

CHAIRMAN'S STATEMENT

General Overview

Wheelock and Company Limited's consolidated profit attributable to shareholders for the year ended 31 March 2003 was HK\$64.0 million, compared to HK\$546.6 million for the previous year. Earnings per share were 3.1 cents.

The past financial year proved to be another challenging year. Property value dropped. Both Group net profit and shareholders' capital were adversely affected by the downward revaluation of property, reflecting market dynamics. Net asset value, largely as a result of a total attributable property writedown amounting to HK\$4.5 billion, declined from HK\$13.04 per share to HK\$11.46 per share.

During the financial year under review, the Group's net debt had been reduced from HK\$13.2 billion to HK\$8.8 billion, representing a net debt to shareholders' equity ratio of 37.8 per cent. I foresee that debt reduction will remain the Group's top priority at least in the coming couple of years, as prudent balance sheet management continues to be crucial.

An interim dividend of 2.5 cents per share was paid in January 2003, and the Directors recommend a final dividend of 5.0 cents per share to be approved at the forthcoming Annual General Meeting. The total dividend distribution for the year will be 7.5 cents per share.

Property

Wheelock's land portfolio was mainly represented by its effective interest of 66 per cent in Sorrento and 74 per cent in Bellagio. During the past financial year, sales for Sorrento and Bellagio were satisfactory and in line with budget. Their combined total sales and proceeds reached 2,640 units and HK\$9.77 billion as at the end of March 2003.

New Asia Realty and Trust Company, Limited

For the financial year ended 31 March 2003, New Asia Realty reported a loss of HK\$781.8 million, versus the profit of HK\$86.3 million achieved the year before. The weakened performance was largely due to the lower property revenue recognised in Singapore during the year and the provision made for impairment in value of properties.

The Wharf (Holdings) Limited

Value of property dropped and this was reflected in the accounts when certain investments and other properties were marked down at the end of the financial year 2002, resulting in HK\$813 million and HK\$6,077 million being charged against the profit and loss account and the reserves accounts respectively. Bearing in mind that interest rates might have bottomed out and that the current soft rental outlook may affect future cash flow, the Wharf board had decided earlier to adopt a more prudent approach towards balance sheet management and Wharf's dividend policy.

Most core businesses under Wharf performed steadily even under the persistent deflationary environment in year 2002 and continued to show remarkable resilience during the SARS outbreak. There were no material SARS impact on Wharf's core businesses.

Corporate Reorganisation

As part of the Group's ongoing efforts in streamlining the overall structure, a proposed privatisation scheme for Realty Development Corporation Limited ("RDC") was put forward by New Asia Realty on 13 December 2002 and such proposed exercise was subsequently approved by shareholders of RDC. The proposed price for the scheme was HK\$3.20 per RDC share, totalling HK\$1,016.1 million for the 27.58 per cent interest in RDC acquired by New Asia Realty. As a result, RDC's listing status was withdrawn on 19 March 2003 and the company thereafter became a wholly-owned subsidiary under New Asia Realty.

Wheelock also divested its entire portfolio of distribution and retail businesses comprising Lane Crawford and Wheelock's 52 and 39 per cent interest in Joyce and City'Super. All three transactions were completed before the end of March 2003 and the total consideration amounted to HK\$589.8 million.

Board

I would like to welcome Messrs Alexander Au and William Turnbull on their joining the Group's main board as Non-executive Directors. These gentlemen's diverse experience and wisdom for sure will benefit our Group extensively. Effective March this year, Mr Paul Tsui has been designated as the Executive Director of Wheelock. Furthermore, Sir S. Y. Chung and Mr William Lee have recently decided not to stand for re-election at the forthcoming Annual General Meeting.

Outlook

Hong Kong's immediate hinterland, the Pearl River Delta, is growing steadily; with the highest GDP per capita, its GDP growth rate is also the highest in the Mainland. China's WTO entry also means opportunities for Hong Kong. However, Hong Kong continues to undergo economic rationalisation and adjustment. The Group will seek to optimise its assets and dispose of non-core assets whenever possible.

Peter K C Woo

Chairman

Hong Kong, 18 June 2003