Investments Review

Property

Sorrento (effectively 66%-owned)

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 (now a wholly-owned subsidiary under New Asia Realty), Wharf and Harbour Centre Development. During the financial year under review, Phase II units were launched in November 2002 for pre-sales. As at the end of March 2003, cumulative sales recorded for Phase I and Phase II reached 1,050 and 300 units respectively, realising sales proceeds of about HK$4.78 billion and HK$2.04 billion, respectively.

Each of the five stakeholders has contributed financial capital and funding on a *pro rata* basis to the project company which holds Sorrento. The total area of the development is 2.5 million square feet, comprising 2,126 units in two phases. Phase I consisting of 1,272 units was completed in October 2002, one year ahead of the expected completion of Phase II which covers the remaining 854 units.

Bellagio (effectively 74%-owned)

Bellagio, in Sham Tseng on the western shore of the New Territories overlooking the Tsing Ma Bridge, is a joint-venture development equally owned by Wheelock, New Asia Realty and Wharf. During the financial year under review, both Phases I and II were launched in September 2002 for pre-sales. As at the end of March 2003, cumulative sales for Phases I and II reached 1,290 units, realising sales proceeds of about HK$2.95 billion.

The three stakeholders contributed financial capital and funding on a *pro rata* basis to the project company which holds Bellagio. With a total area of 3.1 million square feet, once completed it will provide altogether 3,354 units in four phases. Phase I and Phase II, consisting of 1,704 units in total, were completed in May and August 2002 respectively. Construction works for Phases III and IV which cover the remaining 1,650 units commenced only recently in March 2003.

New Asia Realty and Trust Company, Limited (a 74%-owned listed subsidiary)

Attributable profit for the year ended 31 March 2003 before property provisions from New Asia Realty to Wheelock was HK$347.6 million with dividend to Wheelock totalling HK$107.5 million. As at the year end, Wheelock's stake in New Asia Realty accounted for 28 per cent of Wheelock's total assets.

New Asia Realty, a listed subsidiary, reported a loss of HK$781.8 million for the financial year ended 31 March 2003, compared to the profit of HK$86.3 million achieved the year before. The weakened performance was largely due to the reduced property revenue recognition recorded out of the group's Singapore operations as well as the provision made for impairment in value of properties.

Property Development

Sorrento and Bellagio are 40 and 33.33 per cent owned by New Asia Realty. 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.

The King's Park development is 20 per cent owned by New Asia Realty. 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. Superstructure construction is now in progress. Having obtained the pre-sale consent for Phase I and Phase II covering a total of 700 units, pre-sale is now targeted to take place in the second half of 2003.

Marco Polo Developments Limited (a 75%-owned listed subsidiary)

Wheelock Place, a commercial building with 464,900 square feet in GFA on Orchard Road, is currently 97 per cent leased at satisfactory rental rates.

As at the end of the financial year under review, all 330 apartments in Ardmore Park had been sold and sales proceeds thereof have been fully billed and collected. Since the soft-launch of Grange Residences in September 2002, 11 apartments have been sold on a deferred payment scheme. Ardmore View is currently 93 per cent leased at satisfactory rental rates.

The Wharf (Holdings) Limited (a 48%-owned listed associate)

Share of Wharf's profit contribution, before its share of provision for Sorrento and Bellagio development projects, to Wheelock for the financial year ended 31 March 2003 was HK$1,361.8 million with dividend to Wheelock totalling HK$968.3 million. As at the year end, Wheelock's stake in Wharf Holdings accounted for 53 per cent of Wheelock's total assets.

Wharf Holdings, a listed associate, reported a profit of HK$2,303 million for the year ended 31 December 2002, representing a decline of 9 per cent when compared to the HK$2,519 million achieved the year before.

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.

Harbour City (wholly-owned)

For the year 2002, **Harbour City** generated HK$2,878 million in total revenue, an increase of 1.4 per cent compared to 2001. As a result of better cost controls and reallocation of resources, operating profit grew by 7.4 per cent to HK$2,001 million. The overall average occupancy rate for **Harbour City** offices was maintained at above 83 per cent. New letting commitments totalled about 400,000 square feet, resulting in a net takeup of 200,000 square feet during the year 2002. Gateway Apartments' average occupancy rate throughout the year was at about 80 per cent. Consolidated occupancy for the three Marco Polo hotels along Canton Road was 86 per cent. In spite of the uninspiring operating environment, average retail occupancy at **Harbour City** edged up slightly to 97 to 98 per cent.

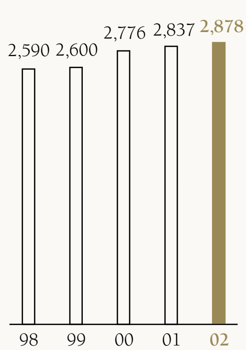
Times Square (wholly-owned)

Total revenue generated by **Times Square** in Causeway Bay amounted to HK$895 million, slightly higher than the HK$892 million achieved in 2001. **Times Square** offices maintained their average occupancy rate at 92.7 per cent. The soft market notwithstanding, the average occupancy of the **Times Square** shopping complex held steady at 96 to 97 per cent.

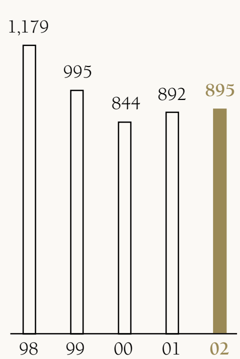
Modern Terminals (a 55%-owned subsidiary)

During 2002, **Modern Terminals** set another record in terms of total boxes handled at 3.61 million TEUs, while profit was maintained at the 2001 level in spite of competition and pressure on tariff rates. TEUs per headcount improved further to 3,072 from 2,985. At the end of 2002, **Modern Terminals**' market share in Kwai Chung remained more or less unchanged at about 30 per cent. **Modern Terminals** stands to benefit from the new capacity at Container Terminal 9 in Hong Kong and Shekou Container Terminal 2 in Shenzhen, which are both expected to come on stream towards the end of 2003.

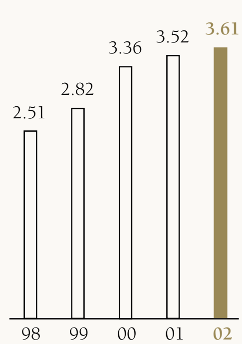
Harbour City: Gross Revenue
(HK$ Million)



Times Square: Gross Revenue
(HK$ Million)



Modern Terminals: Throughput
(Million TEUs)



i-CABLE (a 79%-owned listed subsidiary)
Share of **i-CABLE**'s profit contribution to Wharf for the year ended 31 December 2002 was HK$92.9 million with dividend to Wharf totalling HK$63.9 million.

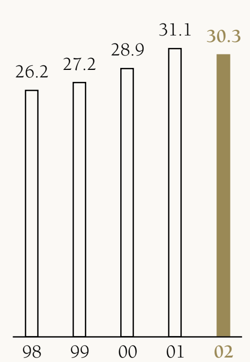
On the back of a 12 per cent year-on-year growth in turnover to HK$2,161 million, **i-CABLE** registered a 14 per cent increase in operating profit before corporate expenses. Pay TV subscriptions had reached 605,000 by the end of the year, surpassing the 600,000 mark achieved during the World Cup period last summer. Anti-piracy measures such as migration to digital broadcasting helped to control subscriber churn at 1.6 per cent per month, compared with 1.8 per cent a year earlier. With the expanded network capacity brought by the new digital technology, 25 new channels had been added to the digital platform and several new tiering packages had also been introduced by the end of December.

Competition for broadband service began to catch up in 2002. Broadband subscriptions grew 42 per cent year-on-year, surpassing 225,000 at the end of December, but ARPU declined to about HK$180 per month from HK$224 the year before.

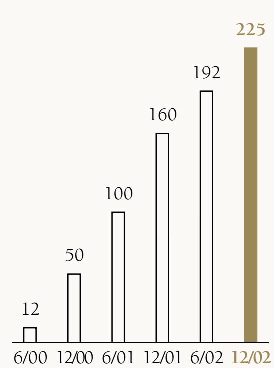
Wharf T&T Limited (a wholly-owned subsidiary)
Since the beginning of year 2003, Wharf New T&T has been renamed as **Wharf T&T**.

While the overall market continued to contract, **Wharf T&T**'s installed base of fixed lines grew by 100,000 to reach 340,000 lines, a record gain in market share to 9 per cent overall. During 2002, the company successfully penetrated the business market further for all high-value voice and data lines, as well as broadband fibre lines. The number of residential fixed lines also continued to grow. The installed base of over 85,000 lines at the end of December represented a growth rate of 111 per cent over 2001. Despite keen competition, residential IDD volume increased by around 5 per cent. For the year 2002, **Wharf T&T**'s net profit increased by 540 per cent from HK$8 million to HK$53 million.

Modern Terminals: Market Share
(%)



i-CABLE: Broadband Subscribers
(Thousands)



Wharf T&T: Total Revenue
(HK$ Million)