

WHEELLOCK AND COMPANY LIMITED

INTERIM REPORT TO SHAREHOLDERS
FOR THE HALF-YEAR PERIOD ENDED 30 SEPTEMBER 2003



WHEELLOCK

Founded 1857

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- Unaudited Group profit attributable to Shareholders was HK\$766.7 million, compared with HK\$145.1 million in 2002.
- Group net profit before property provisions was HK\$777.1 million, an increase of 24.1% (2002: HK\$626.4 million).
- Earnings per share were 37.7 cents (2002: 7.1 cents).
- An interim cash dividend of 2.5 cents per share will be paid (2002: 2.5 cents).
- Group turnover was HK\$2,159.1 million, a decrease of 35.2% (2002: HK\$3,332.1 million) due partly to the Group's disposal of retail businesses in February 2003.
 - Property development: Property sale for the first half was HK\$1,907.9 million (2002: HK\$2,116.8 million), largely derived from the sales of residential units at Sorrento and Bellagio.
 - Property investment: Total revenue amounted to HK\$164.0 million, a decrease of 6.2% (2002: HK\$174.9 million) due mainly to the fall in the rental level.
- Group operating profit before borrowing costs and property provisions was HK\$345.8 million, an increase of HK\$119.0 million or 52.5% from that reported in the corresponding period in 2002/03.
- Profit contribution from the Group's investment in Wharf Holdings was HK\$629.9 million.
- Substantial reduction in borrowing costs by 43.4% to HK\$84.3 million (2002: HK\$148.9 million). Average borrowing interest rate was about 1.7% per annum (2002: 2.4% per annum).
- Group shareholders' funds totalled HK\$23,704.2 million or HK\$11.67 per share (31/3/2003: HK\$22,790.3 million or HK\$11.22 per share).
- Ratio of the Group's net debt to shareholders' equity was 29.7% (31/3/2003: 38.6%) while the ratio of net debt to total assets was 18.3% (31/3/2003: 22.7%).

GROUP RESULTS

The unaudited Group profit attributable to Shareholders for the six months ended 30 September 2003 amounted to HK\$766.7 million, compared to HK\$145.1 million achieved in the same period last year. Earnings per share were 37.7 cents (2002: 7.1 cents).

INTERIM DIVIDEND

The Board has declared an interim dividend in respect of the half-year period ended 30 September 2003 of 2.5 cents (2002: 2.5 cents) per share, payable on Friday, 9 January 2004 to Shareholders on record as at 8 January 2004.

BUSINESS 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 of New Asia Realty), Wharf and Harbour Centre Development. Since the launch of Phase I in November 2001, cumulative sales and proceeds recorded for Towers 3, 5 and 6 reached 1,121 units (88% sold) and HK\$5.2 billion as at the end of September 2003. With respect to Phase II consisting of Towers 1 and 2, which was launched in November 2002, cumulative sales and proceeds reached 490 units (59% sold) and HK\$3.2 billion as at the end of this six-month period under review.

Bellagio (effectively 74%-owned)

Bellagio, in Sham Tseng on the western shore of New Territories overlooking the Tsing Ma Bridge, is a joint-venture development equally owned by Wheelock, New Asia Realty and Wharf. Phases I and II were launched in September 2002 for pre-sales. As at the end of September 2003, cumulative sales reached 1,464 units (86% sold), realising sales proceeds of about HK\$3.4 billion.

Construction works for Phases III and IV, which cover the remaining 1,650 units, commenced in March 2003.

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

Attributable profit before property provisions and dividend income from New Asia Realty's seven per cent holdings in Wharf Holdings, for the six months ended 30 September 2003 from New Asia Realty to Wheelock was HK\$111.2 million, with dividend to Wheelock totalling HK\$76.8 million. Wheelock's stake in New Asia Realty accounted for 28 per cent of Wheelock's total assets.

New Asia Realty recorded an unaudited profit of HK\$240.1 million for the six months ended 30 September 2003, compared to a loss of HK\$126.6 million in the same period last year.

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

Parc Palais is owned by a five-member consortium comprising New Asia Realty's wholly-owned subsidiary Realty Development Corporation, New World Development, Sino Land, Chinese Estates and Manhattan Garments. This residential project located in Homantin is being developed into eight towers with a total GFA of 904,200 square feet. Superstructure construction is now in progress. Pre-sales for both Phases I and II, the entire 700 units, commenced in August 2003 with good response.

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

Wheelock Place, a commercial building with 464,900 square feet in GFA on Orchard Road in Singapore, is currently 98 per cent leased at satisfactory rental rates.

During the six-month period under review, Marco Polo Developments had entered into a Sale and Purchase Agreement to acquire the Sea View Hotel site. A plan to turn the site into a 500-unit condominium development is currently being proposed. The acquisition is expected to be completed in early 2004. In November, the Times House on Kim Seng Road was acquired. The 113,000-square-foot freehold site can be developed into a 300,000-square-foot residential project.

Grange Residences with 164 units is scheduled to be substantially finished in the first quarter of 2004. Since the soft-launch of Grange Residences in September 2002, 14 apartments have been sold on a deferred payment scheme. The official launch of this project is now targeted to take place in the first quarter of 2004, upon receiving the Temporary Occupation Permit.

Ardmore View is currently 90 per cent leased at satisfactory rental rates.

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

Share of Wharf's profit contribution to Wheelock's results for the interim period under review was HK\$629.9 million with dividend to Wheelock totalling HK\$747.5 million, comprising a cash dividend of HK\$493.6 million and a dividend in specie of 122.3 million shares of i-CABLE Communications Limited. Wheelock's stake in Wharf Holdings accounted for 54 per cent of Wheelock's total assets.

Wharf Holdings reported an unaudited profit of HK\$1,309 million for the six-month period ended 30 June 2003, representing a growth of 10.8 per cent over the same period last year.

The company continued to benefit from the benign interest rate environment and the high liquidity available in the market.

Harbour City (wholly-owned)

Harbour City generated HK\$1.3 billion in total revenue during the first six months of 2003. Office occupancy was maintained at 85 per cent. As a result of the SARS outbreak, the consolidated occupancy for the three Marco Polo Hotels at **Harbour City**, before recovering back to the 80 per cent level in the third quarter, fell to 48 per cent in first half while room rates went under severe pressure. Gateway Apartments' average occupancy also came down to about 70 per cent.

Harbour City's 2 million-square-foot retail critical mass at Canton Road of Tsimshatsui, however, showed remarkable resilience during the crisis. With occupancy staying consistently at around 97 per cent, average weekend foot traffic for the month of May and June increased by 26 and 21 per cent year-on-year respectively.

Times Square (wholly-owned)

For the first six months of 2003, **Times Square** generated HK\$415 million in total revenue. While office occupancy stood at 84 per cent, retail occupancy was maintained at 97 per cent.

Modern Terminals (a 55%-owned subsidiary)

Modern Terminals handled 1.93 million TEUs during the first six months of 2003, a year-on-year growth of 23 per cent. As at the end of June, **Modern Terminals'** market share in Kwai Chung expanded to 33.2 per cent. New business opportunities are expected to arise with the recent completion of new berths at both Container Terminal 9 in Hong Kong and Shekou Container Terminal 2 in Shenzhen.

i-CABLE (a 67%-owned listed subsidiary)

In spite of SARS, **i-CABLE** continued to register subscriber growth for both Pay TV and Broadband. The Pay TV division reported a steady four per cent year-on-year growth to 625,000 subscribers. Total broadband subscribers grew by ten per cent to reach 247,000.

Wharf T&T (a wholly-owned subsidiary)

Wharf T&T was able to increase market share within various product segments. The installed base of total fixed lines grew by about 39,000 lines to reach 378,000, representing an overall market share of ten per cent.

OUTLOOK

As far as the property market is concerned, Hong Kong is at an early stage of the recovery path. Due to the supply of space in Hong Kong, particularly on the Island side, office rentals across several major districts are likely to stay weak in the near term. However, Tsimshatsui will remain as an exception, underpinned by the buoyant China trade sector. The retail demand, of large size retail centres at selective locations, is improving. The residential market appears to have bottomed out.

Being reflected by the influx of mainland tourists and the rising number of new company formation recently, several key measures adopted by the Central Government including the relaxation of travel restrictions on mainland residents and the CEPA arrangements are producing positive effects on several major business sectors in Hong Kong. In addition, the latest approval to allow banks in Hong Kong to operate RMB businesses is expected to increase further the momentum of such positive development.

Together with the high growth recorded out of the PRD economic region, acting as the power engine of the regional economy, Hong Kong is showing solid signs of recovery for the first time since this Hong Kong China economic integration process began few years ago. China's overall GDP growth of seven per cent this year and next year would also offer a strong economic environment for business growth.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 September 2003

	Note	Unaudited 30/9/2003 HK\$ Million	(Restated) Unaudited 30/9/2002 HK\$ Million
Turnover	3	2,159.1	3,332.1
Other net income / (loss)	4	31.9	(158.7)
Direct costs and operating expenses		2,191.0 (1,763.6)	3,173.4 (2,420.6)
Selling and distribution expenses		(58.0)	(362.6)
Administrative expenses		(23.6)	(163.4)
Operating profit	3	345.8	226.8
Borrowing costs	5	(84.3)	(148.9)
Net operating profit before property provision		261.5	77.9
Provision for properties		(6.1)	(756.1)
Share of profits less losses of associates	2	837.8	841.3
Profit before taxation		1,093.2	163.1
Taxation	6	(224.8)	(125.2)
Profit after taxation		868.4	37.9
Minority interests		(101.7)	107.2
Group profit attributable to shareholders		766.7	145.1
Interim dividend proposed after the balance sheet date	7	50.8	50.8
Earnings per share	8	37.7 cents	7.1 cents

CONSOLIDATED BALANCE SHEET

At 30 September 2003

	Note	Unaudited 30/9/2003 HK\$ Million	(Restated) 31/3/2003 HK\$ Million
Non-current assets			
Fixed assets		3,911.9	3,885.9
Associates		21,266.4	20,487.5
Long-term investments		959.1	753.2
Deferred debtors		382.9	385.1
		26,520.3	25,511.7
Current assets			
Properties under development for sale		8,689.6	7,830.7
Properties held for sale		1,894.7	2,769.4
Short-term investments		78.8	102.0
Trade and other receivables	9	1,305.8	2,604.7
Bank balances and deposits		2,549.7	3,182.7
		14,518.6	16,489.5
Current liabilities			
Bank loans and overdrafts		1,082.1	1,945.0
Trade and other payables	10	1,589.7	1,555.7
Deposits from sale of properties		1,896.7	1,418.0
Taxation		146.1	272.9
		4,714.6	5,191.6
Net current assets		9,804.0	11,297.9
Total assets less current liabilities		36,324.3	36,809.6
Capital and reserves			
Share capital	11	1,015.9	1,015.9
Reserves	12	22,688.3	21,774.4
		23,704.2	22,790.3
Minority interests		3,561.2	3,412.9
Non-current liabilities			
Long-term bank loans		8,500.4	10,035.7
Deferred taxation		57.4	54.2
Deferred items		501.1	516.5
		9,058.9	10,606.4
Total equity and non-current liabilities		36,324.3	36,809.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2003

	Unaudited 30/9/2003 HK\$ Million	(Restated) Unaudited 30/9/2002 HK\$ Million
Total equity at 1 April		
As previously reported	23,293.9	26,485.1
Prior year adjustments in respect of deferred taxation (Note 1)	(503.6)	(451.2)
As restated	22,790.3	26,033.9
Company and subsidiaries		
Surplus / (deficit) on revaluation of non-trading securities	201.3	(202.5)
Deficit on revaluation of investment properties	–	(1.9)
Provision for impairment of other properties	–	(40.2)
Exchange difference on translation of financial statements of foreign entities	4.6	95.1
Associates		
Surplus / (deficit) on revaluation of non-trading securities	31.0	(114.0)
Deficit on revaluation of investment properties	–	(11.5)
Others	2.5	1.6
Net profit / (loss) not recognised in the profit and loss account	239.4	(273.4)
Company and subsidiaries		
Group profit attributable to shareholders	766.7	145.1
Final dividend approved in respect of the previous year	(101.6)	(101.6)
Reserves transferred to the profit and loss account on:		
Disposal of non-trading securities	11.6	128.4
Impairment of non-trading securities	–	96.2
Exercise of share options	–	0.6
Associates		
Reserves transferred to the profit and loss account on:		
Disposal of non-trading securities	(2.2)	1.4
Impairment of non-trading securities	–	2.4
	674.5	272.5
Total equity at 30 September	23,704.2	26,033.0

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2003

	Unaudited 30/9/2003 HK\$ Million	Unaudited 30/9/2002 HK\$ Million
Net cash inflow from operating activities	2,423.4	775.9
Net cash (outflow) / inflow relating to investing activities	(543.8)	2,461.9
Net cash outflow relating to financing activities	(2,555.0)	(2,773.0)
Net repayment of bank loans	(2,411.3)	(2,611.2)
Others	(143.7)	(161.8)
Net (decrease) / increase in cash and cash equivalents	(675.4)	464.8
Cash and cash equivalents at 1 April	3,182.7	3,451.1
Effect of foreign exchange rate changes	42.4	104.3
Cash and cash equivalents at 30 September	2,549.7	4,020.2
Analysis of the balances of cash and cash equivalents		
Bank balances and deposits	2,549.7	4,020.2

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 2003 except for the change in accounting policy as described below.

SSAP 12 (Revised) "Income taxes"

In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt.

With effect from 1 April 2003, with the introduction of the revised SSAP 12 "Income taxes" issued by the Hong Kong Society of Accountants, the Group adopted a new policy for deferred tax. A balance sheet method was used to recognise deferred tax in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The accounting policy has been adopted retrospectively. In adjusting prior years' figures, investment property revaluation reserves and revenue reserves as at 1 April 2003 were restated and decreased by HK\$139.1 million and HK\$365.0 million (1 April 2002: HK\$115.5 million and HK\$335.7 million), respectively whilst investment revaluation reserves at 1 April 2003 were increased by HK\$0.5 million (1 April 2002: Nil). The adjustments mainly represented the Group's share of the deferred tax liability recognised by its associates in respect of temporary difference relating to fixed assets net of deferred tax assets in respect of tax losses recognised to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. In addition, the Group's profit attributable to shareholders for the six months ended 30 September 2003 has decreased by HK\$47.8 million (2002: HK\$13.2 million).

2. SEGMENT INFORMATION

(a) Business segments

	Segment Revenue		Segment Results	
	30/9/2003 HK\$ Million	30/9/2002 HK\$ Million	30/9/2003 HK\$ Million	(Restated) 30/9/2002 HK\$ Million
Property investment	164.0	174.9	119.0	128.9
Property development	1,907.9	2,116.8	153.0	244.9
Retail and distribution	–	952.7	–	(10.7)
Investment and others	127.8	139.4	79.7	(122.9)
	2,199.7	3,383.8	351.7	240.2
Inter-segment revenue (Note i)	(40.6)	(51.7)	–	–
	2,159.1	3,332.1	351.7	240.2
Unallocated expenses			(5.9)	(13.4)
Operating profit			345.8	226.8
Borrowing costs			(84.3)	(148.9)
Provision for properties				
Property investment			–	(205.8)
Property development			(6.1)	(550.3)
Share of results of associates (Note ii)			837.8	841.3
Profit before taxation			1,093.2	163.1
Taxation			(224.8)	(125.2)
Minority interests			(101.7)	107.2
Group profit attributable to shareholders			766.7	145.1

Notes:

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

Property investment	–	27.9
Investment and others	40.6	23.8
	40.6	51.7

(ii) Share of results of associates

	Segment Results	
	30/9/2003 HK\$ Million	30/9/2002 HK\$ Million
Property investment	723.0	802.9
Property development	(5.6)	–
Communications, media and entertainment	99.4	101.3
Pay television	104.9	76.9
Internet and multimedia	(24.0)	15.4
Telecommunications	9.5	1.5
Others	9.0	7.5
Logistics	426.3	392.4
Terminals	409.3	354.0
Other logistics business	17.0	38.4
Investment and others	27.1	58.9
Provision for properties	(8.0)	(101.7)
Unallocated expenses and other items	(272.1)	(221.2)
Borrowing costs	(152.3)	(191.3)
	837.8	841.3

(b) Geographical segments

	Segment Revenue		Segment Results (Operating Profit)	
	30/9/2003 HK\$ Million	30/9/2002 HK\$ Million	30/9/2003 HK\$ Million	30/9/2002 HK\$ Million
Hong Kong	2,066.2	2,556.1	257.6	(24.8)
Singapore	92.9	739.6	88.2	253.0
Others	–	36.4	–	(1.4)
	2,159.1	3,332.1	345.8	226.8

3. TURNOVER AND OPERATING PROFIT

(a) Turnover

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

	30/9/2003 HK\$ Million	30/9/2002 HK\$ Million
Property investment	164.0	147.0
Property development	1,907.9	2,116.8
Retail and distribution	–	952.7
Investment and others	87.2	115.6
	2,159.1	3,332.1

(b) Operating profit

	30/9/2003 HK\$ Million	30/9/2002 HK\$ Million
Operating profit is arrived at:		
after charging:		
Cost of properties sold	1,658.5	1,806.7
Cost of inventories sold	–	551.4
Depreciation	1.6	34.7
and after crediting:		
Dividend income from listed investments	11.5	32.6
Negative goodwill realised	19.8	–

4. OTHER NET INCOME / (LOSS)

	30/9/2003 HK\$ Million	30/9/2002 HK\$ Million
Net profit / (loss) on disposal of non-trading securities	21.3	(94.9)
Provision for non-trading securities	–	(96.2)
Negative goodwill realised	19.8	–
Deferred profits realised	–	22.1
Others	(9.2)	10.3
	31.9	(158.7)

5. BORROWING COSTS

	30/9/2003 HK\$ Million	30/9/2002 HK\$ Million
Interest payable on		
Bank loans and overdrafts	91.0	178.4
Other loans repayable within 5 years	13.9	31.3
Other borrowing costs	9.8	22.8
	114.7	232.5
Less: Amount capitalised	(30.4)	(83.6)
	84.3	148.9

The Group's average borrowing interest rate for the six-month period was 1.7% (2002: 2.4%) per annum.

6. 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 17.5% (2002: 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:

	30/9/2003 HK\$ Million	(Restated) 30/9/2002 HK\$ Million
Company and subsidiaries		
<i>Current tax</i>		
Hong Kong profits tax for the period	12.8	7.7
Overseas taxation for the period	16.5	113.9
Overprovision in prior years	–	(94.3)
	29.3	27.3
<i>Deferred taxation</i>		
Origination and reversal of temporary differences	(3.6)	(34.5)
	25.7	(7.2)
Associates		
<i>Current tax</i>		
Hong Kong profits tax for the period	150.3	91.6
Overseas taxation for the period	2.9	10.4
Underprovision in prior years	9.0	23.5
	162.2	125.5
<i>Deferred taxation</i>		
Origination and reversal of temporary differences	(12.5)	6.9
Effect of increase in tax rate on opening balance of deferred tax	49.4	–
	199.1	132.4
	224.8	125.2

The overprovision for the period ended 30 September 2002 represented the write-back of a tax provision resulting from a reduction of Singapore income tax rate from 24.5% to 22.0%.

7. DIVIDENDS

(a) Dividends attributable to the period

	30/9/2003 HK\$ Million	30/9/2002 HK\$ Million
Interim dividend proposed after the balance sheet date of 2.5 cents (2002: 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

	30/9/2003 HK\$ Million	30/9/2002 HK\$ Million
Final dividend in respect of the previous financial year, approved and paid during the period, of 5.0 cents (2002: 5.0 cents) per share	101.6	101.6

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on earnings for the period of HK\$766.7 million (2002: HK\$145.1 million) and on the weighted average of 2,031.8 million (2002: 2,031.8 million) ordinary shares in issue during the period. No figure for diluted earnings per share is shown as there was no outstanding share option as at 30 September 2003.

9. 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 in the amount of HK\$551.6 million (31/3/2003: HK\$2,077.8 million) in respect of pre-sale of properties and trade debtors of HK\$638.3 million (31/3/2003: HK\$370.1 million). The ageing analysis of the Group's trade debtors as at 30 September 2003 is as follows:

	30/9/2003 HK\$ Million	31/3/2003 HK\$ Million
Current	253.4	92.9
31 – 60 days	250.0	16.1
61 – 90 days	75.4	1.2
Over 90 days	59.5	259.9
	638.3	370.1

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with an ageing analysis as at 30 September 2003 as follows:

	30/9/2003 HK\$ Million	31/3/2003 HK\$ Million
Amounts payable in the next:		
0 – 30 days	214.9	243.2
31 – 60 days	105.6	4.1
61 – 90 days	243.0	383.7
Over 90 days	620.9	625.1
	1,184.4	1,256.1

11. SHARE CAPITAL

	30/9/2003 No. of shares Million	31/3/2003 No. of shares Million	30/9/2003 HK\$ Million	31/3/2003 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	2,031.8	2,031.7	1,015.9	1,015.8
Exercise of share options granted under the Executive Share Incentive Scheme	–	0.1	–	0.1
Balance at 30 September / 31 March	2,031.8	2,031.8	1,015.9	1,015.9

12. 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 2003							
As previously reported	1,913.6	19.5	–	(316.8)	156.6	7,549.8	9,322.7
Prior year adjustments in respect of deferred taxation (Note 1)	–	–	–	0.5	–	(33.0)	(32.5)
As restated	1,913.6	19.5	–	(316.3)	156.6	7,516.8	9,290.2
Final dividend approved in respect of the previous year (Note 7b)	–	–	–	–	–	(101.6)	(101.6)
Revaluation surplus	–	–	–	201.3	–	–	201.3
Transferred to the profit and loss account on disposal of non-trading securities	–	–	–	11.6	–	–	11.6
Exchange differences	–	–	–	–	4.6	–	4.6
Profit for the period retained	–	–	–	–	–	723.1	723.1
Balance at 30 September 2003	1,913.6	19.5	–	(103.4)	161.2	8,138.3	10,129.2
Associates							
Balance at 1 April 2003							
As previously reported	–	–	9,799.5	(105.5)	(205.2)	3,466.5	12,955.3
Prior year adjustments in respect of deferred taxation (Note 1)	–	–	(139.1)	–	–	(332.0)	(471.1)
As restated	–	–	9,660.4	(105.5)	(205.2)	3,134.5	12,484.2
Revaluation surplus	–	–	–	31.0	–	–	31.0
Transferred to the profit and loss account on disposal of non-trading securities	–	–	–	(2.2)	–	–	(2.2)
Others	–	–	–	–	2.5	–	2.5
Profit for the period retained	–	–	–	–	–	43.6	43.6
Balance at 30 September 2003	–	–	9,660.4	(76.7)	(202.7)	3,178.1	12,559.1
Total reserves at 30 September 2003	1,913.6	19.5	9,660.4	(180.1)	(41.5)	11,316.4	22,688.3
Total reserves at 31 March 2003	1,913.6	19.5	9,660.4	(421.8)	(48.6)	10,651.3	21,774.4

13. CONTINGENT LIABILITIES

At 30 September 2003

- (a) Guarantees given by the Group in respect of banking facilities available to associates amounted to HK\$559.7 million (31/3/2003: HK\$560.9 million) of which HK\$398.1 million (31/3/2003: HK\$349.9 million) had 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.

14. COMMITMENTS

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

	30/9/2003 HK\$ Million	31/3/2003 HK\$ Million
Contracted but not provided for	2,349.5	1,757.6
Authorised but not contracted for	–	31.1

- (b) Forward exchange contracts

	30/9/2003 HK\$ Million	31/3/2003 HK\$ Million
Forward exchange contracts outstanding	4,583.4	4,868.7

15. 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 2003:

- (a) Included in interest in associates are loans of HK\$1,273.4 million (31/3/2003: HK\$1,617.0 million) contributed from associates in proportion to their equity interests in the Sorrento property development project. The loans from associates are interest bearing at rates as determined with reference to prevailing market rates. Interest expenses in respect of loans from associates for the period ended 30 September 2003 amounted to HK\$13.8 million (2002: HK\$31.3 million). The loans are unsecured and have no fixed terms of repayment.
- (b) Included in interest in associates is an advance of HK\$1,934.2 million (31/3/2003: HK\$2,447.9 million) contributed from an associate in proportion to its equity interest in the Bellagio property development project. The advance bears interest at such rates as may from time to time be agreed by the shareholders of the property holding company. For the current financial period, the advance is unsecured and interest free.

- (c) As disclosed in note 13(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.

16. COMPARATIVE FIGURES

Certain comparative figures have been adjusted as a result of the change in accounting policy for income taxes, in order to comply with SSAP 12 (revised), details of which are set out in note 1.

17. REVIEW OF UNAUDITED INTERIM ACCOUNTS

The unaudited interim accounts for the six months ended 30 September 2003 have been reviewed by the audit committee of the Company.

COMMENTARY ON INTERIM ACCOUNTS

(I) Review of 2003/04 Interim Results and Segmental Performance

Profit attributable to shareholders

The Group reported an unaudited profit attributable to Shareholders of HK\$766.7 million for the six-month period ended 30 September 2003 against HK\$145.1 million for the corresponding period last year. Earnings per share were 37.7 cents (2002: 7.1 cents).

Included in last year's interim results is an attributable impairment provision totalling HK\$481.3 million for properties, compared to HK\$10.4 million for the period under review. Excluding the above-mentioned provisions in both periods, the Group's net profit would be HK\$777.1 million in the financial period under review, an increase of HK\$150.7 million or 24.1% over HK\$626.4 million for the same period in 2002/03.

Group turnover

The Group's turnover for the period was HK\$2,159.1 million, a significant decrease of HK\$1,173.0 million or 35.2% from HK\$3,332.1 million achieved in the same period in 2002/03. This resulted partly from the Group's disposal in February 2003 of all its retail businesses, which contributed revenue of HK\$952.7 million in the first half of 2002/03.

Property development

The depressed property sale market caused by the weak economic fundamentals and the imbalance of supply and demand persisted in the marketplace. Property sales for the first half of this financial year was HK\$1,907.9 million (2002: HK\$2,116.8 million), largely derived from the sale of residential units at Sorrento and Bellagio. In the period under review, 261 units at the Sorrento and 171 units at the Bellagio were sold. Other property sales include the residential units at Palm Cove, The Astrid, The Regalia and Forest Hill, and industrial units at Metro Loft owned by New Asia Realty and Trust ("NART"). Sale of Metro Loft units was launched in August 2003 with 43 units (out of the total 255 units) sold as at 30 September 2003.

Property investment

Despite a steady recovery in the business environment in Hong Kong following the subsidence of the SARS impact, the office leasing market remains very competitive. Chiefly as a result of the fall in the rental level for new supply, the Property Investment segment generated a total revenue of HK\$164.0 million, a decrease of HK\$10.9 million or 6.2% from HK\$174.9 million earned in the same period last year. Wheelock House was approximately 90% occupied while Fitfort, Lane Crawford House and Wheelock Place in Singapore were virtually fully let during the period under review.

Group operating profit

The Group's operating profit before borrowing costs and property provision was HK\$345.8 million, an increase of HK\$119.0 million or 52.5% from that reported in the corresponding period in 2002/03.

Property development

Property Development segment recorded a decrease in profit of HK\$91.9 million to HK\$153.0 million, as compared to HK\$244.9 million achieved in the same period last year. Property development profit contributed by Marco Polo Developments Limited ("MPDL") also dropped substantially in the period under review following the complete recognition of Ardmore Park's profit in previous financial years.

Property investment

The operating profit of the Property Investment segment decreased by HK\$9.9 million to HK\$119.0 million in the period resulting from the downward adjustments in rental rates as mentioned above.

Others

The Investment and Others segment recorded a profit of HK\$79.7 million against a loss of HK\$122.9 million for the corresponding period last year. The loss for last year's interim period mainly comprised the reported loss of HK\$191.1 million on disposal of certain non-trading securities.

Performance of the listed subsidiaries (already consolidated into the Group's results)

NART reported an unaudited profit attributable to shareholders of HK\$240.1 million for the six-month period ended 30 September 2003 against a loss of HK\$126.6 million for the corresponding period last year. The loss for last year's interim results was chiefly due to the inclusion of attributable impairment provisions totalling HK\$432.3 million for properties, including its attributable interest in the Bellagio development project.

MPDL reported an unaudited profit attributable to shareholders of S\$11.1 million for the six months ended 30 September 2003, compared to S\$77.8 million achieved in the same period in 2002/03. MPDL's profit for the first half of 2003/04 was principally derived from recurring rental income of Wheelock Place. Profit for the corresponding period last year was largely contributed from the sale of Ardmore Park units. All Ardmore Park units were sold and the remaining profit of the project was finally recognised in 2002/03. Sale of Grange Residences up to 30 September 2003 reached 14 units and a proportionate small profit therefrom was recognised according to its accounting policy by MPDL during the period under review.

Attributable profit for the six months to the Group from NART and MPDL, before property provision and dividend income from NART's 7% holdings in The Wharf (Holdings) Limited ("Wharf"), was HK\$111.2 million (2002: HK\$166.4 million). During the period under review, the Group received a cash dividend totalling HK\$76.8 million (2002: HK\$76.8 million) from NART.

Borrowing costs

Borrowing costs charged to the profit and loss account for the period were HK\$84.3 million, a substantial decrease of 43.4% from HK\$148.9 million reported in previous year's corresponding period. This was due to a persistently low interest rate environment as well as the Group's declining debt level, resulting from the attributable cash inflows generated from sale of Sorrento and Bellagio units and distributed by the project companies among their shareholders in proportion to their equity interests in the respective projects. For the period under review, the Group's average borrowing interest rate was approximately 1.7% per annum, a reduction from 2.4% for the same period last year.

Property provision

Following an internal review, a provision for impairment in value of HK\$6.1 million was made by NART in respect of its car park units. The provision of HK\$756.1 million made for the same period last year mostly comprised HK\$468.8 million made by NART, HK\$250.0 million made for the Bellagio project plus some attributable deficits for the Group's investment properties.

Share of profits less losses of associates

The share of profit of associates before taxation was HK\$837.8 million, substantially contributed by Wharf, against HK\$841.3 million for the corresponding period last year. Wharf, the major listed associate of and profit contributor to the Group, reported an unaudited profit attributable to shareholders of HK\$1,309 million for its six-month period ended 30 June 2003, compared to HK\$1,181 million achieved in the same period of 2002. Based on those results, Wharf's net profit contribution to the Group was HK\$629.9 million. Aggregate dividends received from Wharf by the Group during the period under review amounted to HK\$747.5 million (2002: HK\$620.8 million). The 2003 interim dividend of Wharf, comprising cash and the scrip dividend in the form of shares in i-CABLE Communications Limited ("i-CABLE"), was collected in the period under review. In the previous year, the interim dividend of Wharf was collected and reported in the second half of the Group's financial year. This change has no impact on the Group's results because of the adoption of equity accounting for Wharf's results.

Arising from the i-CABLE's share distribution, Wharf disclosed in its results announcement that a deemed profit of approximately HK\$319 million would be reported in the second half of its financial year 2003. Since the distribution effectively did no change to the Group's attributable interest in i-CABLE, the said deemed profit will not be recognised by the Group and will be fully eliminated in accordance with the Group's accounting policies.

Other items

A taxation charge of HK\$224.8 million was reported for the period against HK\$125.2 million for last year's corresponding period. The significant increase in tax charge primarily resulted from the inclusion in the last corresponding period of a write-back of tax provision for the Ardmore Park project of HK\$94.3 million subsequent to a reduction of the Singapore income tax rate from 24.5% to 22.0%. The increase was also partly due to the effect of the increased Hong Kong profits tax rate of 17.5% (2002/03: 16%) for the current tax and the deferred tax liabilities, the latter of which had been enlarged upon the adoption of the revised SSAP 12 "Income taxes" in the current financial year.

For the period under review, profit shared by minority interests amounted to HK\$101.7 million. The net loss shared by minority interests in the same period last year was HK\$107.2 million, which was mainly attributable to the loss incurred by NART and the Bellagio project.

(II) Liquidity and Financial Resources

Shareholders' funds

At 30 September 2003, the Group's shareholders' funds totalled HK\$23,704.2 million or HK\$11.67 per share, against HK\$22,790.3 million or HK\$11.22 per share at 31 March 2003.

Net debt and gearing

At 30 September 2003, the ratio of the Group's net debt to shareholders' equity was 29.7% (31/3/2003: 38.6%), while the ratio of net debt to total assets was 18.3% (31/3/2003: 22.7%).

At 30 September 2003, the Group's net debt amounted to HK\$7,032.8 million, comprising total debts of HK\$9,582.5 million less deposits and cash of HK\$2,549.7 million, as compared with a net debt of HK\$8,798.0 million at 31 March 2003. Excluding NART group's net debt of HK\$278.8 million, the Company together with its other subsidiaries had a net debt of HK\$6,754.0 million (31/3/2003: HK\$7,787.5 million). The reduction in the Group's net debt was mainly the result of cash inflow attributable to sale of Sorrento and Bellagio units distributed by the project companies among their shareholders in proportion to their equity interests in the respective projects.

Committed and uncommitted facilities

- (a) The Group's committed and uncommitted loan facilities amounted to HK\$12.1 billion and HK\$2.0 billion respectively. The debt maturity profile of the Group at 30 September 2003 is analysed as follows:

	30/9/2003 HK\$ Million	31/3/2003 HK\$ Million
Repayable within 1 year	1,082.1	1,945.0
Repayable after 1 year, but within 2 years	2,750.0	5,200.0
Repayable after 2 years, but within 5 years	5,750.4	4,835.7
	9,582.5	11,980.7
Undrawn facilities	4,500.0	5,200.0

- (b) The following assets of the Group have been pledged for securing bank loan facilities:

	30/9/2003 HK\$ Million	31/3/2003 HK\$ Million
Investment properties	2,431.4	2,407.4
Properties under development / for sale	1,740.6	5,349.3
	4,172.0	7,756.7

- (c) 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 other significant exposure to foreign exchange fluctuations except for its net investments in Singapore subsidiaries, which was partially hedged by forward exchange contracts entered into by the Group.

Long-term investments

At 30 September 2003, the Group maintained a portfolio of long-term investments of HK\$959.1 million, which comprised blue chip securities with a market value of HK\$952.2 million (31/3/2003: HK\$746.3 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 2003, there was attributable investment revaluation deficit of HK\$103.4 million compared to HK\$316.3 million at 31 March 2003. The performance of the investment portfolio is basically in line with the general market trend of the stock markets.

(III) Major Property Development Projects

Sorrento and Bellagio

Sale of Sorrento and Bellagio units are continuing with good progress. At 30 September 2003, cumulative sales for Sorrento Phase I and Phase II reached 1,121 units or 88% and 490 units or 59%, respectively. The sale of Bellagio accumulated to 1,464 units or 86% of the 1,704 Phase I and II units. Construction works for Bellagio Phases III and IV commenced in March 2003 and are underway in accordance with schedule.

At 30 September 2003, the cash deposits in Sorrento's stakeholders' account amounted to HK\$541 million, which would be sufficient to fully cover its outstanding construction cost for completion of the whole project. Following the completion of Bellagio Phase I and II units, the cash deposits of HK\$1.2 billion kept in the relevant stakeholders' account at 31 March 2003 were distributed to the shareholders of the project company, namely, the Company, Wharf and NART, in proportion to their equity interests in the project in April 2003. The two project companies did not have any bank borrowings at 30 September 2003.

Parc Palais

Pre-sale of Parc Palais, 20%-owned by NART, was first launched in August 2003 with good market response. Proceeds from pre-sale of the project will be utilised to meet its outstanding construction cost. As the project is still at its development stage, the pre-sale has no significant impact on the results for the period under review.

Grange Residences

The official launch of this residential project, with 150 apartments remaining unsold out of a total 164, is now targeted to take place in the first quarter of 2004, upon MPDL receiving the Temporary Occupation Permit.

(IV) Contingent Liabilities

- (a) Guarantee given by the Group in respect of banking facilities available to associates amounted to HK\$559.7 million (31/3/2003: HK\$560.9 million) of which HK\$398.1 million (31/3/2003: HK\$349.9 million) had 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.

(V) Acquisition of Properties

Mer Vue Developments Pte. Ltd., a wholly-owned subsidiary of MPDL, recently entered into a sale and purchase agreement to acquire the Sea View Hotel site in Singapore at purchase price of S\$255 million. The site is for a proposed residential condominium development of approximately 500 apartments. 10% of the purchase price or S\$25.5 million was paid. The acquisition is expected to be completed by early 2004.

(VI) Employees

At 30 September 2003, the Group has approximately 872 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. The Group also sponsors external training programmes that are complementary to certain job functions. Total staff costs for the six-month period ended 30 September 2003 amounted to HK\$75.3 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 2003.

DIRECTORS' INTERESTS IN SHARES

At 30 September 2003, Directors of the Company had the following beneficial interests, all being long positions, in the share capitals 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		
Mr. G. W. J. Li	686,549	Personal Interest
Mr. S. T. H. Ng	650,057	Personal Interest
New Asia		
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 in Part XV of the Securities and Futures Ordinance (the “SFO”) 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 either entitled to exercise (or taken under Part XV of the SFO 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 in the section headed “Substantial Shareholders’ Interests”.*
- (4) *The 995,221,678 shares of the Company as referred to under Note (1) above are entirely duplicated or included in 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 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange pursuant to the SFO or to the Model Code for Securities Transactions by Directors of Listed Companies:

- (i) there were no interests, both long and short positions, held as at 30 September 2003 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO); and
- (ii) there existed during the financial period no rights to subscribe for any shares, underlying shares or debentures of the Company which were held by any of the 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 person(s) who is/are Director of the Company, who/which were, directly or indirectly, interested in 5% 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 2003 as recorded in the register kept by the Company under section 336 of the SFO:

Names	No. of Ordinary Shares
(i) Mrs. Bessie P. Y. Woo	209,712,652
(ii) Bermuda Trust (Guernsey) Limited	1,095,300,362

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”.

All the interests stated above represented long positions and as at 30 September 2003, there were no short positions recorded in the abovementioned register.

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 Monday, 5 January 2004 to Thursday, 8 January 2004, 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 Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 2 January 2004.

By Order of the Board

Wilson W. S. Chan

Secretary

Hong Kong, 25 November 2003