After 5 years	**3.8**	0.3
	274.2	328.4

(c) Forward exchange contracts

	30/9/2002 HK$ Million	31/3/2002 HK$ Million
Forward exchange contracts outstanding	**1,907.3**	2,069.8

16. Related Party Transactions

Except for the transactions noted below, the Group has not been a party to any material related party transactions during the period ended 30 September 2002:

(a) Included in interest in associates are loans advanced by certain associates to a non wholly-owned subsidiary involved in the Sorrento project of HK$1,908.8 million (31/3/2002: HK$1,803.9 million). The loan bears interest at rates as determined and mutually agreed by the shareholders of the Sorrento project with reference to prevailing market rates. Interest expenses in respect of loan from associates for the period ended 30 September 2002 amounted to HK$31.3 million (2001: HK$66.6 million). The loans are unsecured and have no fixed terms of repayment.

(b) Included in interest in associates is an advance made by an associate to a non wholly-owned subsidiary involved in the Bellagio project of HK$2,777.4 million (31/3/2002: HK$2,653.5 million). The advance bears interest at such rate as may be from time to time agreed by the shareholders of the Bellagio project. At present, the advance is interest free, unsecured and has no fixed terms of repayment.

(c) As disclosed in note 14(b), the Company together with two non wholly-owned subsidiaries and two associates have jointly and severally guaranteed the performance and observance of the terms by another subsidiary under an agreement for the development of the Sorrento project.

17. Comparative Figures

Certain comparative figures have been adjusted as a result of changes in accounting policies for cash and cash equivalents in the condensed consolidated cash flow statement, and the consolidated statement of recognised gains and losses is replaced by the consolidated statement of changes in equity, in order to comply with SSAPs 15 (Revised) and 1 (Revised) respectively, details of which are set out in note 1 to the accounts. In addition, the presentation of certain comparative figures in the profit and loss account and segment reporting has been reclassified to conform to the current period's presentation.

18. Review of Unaudited Interim Accounts

The unaudited interim accounts for the six months ended 30 September 2002 have been reviewed by the audit committee of the Company.

COMMENTARY ON INTERIM ACCOUNTS

(I) Review of 2002/03 Interim Results and Segmental Performance

The Group reported a profit attributable to Shareholders of HK$158.3 million for the six months ended 30 September 2002, a decrease of HK$302.5 million or 65.6% as compared to HK$460.8 million for the corresponding period last year. The reduction in profit for the period under review is mainly due to the inclusion of a provision of HK$756.1 million made for impairment in value of certain properties. Earnings per share were 7.8 cents, against 22.7 cents for the previous year's same period.

Turnover and revenue

The Group's turnover for the period was HK$3,332.1 million as opposed to HK$3,316.9 million recorded in the corresponding period in 2001/02, a slight increase of HK$15.2 million or 0.5%.

For the Property Development segment, revenue recognised from property sales for the period amounted to HK$2,116.8 million compared to HK$2,096.2 million achieved in the corresponding period in 2001/02. Although lower property sales revenue was recognised by Marco Polo Developments group ("MPDL") in respect of its sale of Ardmore Park units in Singapore, the revenue from pre-sale of residential units at the Sorrento Phase I in Hong Kong substantially offset the Ardmore Park's impact. Good progress on pre-sale of Sorrento Phase I was made with accumulated sales exceeding 80% of the 1,272 Phase I units by the end of the period under review. Other property sales during the period included the pre-sale of residential units at Palm Cove of Realty Development Corporation group ("RDC") and the pre-sale of Bellagio Phase I. Out of the total 260 units of Palm Cove, 194 units were sold. The pre-sale of Bellagio Phase I was first launched in the second half of September 2002 with tremendous success but revenue therefrom would mostly be recognised subsequent to the period under review according to the Group's accounting policy.

Notwithstanding the lackluster market condition, the Property Investment segment managed to report an increase in revenue from the same period last year of HK$4.6 million to HK$147.0 million. This was mainly attributable to an overall improvement in occupancy rate. Wheelock House and Fitfort were fully-let at the end of the period under review. Wheelock Place, Singapore was 96% leased at satisfactory rental rates.

Under the difficult retail market conditions, Lane Crawford and Joyce on a combined basis reported retail sales of HK$952.7 million, up by 2.5% against previous year's same period.

Operating results

The Group's operating profit before property provisions for the period was HK$226.8 million, down from HK$832.9 million for last year's corresponding period. The decrease was mainly due to lower property sale contribution, particularly from the Ardmore Park project. The inclusion of the provision of HK$756.1 million (2001: HK$273.8 million for Singapore's properties) made for impairment in value of certain properties in Hong Kong reduced the Group's operating result to a loss of HK$529.3 million compared to a profit of HK$559.1 million in last year's corresponding period.

Comparing to the corresponding period last year, the profit contribution from the Property Development segment for the period under review decreased by HK$473.9 million to HK$244.9 million. This was mainly due to lower property sale contribution from MPDL, which recognised 4% profit of the sold Ardmore Park's units in the period under review against 25% in the same period last year. 8 apartments at Grange Residences, Singapore were sold in September 2002 on a deferred payment scheme and accordingly, proportionate profits on the units sold would only be recognised in the second half of 2002/03. Against the results in the first half of last year, property sale contributions from RDC decreased by HK$18.0 million to HK$1.2 million due to lower profit margins. The pre-sale profit recognised from Sorrento is insignificant due to its low profit margin and the project being still at its development stage.

Operating profit of Property Investment segment slightly increased by HK$13.5 million to HK$128.9 million. Investment and Others segment recorded a total loss of HK$122.9 million against a profit of HK$66.2 million for the corresponding period last year. The loss for the period mainly arose from a loss of HK$94.9 million on disposal of non-trading securities and a provision of HK$96.2 million for impairment of non-trading securities.

Despite operating under an ongoing and increasing harsh and competitive environment, the Group managed to reduce its net retail operating loss by HK$41.9 million to HK$10.7 million from HK$52.6 million for last year's corresponding period. For the period under review, Joyce reported an operating loss of HK$11.2 million while Lane Crawford achieved a small profit.

Property provision

In view of the depressed property market and following an internal review, the Group has made a total provision of HK$756.1 million for the impairment in value of certain Group's properties and the Group's land bank reserved for development in Hong Kong. Included in the provision are mainly HK$434.5 million made by RDC, HK$250.0 million made for the Bellagio project plus some provisions for the Group's investment properties.

The provision of HK$273.8 million for the corresponding period last year was made for certain Singapore properties held by MPDL.

Borrowing costs and other items

Borrowing costs charged to the profit and loss account for the period under review were HK$148.9 million, a substantial decrease from HK$319.0 million incurred in the corresponding period last year. This was as a result of interest rate cuts and reduction in the Group's net debt, which in turn improved due to the Group deriving strong cash inflows from sale of properties and investments. For the period under review, the Group's average borrowing cost was approximately 2.4% per annum, reduced from 4.6% per annum for the same period last year.

Share of profit of associates was HK$841.3 million, mainly contributed by the Wharf group, against HK$659.4 million for the same period last year. Wharf, the Group's major listed associate and profit contributor, reported a profit attributable to shareholders of HK$1,202 million for its interim results up to 30 June 2002, an increase of 5.0% as compared to HK$1,145 million for the first half of 2001.

A taxation charge of HK$109.3 million was reported for the period under review against HK$256.4 million in last year's corresponding period. This lower charge principally arose from a write-back of tax provision for the Ardmore Park project of HK$94.3 million subsequent to a reduction of Singapore income tax rate from 24.5% to 22.0% for the year of assessment 2003.

The net loss shared by minority interests was HK$104.5 million which was mainly attributed to the loss incurred by RDC for the period under review.

Further information on segmental details is provided in note 2 to the accounts.

(II) Liquidity and Financial Resources

(a) At 30 September 2002, the Group's shareholders' funds totalled HK$26,508.9 million or HK$13.05 per share, compared to HK$26,485.1 million at 31 March 2002.

(b) At 30 September 2002, the Group's net debt significantly reduced to HK$10,028.8 million, comprising total debts of HK$14,049.0 million less deposits and cash of HK$4,020.2 million, as compared with HK$13,175.0 million at 31 March 2002. The decrease in the Group's net debt by HK$3,146.2 million was mainly due to net cash generated from sales of properties, including Ardmore Park and Sorrento Phase I, disposals of certain securities as well as other operating and investment activities during the period under review. The Group's net debt represented 20.7% of its total assets at 30 September 2002, compared to 25.7% at 31 March 2002.

At 30 September 2002, included in the Group's receivables are stakeholders' deposits of HK$885.8 million (31/3/2002: HK$1,153.1 million), representing mainly the pre-sale proceeds deposited with banks in respect of Sorrento Phase I. Should these bank deposits be included as the Group's cash, the Group's net debt would further reduce to HK$9,143.0 million or 19.2% (31/3/2002: HK$12,021.9 million or 24.0%) of its total assets.

The debt maturity profile of the Group at 30 September 2002 is analysed as follows:

	30/9/2002 HK$ Million	31/3/2002 HK$ Million
Repayable within 1 year	**4,873.0**	7,310.2
Repayable after 1 year, but within 2 years	**2,850.0**	4,940.0
Repayable after 2 years, but within 5 years	**6,326.0**	3,422.9
Repayable after 5 years	**–**	953.0
	14,049.0	16,626.1

(c) Excluding the project loans undertaken by associates, the Group's committed and uncommitted loan facilities amounted to HK$21.3 billion and HK$1.7 billion respectively. The following assets of the Group have been pledged for securing bank loan facilities:

	30/9/2002 HK$ Million	31/3/2002 HK$ Million
Investment properties	**2,856.4**	2,857.5
Long-term investments	**351.8**	785.2
Properties under development/for sale	**15,801.2**	15,144.4
	19,009.4	18,787.1

(d) To minimise exposure on foreign exchange fluctuations, the Group's borrowings are primarily denominated in Hong Kong dollars except that the borrowings for financing Singapore assets are denominated in Singapore dollars. The Group has no significant exposure to foreign exchange fluctuation except for the Group's net investments in Singapore subsidiaries and the forward exchange contracts entered into by the Group for hedging such investments.

(e) In the period under review, the Group liquidated part of its investment portfolio to improve its net debt position. At 30 September 2002, the Group maintained a portfolio of long-term investments of HK$1,256.0 million, which primarily comprises blue chip securities with market value of HK$1,246.0 million (31/3/2002: HK$3,655.3 million).

In accordance with the Group's accounting policy, the non-trading securities classified as long-term investments are stated in the balance sheet at fair value. Changes in fair value are recognised in the investment revaluation reserves until the security is sold. At 30 September 2002, there was attributable investment revaluation deficit of HK$241.9 million compared to a deficit of HK$264.0 million at 31 March 2002. The performance of the investment portfolio is basically in line with the general market trend of the stock markets.

(III) Employees

The Company and its subsidiaries (not including associates) have approximately 2,200 employees. Employees are remunerated according to nature of the job and market trends, with a built-in merit component incorporated in the annual increment to reward and motivate individual performance. External training programmes that are complementary to certain job functions are also sponsored by the Group. Total staff costs for the period ended 30 September 2002 amounted to HK$200.9 million.

COMPLIANCE WITH CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information which would reasonably indicate that the Company was not in compliance 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 (the "Stock Exchange"), at any time during the six months ended 30 September 2002.

DIRECTORS' INTERESTS IN SHARES

At 30 September 2002, Directors of the Company held the following interests in the share capital of the Company, of an associate of the Company, namely, The Wharf (Holdings) Limited ("Wharf"), and of a subsidiary of the Company, namely, New Asia Realty and Trust Company, Limited ("New Asia"):

	No. of Ordinary Shares	Nature of Interest
The Company		
Mr. Peter K. C. Woo	1,204,934,330	Corporate Interest in 209,712,652 shares and Other Interest in 995,221,678 shares
Mr. B. M. Chang	8,629,575	Corporate Interest
Mr. G. W. J. Li	1,486,491	Personal Interest
Mr. S. T. H. Ng	300,000	Personal Interest
Wharf		
Sir S. Y. Chung	348,238	Personal Interest in 189,427 shares and Corporate Interest in 158,811 shares
Mr. G. W. J. Li	686,549	Personal Interest
Mr. S. T. H. Ng	650,057	Personal Interest
New Asia		
Sir S. Y. Chung	94,710	Family Interest
Mr. G. W. J. Li	2,900	Personal Interest

Notes:

(1) The 995,221,678 shares of the Company stated above as "Other Interest" against the name of Mr. Peter K. C. Woo represented an interest comprised in certain trust properties in which Mr. Woo was taken, under certain provisions of the Securities (Disclosure of interests) Ordinance (the "SDI Ordinance") which are applicable to a director or chief executive of a listed company, to be interested.

(2) The shareholdings classified as "Corporate Interest" in which the Directors concerned were taken to be interested as stated above were interests of corporations at respective general meetings of which the relevant Directors were respectively entitled to either exercise (or taken under the SDI Ordinance to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporations.

(3) *The 209,712,652 shares of the Company stated above as "Corporate Interest" against the name of Mr. Peter K. C. Woo represented the same block of shares as that of the shareholding interest of Mrs. Bessie P. Y. Woo stated below under the section headed "Substantial Shareholders' Interests".*

(4) *The 995,221,678 shares of the Company as referred to under Note (1) above represented the same block of shares as that of the shareholding interest of Bermuda Trust (Guernsey) Limited stated below under the section headed "Substantial Shareholders' Interests".*

Except as disclosed above, as recorded in the register kept by the Company under section 29 of the SDI Ordinance in respect of information required to be notified to the Company and the Stock Exchange pursuant to that Ordinance or the Model Code for Securities Transactions by Directors of Listed Companies:

(i) there were no interests held as at 30 September 2002 by any Directors and Chief Executive of the Company in securities of the Company and its associated corporations (within the meaning of the SDI Ordinance), and

(ii) there existed during the financial period no rights to subscribe for equity or debt securities of the Company which were held by any Directors or Chief Executive of the Company or any of their spouses or children under 18 years of age nor had there been any exercises during the financial period of any such rights by any of them.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties other than Directors or Chief Executive of the Company which were, directly or indirectly, interested in 10 per cent or more of the nominal value of any class of share capital of the Company and the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at 30 September 2002 as recorded in the register kept by the Company under section 16(1) of the SDI Ordinance:

	Names	**No. of Ordinary Shares**
(i)	Mrs. Bessie P. Y. Woo	209,712,652
(ii)	Bermuda Trust (Guernsey) Limited	995,221,678

Note: Duplication occurred in respect of the abovementioned shareholding interests as set out above in Notes (3) and (4) under the section headed "Directors' Interests in Shares".

SHARE OPTIONS

At the beginning of the period under review, there were outstanding certain share options previously granted on 14 April 1992 under the Company's Executive Share Incentive Scheme to one employee (not being a Director or Chief Executive of the Company and not being a participant with options granted in excess of the individual limit) working under an employment contract which is regarded as a "continuous contract" for the purposes of the Employment Ordinance. Such options were exercisable during the period 13 April 1995 to 12 April 2002, and on full exercise would require the Company to allot 92,000 new shares to the grantee at an exercise price of HK$5.50 per share. The options were exercised in full by that employee on a day falling in the period under review and as a result, 92,000 new shares of the Company were accordingly allotted and issued to that employee. The closing price of the shares of the Company immediately before the date of such option exercise was HK$6.25 per share.

Except as disclosed above, no share option of the Company was issued, exercised, cancelled, lapsed or outstanding throughout the period under review.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial period under review.

BOOK CLOSURE

The Register of Members will be closed from Tuesday, 7 January 2003 to Friday, 10 January 2003, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to qualify for the abovementioned interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong, not later than 4:00 p.m. on Monday, 6 January 2003.

By Order of the Board
Wilson W. S. Chan
Secretary

Hong Kong, 2 December 2002