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. As at the end of March 2004, the entire 1,272 units of Phase I were sold, contributing more than HK$6.1 billion proceeds. With respect to Phase II consisting of Towers 1 and 2, which was launched in November 2002, cumulative sales and proceeds reached 799 units (93 per cent sold) and HK$5.3 billion as at the end of this financial year under review.

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. Phases I and II were first launched in September 2002 for pre-sale. As at the end of March 2004, cumulative sales reached 1,677 units (98 per cent sold), realising proceeds of HK$4.0 billion. Construction works for Phases III and IV, which cover the remaining 1,641 units, commenced in March 2003. The application for pre-sale permit is currently being processed.

NEW ASIA REALTY AND TRUST COMPANY, LIMITED (A 74%-OWNED LISTED SUBSIDIARY) (TO BE NAMED WHEELOCK PROPERTIES LIMITED)

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 has been developed into 700 units with a gross floor area (GFA) of about one million square feet. Occupation Permit was issued in February 2004. Pre-sales for both Phases I and II commenced in August 2003. As at the end of March 2004, cumulative sales and proceeds reached 491 units (70 per cent sold) and HK$4.3 billion.

Marco Polo Developments Limited (a 75%-owned listed subsidiary) (To be named Wheelock Properties (Singapore) Limited)

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

Marco Polo Developments had made two significant acquisitions during the financial year under review, namely the Sea View Hotel site and the Times House site. Subsequent to the year end, the company also completed in May its purchase of all the freehold China Airlines apartments which are located right next to the Sea View Hotel site. While the redevelopment works for the 228-unit Times House condominium project have started recently, a residential development plan for about 546 apartments is now being proposed on the amalgamated site of the Sea View Hotel/China Airlines apartments. Both projects will be launched for sale in mid-2005.

The Grange Residences obtained a Temporary Occupation Permit on 12 March 2004 and the official launch of all units took place within the same month. To date, 57 per cent of the total 164 units have been sold.

Ardmore View is currently 90 per cent leased at satisfactory rates. All tenancies will expire by December 2004 and the existing building will then be demolished. A residential condominium development of about 166 apartments has been proposed. Target launch date is sometime near mid-2005.

THE WHARF (HOLDINGS) LIMITED (A 48%-OWNED LISTED ASSOCIATE)

Harbour City (wholly-owned)

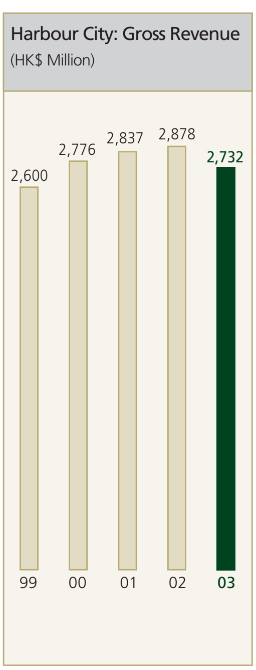
Harbour City showed remarkable resilience even during the SARS outbreak. For the year 2003, retail occupancy was maintained at around 96 per cent. Group management's swift actions in responding to SARS, when combined with the Government-led initiatives introduced later on, meant that business disruptions were relatively short-lived, as evidenced by the more than 20 per cent year-on-year growth in both foot traffic and average sales per square foot of floor area recorded in second half. **Harbour City** offices generated a lower total revenue in 2003 than a year ago due to the negative reversionary cycle. With a 78 per cent retention rate for office tenancies that expired in 2003 and new lettings totalling about 480,000 square feet, **Harbour City**'s office occupancy moved from January's 84 per cent to 88 per cent at year end. Gateway Apartments' average occupancy stood at 70 per cent. Due to SARS, the consolidated occupancy for the three Marco Polo Hotels at **Harbour City** declined to about 67 per cent in 2003, versus 86 per cent the year before.

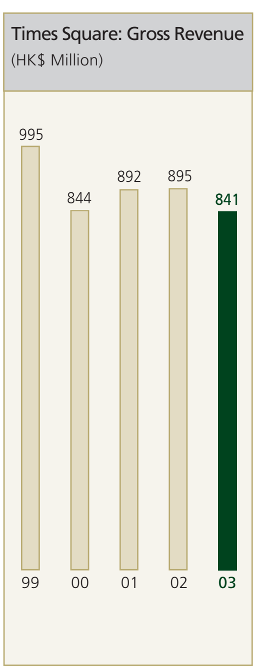
Times Square (wholly-owned)

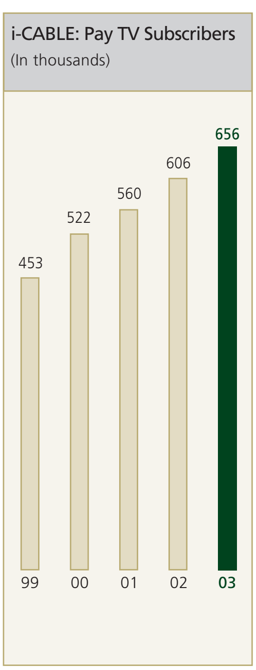
The **Times Square** shopping complex increased its total revenue thanks to higher rental and occupancy rates in 2003. Retail occupancy averaged out at 98 per cent. As in the case of **Harbour City**, numerous innovative marketing programmes and thorough hygiene measures proved extremely successful, and no rental reduction had to be given to tenants due to SARS. After standing at 92 per cent for two consecutive years, **Times Square**'s office occupancy rate declined to 83 per cent in 2003, as the result of a single tenant's decision to relocate to Tai Po. However, the occupancy number has reverted recently to 92 per cent upon confirmation of an insurance related new tenant.

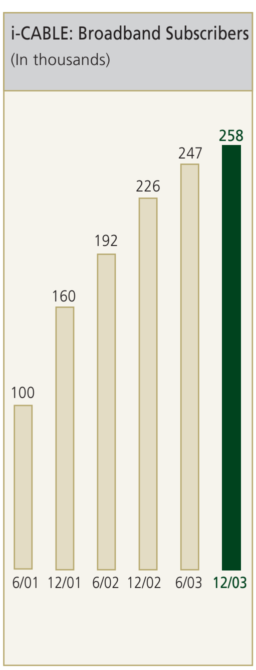
i-CABLE (a 67%-owned listed subsidiary)

Subscriptions to **i-CABLE**'s Pay TV and Broadband access services both saw healthy gains during year 2003. Total Pay TV subscribers increased by eight per cent to 656,000 at year end 2003 and the average churn rate fell to 1.3 per cent, compared with 1.6 per cent in 2002. Digitisation of **i-CABLE**'s broadcasting service progressed at full speed during the year under review. Completion of the conversion programme is now expected by the third quarter of 2004, a year ahead of schedule. The number of Broadband subscribers increased by 14 per cent to 258,000, though erosion of margins persisted due to the maturing of the market and keen competition. Both ARPU and turnover showed signs of recovery in the latter part of 2003.









Wharf T&T (a wholly-owned subsidiary)

During 2003, the fixed line installed base grew by about 94,000 or 28 per cent year-on-year to reach 433,000, representing an overall market share of 11 per cent. Of this installed base, 293,000 lines were for business service and 140,000 for residential service. Relative market shares in these two segments were 17 and seven per cent respectively. The revenue ratio between fixed line and IDD improved to nearly 4:1, reflecting a continuing shift of focus to fixed line service under **Wharf T&T**'s business model. Total outgoing IDD volume in 2003 stayed flat at about 378 million minutes, versus 383 million minutes the year before. An additional 189 km of fibre network was built to bring the total to 1,787 km.

Modern Terminals (a 55%-owned subsidiary)

Modern Terminals handled around four million TEUs during 2003, representing a year-on-year growth of more than 10 per cent – far above the Kwai Chung average. This outperformance was mainly driven by strong feeder and transshipment business. **Modern Terminals**' market share in Kwai Chung expanded to 33.1 per cent from 30.3 per cent in 2002. The delivery to **Modern Terminals** of the four berths at Container Terminal 9 in Hong Kong began in October 2003. The whole delivery process is expected to last until the fourth quarter of 2004. **Modern Terminals** will benefit not only from additional capacity but also from an even higher level of efficiency. All ongoing projects in China are progressing smoothly and on schedule.