



WHEELOCK PROPERTIES

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**WHEELOCK PROPERTIES LIMITED**

**會德豐地產有限公司**

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**INTERIM REPORT TO SHAREHOLDERS**

for the half-year period ended 30 September 2004

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**致股東中期報告書**

**截至二〇〇四年九月三十日止半年度**

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## **GROUP RESULTS**

The Group reported an unaudited profit attributable to Shareholders for the six months ended 30 September 2004 of HK\$855.4 million, compared to HK\$240.1 million in the same period last year. Earnings per share were 41.3 cents.

Included in the profit for the period under review is an amount of HK\$442.3 million being the Group's share of a property provision write-back regarding the Bellagio project undertaken by an associate.

## **INTERIM DIVIDEND**

The Board has declared an interim dividend of 2.0 cents (2003/04: 2.0 cents) per share in respect of the half-year period ended 30 September 2004, payable on Thursday, 30 December 2004 to Shareholders on record as at 24 December 2004.

## **BUSINESS REVIEW & PROSPECTS**

Following a whole series of our Central Government's opening-up policies such as the Individual Traveller Scheme and Closer Economic Partnership Arrangements (CEPA), the Hong Kong economy is going through a solid period of broad-based recovery. In spite of the looming threat of the potential global interest rate upcycle and China's domestic austerity measures, significant improvements have been recorded in all areas of unemployment situation, consumer confidence, domestic consumption, retail sales and deflationary pressure. Properties of all kinds are under keen demand. Transaction volumes in the property rental market as well as the purchase and sale market have gone up to multi-year highs. Various institutions have recently raised their Hong Kong GDP growth forecasts for 2004 to 7 percent and above.

### **Properties**

#### *Bellagio (33% interest)*

Bellagio in Sham Tseng, located on the western shore of New Territories overlooking the Tsing Ma Bridge, is a joint-venture development equally owned by Wheelock Properties, Wheelock and Wharf. Pre-sales for Tower 2 and Tower 5 commenced in early September 2004 with markedly good market response. Within the month of September, up to 546 units had been sold, generating a total revenue of about HK\$1.9 billion. Superstructure works for Phase III (Towers 3 and 5) and Phase IV (Towers 1 and 2) are in progress. Completion for this total of 1,641 units is targeted towards the end of 2005.

With respect to Phases I and II consisting of Towers 6, 7, 8 and 9, which were first launched in September 2002 for pre-sale, cumulative sales and proceeds reached 1,690 units (99% sold) and HK\$4.1 billion as at the end of September 2004.

#### *Sorrento (40% interest)*

Sorrento is an MTRC joint-venture project located above the Kowloon Station, equally owned by a five-member consortium comprising Wheelock Properties and one of its wholly-owned subsidiaries, Wheelock, Wharf and Harbour Centre Development. While Phase I has been completely sold out,

Phase II is also almost fully taken up. As at the end of September 2004, cumulative sales and proceeds for Phase II reached 817 units (95% sold) and HK\$5.5 billion. Consent to Assign had been obtained in February 2004 for all 854 units under Phase II.

### *Parc Palais (20% interest)*

Parc Palais is owned by a five-member consortium comprising Wheelock Properties, New World Development, Sino Land, Chinese Estates and Manhattan Garments. This project in Homantin has been developed into 700 residential units with a gross floor area of about one million square feet. As at the end of September 2004, cumulative sales and proceeds reached 572 units (81% sold) and HK\$5.3 billion.

### *Wheelock Properties (Singapore) Limited (75% owned)*

Wheelock Place, a commercial building with 464,900 square feet in GFA on Orchard Road in Singapore, is currently 95 percent leased at satisfactory rental rates. The company has recently completed the acquisition of Oakwood Residence in Azabujuban in Tokyo, a serviced apartment complex in Japan with 83 units. The property is currently 92 percent leased at satisfactory rental rates.

Further to the two major acquisitions made in the previous financial year, namely, The Sea View Hotel site and Cosmopolitan (formerly known as the Times House site), the company again acquired a property known as No. 6 Scotts Road during the six-month period under review. The intention is to redevelop it when all prevailing leases and property management agreement expire towards the end of 2006.

The Grange Residences obtained its Temporary Occupation Permit on 12 March 2004 and the official launch of all units took place within the same month. To date, 80 percent of the total 164 units have been sold.

All tenancies at Ardmore View 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.

### **Outlook**

With the signing of the Pan-PRD Cooperation Agreement (9 provinces + 2 special administrative regions), Hong Kong's official role and positioning have certainly been further clarified and strengthened. The extension of the Individual Traveller Scheme to more China provinces and cities which became effective in July and also the Stage II of the CEPA arrangements are together nurturing an ample supply of business opportunities throughout the whole Southern China region. Business outlook is positive.

Led by the China theme, even the Asia story has been re-vitalized. Improvements in economic performance have happened in several Asian countries including Singapore and Japan. During the past eighteen months, the Group succeeded in identifying as well as securing a number of financially viable projects in both countries. Future earnings are set to gain momentum as it moves forward.

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**for the six months ended 30 September 2004**

		<b>Unaudited</b> <b>30/9/2004</b>	Unaudited 30/9/2003
	<b>Note</b>	<b>HK\$ Million</b>	HK\$ Million
Turnover	3	<b>1,195.5</b>	429.1
Other net income	4	<b>18.2</b>	28.4
		<u><b>1,213.7</b></u>	<u>457.5</u>
Direct costs and operating expenses		<b>(777.0)</b>	(167.5)
Selling and marketing expenses		<b>(13.4)</b>	(9.0)
Administrative and corporate expenses		<b>(34.5)</b>	(25.4)
Operating profit	3	<u><b>388.8</b></u>	<u>255.6</u>
Borrowing costs	5	<b>(14.4)</b>	(31.1)
Net operating profit		<u><b>374.4</b></u>	<u>224.5</u>
Provision for properties		—	(6.1)
Share of profits less losses of associates	6	<u><b>576.6</b></u>	<u>55.9</u>
Profit before taxation		<u><b>951.0</b></u>	<u>274.3</u>
Income tax	7	<b>(45.1)</b>	(21.9)
Profit after taxation		<u><b>905.9</b></u>	<u>252.4</u>
Minority interests		<u><b>(50.5)</b></u>	<u>(12.3)</u>
<b>Group profit attributable to shareholders</b>		<u><b>855.4</b></u>	<u>240.1</u>
Interim dividend proposed after the balance sheet date	8	<u><b>41.4</b></u>	<u>41.4</u>
<b>Earnings per share</b>	9	<u><b>41.3 cents</b></u>	<u>11.6 cents</u>

**CONSOLIDATED BALANCE SHEET**  
at 30 September 2004

	Note	Unaudited 30/9/2004 HK\$ Million	Audited 31/3/2004 HK\$ Million
<b>Non-current assets</b>			
Fixed assets		3,659.4	3,273.8
Associates		1,921.6	1,758.3
Long-term investments		5,683.4	5,165.8
Deferred debtors		70.4	90.4
		<u>11,334.8</u>	<u>10,288.3</u>
<b>Current assets</b>			
Properties under development for sale		4,166.5	2,317.7
Properties held for sale		867.3	1,599.9
Short-term investments		—	79.8
Trade and other receivables	10	499.3	427.5
Bank balances and deposits		2,056.3	1,981.9
		<u>7,589.4</u>	<u>6,406.8</u>
<b>Current liabilities</b>			
Bank loans and overdrafts		—	230.0
Trade and other payables	11	400.1	395.4
Amounts due to fellow subsidiaries		15.0	17.8
Current tax		71.7	58.5
		<u>486.8</u>	<u>701.7</u>
<b>Net current assets</b>		<u>7,102.6</u>	<u>5,705.1</u>
<b>Total assets less current liabilities</b>		<u>18,437.4</u>	<u>15,993.4</u>
<b>Capital and reserves</b>			
Share capital		413.9	413.9
Reserves	12	13,424.4	12,129.5
		<u>13,838.3</u>	<u>12,543.4</u>
<b>Minority interests</b>		1,383.3	1,355.4
<b>Non-current liabilities</b>			
Long-term loans		2,986.5	1,864.1
Deferred tax		76.2	71.6
Deferred item		153.1	158.9
		<u>3,215.8</u>	<u>2,094.6</u>
<b>Total equity and non-current liabilities</b>		<u>18,437.4</u>	<u>15,993.4</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**for the six months ended 30 September 2004**

	<b>Unaudited 30/9/2004 HK\$ Million</b>	<b>Unaudited 30/9/2003 HK\$ Million</b>
<b>Total equity at 1 April</b>	<b>12,543.4</b>	9,673.0
Surplus on revaluation of non-trading equity securities	<b>569.2</b>	1,060.9
Exchange difference on translation of accounts of foreign entities	<u>(27.2)</u>	<u>6.9</u>
Net gain not recognised in the profit and loss account	<b>542.0</b>	1,067.8
Group profit attributable to shareholders	<b>855.4</b>	240.1
Final dividend approved in respect of the previous year	<b>(103.5)</b>	(103.5)
Reserves transferred to the profit and loss account on disposal of:		
Non-trading equity securities	<b>2.3</b>	4.9
Properties	<u>(1.3)</u>	<u>—</u>
<b>Total equity at 30 September</b>	<b><u>13,838.3</u></b>	<b><u>10,882.3</u></b>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**for the six months ended 30 September 2004**

	<b>Unaudited 30/9/2004 HK\$ Million</b>	<b>Unaudited 30/9/2003 HK\$ Million</b>
Net cash outflow relating to operating activities	<b>(682.0)</b>	(59.4)
Net cash (outflow)/inflow relating to investing activities	<b>(15.2)</b>	880.7
Net cash inflow/(outflow) relating to financing activities	<b>784.3</b>	(1,216.3)
Net increase/(decrease) in cash and cash equivalents	<u><b>87.1</b></u>	<u>(395.0)</u>
<b>Cash and cash equivalents at 1 April</b>	<b>1,981.9</b>	2,795.2
Effect of foreign exchange rate changes	<u>(12.7)</u>	<u>42.4</u>
<b>Cash and cash equivalents at 30 September</b>	<b><u>2,056.3</u></b>	<b><u>2,442.6</u></b>
<b>Analysis of the balances of cash and cash equivalents</b>		
Bank balances and deposits	<u><b>2,056.3</b></u>	<u>2,442.6</u>

NOTES TO INTERIM ACCOUNTS

(1) Basis of preparation of the accounts

The unaudited consolidated interim accounts have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice 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 2004.

(2) Segment information

	Segment Revenue		Segment Results	
	30/9/2004	30/9/2003	30/9/2004	30/9/2003
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
<b>(a) Business segments</b>				
Property development	932.9	151.8	162.5	8.3
Property investment	127.7	129.9	86.6	93.5
Investment and others	134.9	147.4	142.5	158.0
	<u>1,195.5</u>	<u>429.1</u>	<u>391.6</u>	<u>259.8</u>
Unallocated expenses			(2.8)	(4.2)
Operating profit			<u>388.8</u>	<u>255.6</u>
Borrowing costs			(14.4)	(31.1)
Provision for properties			—	(6.1)
Associates				
Property development			117.8	60.0
Investment and others			16.5	3.9
Write back of provision/ (provision) for properties			<u>442.3</u>	<u>(8.0)</u>
Profit before taxation			<u>951.0</u>	<u>274.3</u>
<b>(b) Geographical segments</b>				
Hong Kong	266.1	337.5	161.4	176.2
Singapore	929.4	91.6	227.4	79.4
	<u>1,195.5</u>	<u>429.1</u>	<u>388.8</u>	<u>255.6</u>

**(3) Turnover and operating profit**

**(a) Turnover**

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

	<b>30/9/2004</b>	30/9/2003
	<b>HK\$ Million</b>	HK\$ Million
Property development	<b>932.9</b>	151.8
Property investment	<b>127.7</b>	129.9
Investment and others	<b>134.9</b>	147.4
	<b><u>1,195.5</u></b>	<u>429.1</u>

**(b) Operating profit**

	<b>30/9/2004</b>	30/9/2003
	<b>HK\$ Million</b>	HK\$ Million
Operating profit is arrived at:		
after charging:		
Staff costs	<b>12.9</b>	5.8
- included contributions to defined contribution retirement schemes of HK\$0.9 million (2003/04: HK\$0.6 million)		
Cost of properties sold	<b>738.8</b>	126.2
Depreciation	<b>0.3</b>	0.5
	<b><u>752.0</u></b>	<u>133.0</u>
after crediting:		
Dividend income from listed securities	<b>119.2</b>	115.6
Amortisation of negative goodwill	<b>5.8</b>	27.6
	<b><u>877.0</u></b>	<u>276.2</u>

Staff costs of HK\$3.8 million (2003/04: HK\$5.0 million) were capitalised as part of the costs of properties under development for sale.



**(4) Other net income**

	<b>30/9/2004</b>	30/9/2003
	<b>HK\$ Million</b>	HK\$ Million
Net profit on disposal of non-trading equity securities	<b>0.5</b>	11.5
Amortisation of negative goodwill	<b>5.8</b>	27.6
Profit on disposal of an associate	<b>9.4</b>	—
Others	<b>2.5</b>	(10.7)
	<b><u>18.2</u></b>	<u>28.4</u>

**(5) Borrowing costs**

	<b>30/9/2004</b>	30/9/2003
	<b>HK\$ Million</b>	HK\$ Million
Interest payable on bank loans and overdrafts	<b>14.5</b>	25.9
Other borrowing costs	<b>12.0</b>	5.2
	<b><u>26.5</u></b>	<u>31.1</u>
Less: Amount capitalised	<b>(12.1)</b>	—
	<b><u>14.4</u></b>	<u>31.1</u>

The Group's effective borrowing rate for the six months period was approximately 1.6% (2003/04: 1.9%) per annum.

**(6) Share of profits less losses of associates**

Share of profits less losses of associates for the six-month period ended 30 September 2004 amounted to HK\$576.6 million (2003/04: HK\$55.9 million), which included the Group's share of a provision write-back of HK\$442.3 million for the Bellagio development project, based on the current achieved average selling price for the project and the prevailing market conditions.

**(7) Income tax**

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% (2003/04: 17.5%). 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:

	<b>30/9/2004</b>	30/9/2003
	<b>HK\$ Million</b>	HK\$ Million
<b>Company and subsidiaries</b>		
<i>Current tax</i>		
Hong Kong profits tax for the period	<b>5.8</b>	3.6
Overseas taxation for the period	<b>9.1</b>	16.4
	<b>14.9</b>	20.0
<i>Deferred tax</i>		
Origination and reversal of temporary differences	<b>2.5</b>	(3.6)
	<b>17.4</b>	16.4
<b>Associates</b>		
Hong Kong profits tax for the period	<b>23.1</b>	2.6
Overseas taxation for the period	<b>4.6</b>	2.9
	<b>27.7</b>	5.5
	<b>45.1</b>	21.9

**(8) Dividends**

**(a) Dividends attributable to the period**

	<b>30/9/2004</b>	30/9/2003
	<b>HK\$ Million</b>	HK\$ Million
Interim dividend proposed after the balance sheet date of 2.0 cents (2003/04: 2.0 cents) per share	<b>41.4</b>	41.4

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**

	<b>30/9/2004</b>	30/9/2003
	<b>HK\$ Million</b>	HK\$ Million
Final dividend in respect of the previous financial year, approved and paid during the period, of 5.0 cents (2003/04: 5.0 cents) per share	<b><u>103.5</u></b>	<u>103.5</u>

**(9) Earnings per share**

The calculation of basic earnings per share is based on profit for the period of HK\$855.4 million (2003/04: HK\$240.1 million) and 2,069.6 million ordinary shares in issue throughout the financial period ended 30 September 2004 and the previous year's corresponding period.

**(10) Trade and other receivables**

The Group maintains and closely monitors defined credit policies for its businesses and trade debtors in order to control the credit risk associated with trade debtors.

Included in trade and other receivables are trade debtors with an ageing analysis as at 30 September 2004 as follows:

	<b>30/9/2004</b>	31/3/2004
	<b>HK\$ Million</b>	HK\$ Million
Current	<b>280.0</b>	273.5
31 - 60 days	<b>5.6</b>	19.9
61 - 90 days	<b>0.2</b>	—
Over 90 days	<b><u>2.6</u></b>	<u>1.7</u>
	<b><u>288.4</u></b>	<u>295.1</u>

**(11) Trade and other payables**

Included in trade and other payables are trade creditors with an ageing analysis as at 30 September 2004 as follows:

	<b>30/9/2004</b>	31/3/2004
	<b>HK\$ Million</b>	HK\$ Million
Amounts payable in the next:		
0 - 30 days	<b>159.5</b>	148.8
31 - 60 days	<b>10.5</b>	10.5
61 - 90 days	<b>20.6</b>	19.7
Over 90 days	<b>44.1</b>	63.8
	<b><u>234.7</u></b>	<u>242.8</u>

**(12) Reserves**

	<b>Capital redemption reserve</b>	<b>Investment revaluation reserves</b>	<b>Other capital reserves</b>	<b>Revenue reserves</b>	<b>Total</b>
	<b>HK\$ Million</b>	<b>HK\$ Million</b>	<b>HK\$ Million</b>	<b>HK\$ Million</b>	<b>HK\$ Million</b>
<b>Company and subsidiaries</b>					
Balance at 1 April 2004	4.9	906.0	217.0	11,450.5	12,578.4
Final dividend approved in respect of the previous year (Note 8b)	—	—	—	(103.5)	(103.5)
Revaluation surplus	—	568.6	—	—	568.6
Realised on disposal	—	2.3	(1.3)	—	1.0
Exchange difference	—	—	(26.8)	—	(26.8)
Profit for the period retained	—	—	—	393.3	393.3
Balance at 30 September 2004	<u>4.9</u>	<u>1,476.9</u>	<u>188.9</u>	<u>11,740.3</u>	<u>13,411.0</u>
<b>Associates</b>					
Balance at 1 April 2004	—	2.0	6.4	(457.3)	(448.9)
Revaluation surplus	—	0.6	—	—	0.6
Exchange difference	—	—	(0.4)	—	(0.4)
Profit for the period retained	—	—	—	462.1	462.1
Balance at 30 September 2004	<u>—</u>	<u>2.6</u>	<u>6.0</u>	<u>4.8</u>	<u>13.4</u>
<b>Total reserves at 30 September 2004</b>	<b><u>4.9</u></b>	<b><u>1,479.5</u></b>	<b><u>194.9</u></b>	<b><u>11,745.1</u></b>	<b><u>13,424.4</u></b>
<b>Total reserves at 31 March 2004</b>	<b><u>4.9</u></b>	<b><u>908.0</u></b>	<b><u>223.4</u></b>	<b><u>10,993.2</u></b>	<b><u>12,129.5</u></b>

**(13) Contingent liabilities**

- (a) At 30 September 2004, there was no guarantee given by the Group in respect of banking facilities available to associates (31/3/2004: HK\$63.2 million).
- (b) The Company, a wholly-owned subsidiary and the ultimate holding company together with its two associates have jointly and severally guaranteed the performance and observance of the terms under an agreement to develop the Sorrento project.

**(14) Commitments**

	<b>30/9/2004</b>	31/3/2004
	<b>HK\$ Million</b>	HK\$ Million
(a) Commitment in respect of property development and capital expenditure:		
Contracted but not provided for	<u>104.0</u>	<u>199.8</u>
Authorised but not contracted for	<u>—</u>	<u>—</u>

- (b) At 30 September 2004, forward exchange contracts amounting to HK\$331.2 million (31/3/2004: HK\$1,421.3 million) were outstanding.

**(15) Related party transactions**

Except for the transactions noted below, the Group has not been a party to any material related party transaction during the six-month period ended 30 September 2004.

**(a) Bellagio project**

Included in interest in associates is an advance of HK\$1,807.7 million (31/3/2004: HK\$1,773.6 million) made by the Group to an associate involved in the Bellagio project. The loan bears interest at such rate as may from time to time be agreed by the shareholders of the associate. For the current financial period, the advance is interest free, unsecured and has no fixed terms of repayment.

The above is considered to be a related party transaction and also constitutes a connected transaction as defined under the Listing Rules. A waiver from complying with the relevant connected transaction requirements was granted by the Stock Exchange in 1994.

**(b) Sorrento project**

- (i) Included in interest in associates is a loan of HK\$83.0 million (31/3/2004: HK\$215.5 million) made by the Group to an associate involved in the Sorrento project. The loan bears interest at rates as determined by shareholders of the associate with reference to prevailing market rates which were between 0.6% and 1.1% (2003/04: 1.7% to 2.1%) per annum for the period. Interest income in respect of the loan to the associate for the period ended 30 September 2004 amounted to HK\$0.4 million (2003/04: HK\$16.3 million). The loan is unsecured and has no fixed terms of repayment.
- (ii) As disclosed in note 13(b) to the accounts, the Company, a wholly-owned subsidiary and the ultimate holding company together with its two associates have jointly and severally guaranteed the performance and observance of the terms under an agreement to develop the Sorrento project.

The above are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules. A waiver from complying with the relevant connected transaction requirements was granted by the Stock Exchange in 1997.

- (c) The Group paid a General Managers' Commission to a related party of HK\$11.0 million (2003/04: HK\$9.4 million) for the provision of management services to the Group during the period under review. The payment of such an amount to the General Managers was in accordance with an agreement dated 31 March 1992.

The above is considered to be a related party transaction and also constitutes a connected transaction as defined under the Listing Rules.

- (d) The Group received dividend income in the amount of HK\$104.5 million during the six-month period ended 30 September 2004 (2003/04: HK\$104.5 million) in respect of investments in a related company.

**(16) Review of unaudited interim accounts**

The unaudited interim accounts for the six months ended 30 September 2004 have been reviewed by the audit committee of the Company.

## COMMENTARY ON INTERIM ACCOUNTS

### (I) Review of 2004/05 Interim Results and Segmental Performance

#### *Profit attributable to shareholders*

##### *For the six months ended 30 September 2004*

The Group reported an unaudited profit attributable to Shareholders of HK\$855.4 million for the six-month period ended 30 September 2004, increased by HK\$615.3 million from HK\$240.1 million for the corresponding period last year. Earnings per share were 41.3 cents (2003/04: 11.6 cents).

The significant improvement in profit was largely due to the inclusion in the results for the period under review of the Group's share of a provision write-back of HK\$442.3 million in respect of Bellagio, a joint-venture development project held through an associate. Excluding this non-recurring item, the Group's net profit would only be HK\$413.1 million for the financial period. Moreover, Wheelock Properties (Singapore) Limited group ("WPSL") contributed a higher development profit of HK\$145.5 million compared to HK\$17.2 million in the first six months of 2003/04, resulting from the sale of Grange Residences units in Singapore in the financial period. This period also saw an increase in share of profit from sale of Parc Palais units through an associate.

#### *Group turnover*

The Group's turnover for the six-month period was HK\$1,195.5 million against HK\$429.1 million recorded in the same period of 2003/04, an increase of HK\$766.4 million or 178.6%.

Property sale for the period under review was HK\$932.9 million (2003/04: HK\$151.8 million), out of which HK\$842.7 million was recognised by WPSL in respect of its sale of 56 Grange Residences units. Other property sale during the six months under review covered the residential units at Palm Cove and The Regalia, industrial units at Metro Loft and certain carparking spaces in Hong Kong.

The office leasing market in Hong Kong remained very competitive though overall vacancy levels had become lower. The Property Investment segment maintained a rental revenue for the six-month period at HK\$127.7 million (2003/04: HK\$129.9 million). Wheelock House was approximately 90% occupied while Fitfort, a retail mall, and Wheelock Place in Singapore were approximately 95% leased at satisfactory rental rates.

#### *Group operating profit*

The Group's operating profit before borrowing costs was HK\$388.8 million, an increase of HK\$133.2 million or 52.1% from that reported in the same period in 2003/04. The increase in operating profit was principally caused by the better results recorded by the Property Development segment.

The Property Development segment reported a profit of HK\$162.5 million, an increase of HK\$154.2 million as compared to HK\$8.3 million achieved in the same period last year. It was mainly attributable to the sale of Grange Residences units by WPSL as mentioned above.

The operating profit of the Property Investment segment declined by HK\$6.9 million to HK\$86.6 million largely due to the reversionary impact of lower average rental rate achieved for the office areas in the past two years.

Investment income for the financial period under review amounted to HK\$142.5 million, comprising mainly recurring dividend income generated from the Group's long-term investment portfolio. Included in the Investment and Others segment results is a net profit of HK\$9.4 million earned by WPSL on disposal of an associate with hotel interests in Mainland China, and a profit of HK\$5.8 million on realisation upon property sale of a portion of negative goodwill, which arose from the privatisation of the Realty Development Corporation group in previous year, in accordance with the Group's accounting policies.

***Borrowing costs***

Borrowing costs charged to the profit and loss account were HK\$14.4 million, representing a decline of 53.7% from HK\$31.1 million in the corresponding period of the preceding year. This was mainly due to the persistent low interest rate environment. For the period under review, the Group's effective borrowing rate was approximately 1.6% per annum, reduced from 1.9% per annum for the first half in 2003/04.

***Share of profits less losses of associates***

The share of profit of associates amounted to HK\$576.6 million (2003/04: HK\$55.9 million), which mainly comprised an attributable provision write-back of HK\$442.3 million in respect of the Group's one-third interest in the Bellagio project. Based on the achieved selling price of the Bellagio Phases III and IV, which was launched in September 2004, and the prevailing residential property market conditions, the property provision of HK\$1,327 million (HK\$442.3 million attributed to the Group) previously made by the associate undertaking the project was considered no longer required and hence was fully written back in the financial period under review. The share of associates' results also included the profit derived from sale of Parc Palais units and Sorrento units undertaken by other associates.

***Other items***

A taxation charge of HK\$45.1 million was reported for the period for higher achieved profit against HK\$21.9 million for last year's corresponding period.

Profit shared by minority interests amounted to HK\$50.5 million (2003/04: HK\$12.3 million), which was attributable to WPSL's profit increase.

***Results of WPSL, a Singapore listed subsidiary (already consolidated in the above results)***

WPSL reported an unaudited profit attributable to its shareholders of S\$75.5 million for the six months ended 30 September 2004, compared to S\$11.1 million achieved in the corresponding period last year. The increase in WPSL's profit for the period was mainly attributable to the sale of 56 Grange Residences units. At 30 September 2004, cumulative sales of this development reached 117 units or 71% (out of the total 164 units).



**(II) Liquidity and Financial Resources**

*Shareholders' funds*

At 30 September 2004, the Group's shareholders' funds totalled HK\$13,838.3 million or HK\$6.69 per share, against HK\$12,543.4 million or HK\$6.06 per share at 31 March 2004. The improvement was chiefly due to the increase in an attributable surplus aggregating HK\$571.5 million in the investment revaluation reserves as explained below.

*Net cash/debt and gearing*

At 30 September 2004, the Group's net debt amounted to HK\$930.2 million, comprising total debts of HK\$2,986.5 million less deposits and cash of HK\$2,056.3 million, as compared to a net debt of HK\$112.2 million at 31 March 2004. The increase in net debt was mainly due to the acquisition of properties by WPSL, including the China Airlines apartments, Scotts Shopping Centre and The Ascott Singapore at No.6 Scotts Road in Singapore and Oakwood Residence in Japan. Excluding WPSL's net debt of HK\$1,266.6 million, the Company and its subsidiaries together had a net cash of HK\$336.4 million. For the period under review, net cash inflow of HK\$1.7 billion generated from the sale of Sorrento and Parc Palais units were distributed by the project companies among their shareholders in proportion to their equity interests in the respective projects and the Group hence had received HK\$409 million from those associates.

At 30 September 2004, the ratio of the Group's net debt to shareholders' equity was 6.7% (31/3/2004: 0.9%), while the ratio of net debt to total assets was 5.5% (31/3/2004: 0.8%).

*Committed and uncommitted facilities*

- (a) The Group's committed and uncommitted loan facilities amounted to HK\$4.4 billion and HK\$0.5 billion respectively. The debt maturity profile of the Group at 30 September 2004 was analysed as follows:

	<b>30/9/2004</b>	31/3/2004
	<b>HK\$ Million</b>	HK\$ Million
Repayable within 1 year	—	230.0
Repayable after 2 years, but within 5 years	<u>2,986.5</u>	<u>1,864.1</u>
	<u><b>2,986.5</b></u>	<u>2,094.1</u>
Undrawn facilities	<u><b>1,900.0</b></u>	<u>1,700.0</u>

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

	<b>30/9/2004</b>	31/3/2004
	<b>HK\$ Million</b>	HK\$ Million
Investment properties	<b>395.5</b>	1,658.9
Properties under development for sale	<u>2,019.1</u>	<u>1,827.1</u>
	<u><b>2,414.6</b></u>	<u>3,486.0</u>

- (c) At 30 September 2004, WPSL's borrowings are primarily denominated in Singapore dollars and Japanese yens for financing its properties in Singapore and Japan, respectively. Forward exchange contracts are entered into by WPSL for hedging its foreign currency deposits and investments. The Group has no other significant exposure to foreign exchange fluctuation except for its net investments in Singapore subsidiaries.

***Long-term investments***

At 30 September 2004, the Group maintained a portfolio of long-term investments with market value of HK\$5,683.4 million (31/3/2004: HK\$5,165.8 million) which primarily comprised a 7% interest in The Wharf (Holdings) Limited and other blue chip securities.

In accordance with the Group's accounting policies, 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 2004, such reserves account had an attributable accumulated surplus of HK\$1,479.5 million, representing an increase of HK\$571.5 million from HK\$908.0 million at 31 March 2004. The performance of the portfolio was considered resilient.

**(III) Major property projects undertaken by associates**

***Bellagio***

Pre-sale of Bellagio Phases III and IV undertaken by an associate, 1/3-owned by the Group, was first launched in September 2004 with an encouraging market response. For the period under review, 18 units in Phases I and II were sold and 546 units in Phases III and IV were pre-sold. At 30 September 2004, cumulative sales reached 1,690 units (or 99%) for Phases I and II and 546 units (or 32%) for Phases III and IV.

Sale proceeds of approximately HK\$1.9 billion receivable from the pre-sale of the Bellagio Phases III and IV were mostly due in October 2004 and had been used by the project company for placing deposits in the stakeholders' account and meeting the outstanding construction costs of HK\$0.6 billion for completion of the project. Any surplus cash was distributed to the shareholders of the project company in proportion to their equity interests in the project. The project company did not have any external borrowings at 30 September 2004.

As Phases III and IV are still at their development stage, a small pre-sale profit was recognised according to the Group's accounting policy.

***Sorrento***

Sale of Sorrento, 40%-owned by the Group, was continuing with 18 units sold in the six months period under review. At 30 September 2004, the 1,272 Phase I units were all sold and 817 units or 95% of Phase II were sold.

At 30 September 2004, the cash deposits in stakeholders' account of Sorrento amounted to HK\$0.3 billion, which would be sufficient to fully cover its outstanding construction costs for completion of the whole project. The project company did not have any external borrowings at 30 September 2004.

***Parc Palais***

Sale of the Parc Palais project, 20%-owned by the Group, was continuing with good progress. For the period under review, 81 units were sold. At 30 September 2004, sales accumulated to 572 units or 81% of the entire 700 units.

A sufficient balance of sale proceeds received by the project company was held as deposits in stakeholders' account for meeting the outstanding construction costs of the project. Surplus cash was distributed to the shareholders of the project company in proportion to their equity interests in the project. The project company did not have any borrowings at 30 September 2004.

**(IV) Contingent Liabilities**

- (a) At 30 September 2004, there was no guarantee given by the Group in respect of banking facilities available to associates (31/3/2004: HK\$63.2 million).
- (b) The Company, a wholly-owned subsidiary and the ultimate holding company together with its two associates have jointly and severally guaranteed the performance and observance of the terms under an agreement for the development of the Sorrento project.

**(V) Acquisition/Disposal of Properties**

***China Airlines apartments***

WPSL completed in May 2004 the acquisition in Singapore of 30 China Airlines apartments, which are adjacent to the Sea View Hotel site, for a consideration of S\$35 million (about HK\$160 million). This site will be amalgamated with the Sea View Hotel site for a proposed residential condominium development of 546 apartments, The Sea View.

***Scotts Shopping Centre ("SSC") and The Ascott Singapore ("TAS")***

WPSL completed in September 2004 the acquisition of SSC and TAS in Singapore at a total consideration of S\$345 million (about HK\$1,576 million). The intention is to redevelop it when all prevailing leases and property management agreement expire towards the end of 2006.

***Oakwood Residence Azabujuban ("Oakwood")***

WPSL completed in September 2004 the acquisition of Oakwood in Japan for JPY5.5 billion (about HK\$383 million). WPSL intends to hold the property as investment till the expiry of the existing management contract in respect of the serviced apartment in year 2012.

***Kim Realty Investment Pte Ltd ("KRI")***

WPSL completed in July 2004 the disposal of its 30% equity interest in KRI which owns a 50% interest in a 4-star hotel in Xiamen, The Marco Polo Xiamen, for a total consideration of S\$2.04 million (about HK\$9.4 million) to The Wharf (Holdings) Limited.

**(VI) Employees**

The Group has 92 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 period ended 30 September 2004 amounted to HK\$16.7 million.

**DISCLOSURE OF FINANCIAL ASSISTANCE TO AFFILIATED COMPANIES**

In relation to the provision of financial assistance by the Company and/or its subsidiaries to certain associates of the Company, namely, Diamond Hill Development Holdings Limited ("DHDHL") and Hopfield Holdings Limited ("Hopfield") and/or their respective wholly-owned subsidiaries (together, the "Borrowers"), all of which were as previously disclosed in the Company's annual report for the year ended 31 March 2004, obligations in relation to the aforesaid financial assistance by the Group continued to exist as at 30 September 2004.

Set out below is a proforma combined balance sheet of the Borrowers as at 31 October 2004 (being the latest practicable date for determining the relevant figures) required to be disclosed under Rules 13.20 and 13.22 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"):-

**Proforma Combined Balance Sheet of Borrowers**

at 31 October 2004

	<b>HK\$ Million</b>
Deferred debtors	410.5
Properties under development/for sale	5,085.1
Stakeholders' deposits	1,344.5
Deposits from sale of properties	(1,373.2)
Other net current liabilities	(675.2)
	<u>4,791.7</u>
Shareholders' loans	(5,593.5)
Shareholders' deficit	<u>(801.8)</u>

Financial assistance in respect of loan advances given by the Group is made up as follows:

	<b>HK\$ Million</b>
DHDHL	1,801.7
Hopfield	75.3
	<u>1,877.0</u>

*Note: The Group's attributable interests in DHDHL and Hopfield were 33-1/3% and 40% respectively as at 31 October 2004.*

**Terms of the Financial Assistance:**

***Funding for DHDHL***

A loan in the amount of HK\$1,801.7 million made to DHDHL bears interest at such rates as may from time to time be agreed among all DHDHL's shareholders. At present, that loan is interest-free (also applicable to all the loans made to DHDHL by all other DHDHL's shareholders). The loan is unsecured and has no fixed terms of repayment.

***Funding for Hopfield***

A loan in the amount of HK\$75.3 million made to Hopfield bear interest at such rates as may from time to time be agreed among all Hopfield's shareholders, with reference to interest rates prevailing in the lending market, currently being fixed at 1.3% per annum (also applicable to all the loans made to Hopfield by all other Hopfield's shareholders). The loans is unsecured and has no fixed terms of repayment.

**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 Listing Rules, at any time during the six-month period ended 30 September 2004. Nevertheless, a matter regarding a tenancy between a subsidiary of the Company as the landlord and a subsidiary of Wheelock and Company Limited ("WCL") as the tenant, in respect of the whole of 5th Floor, Wheelock House, being a matter involving a conflict of interest for WCL (being the Company's parent company), was not approved by a full board meeting of the Company in accordance with the provisions of paragraph 11 of the abovementioned Code of Best Practice but instead was duly approved by a resolution in writing of the Directors of the Company.

**DIRECTORS' INTERESTS IN SHARES**

At 30 September 2004, Directors of the Company had the following personal beneficial interests, all being long positions, in the share capitals of the Company, the Company's parent company, namely, WCL, and an associate of WCL, namely, The Wharf (Holdings) Limited ("Wharf"), and the percentages which the shares represented to the issued share capital of the Company, WCL and Wharf respectively are also set out below:

	<b>No. of Ordinary Shares</b> (percentage of issued capital)
<b>The Company</b>	
Mr. G. W. J. Li	2,900 (0.0001%)
<b>WCL</b>	
Mr. G. W. J. Li	1,486,491 (0.0732%)
Mr. T. Y. Ng	70,000 (0.0034%)
<b>Wharf</b>	
Mr. G. W. J. Li	686,549 (0.0281%)
Mr. T. Y. Ng	178,016 (0.0073%)

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the Securities and Futures Ordinance (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 Issuers:

- (i) there were no interests, both long and short positions, held as at 30 September 2004 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 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 which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at 30 September 2004 as recorded in the register kept by the Company under section 336 of the SFO and the percentages which the shares represented to the issued share capital of the Company:

<b>Names</b>	<b>No. of Ordinary Shares (percentage of issued capital)</b>
(i) Myers Investments Limited	1,536,058,277 (74.22%)
(ii) Wheelock Corporate Services Limited	1,536,058,277 (74.22%)
(iii) Wheelock and Company Limited	1,536,058,277 (74.22%)
(iv) Bermuda Trust (Guernsey) Limited	1,536,058,277 (74.22%)

*Note: For the avoidance of doubt and double counting, it should be noted that duplication occurs in respect of all of the above-stated shareholdings to the extent that the shareholdings stated against parties (i) to (iv) above represent the same block of shares.*

All the interests stated above represented long positions and as at 30 September 2004, there were no short positions recorded in the said 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, 20 December 2004 to Friday, 24 December 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, 17 December 2004.

By Order of the Board

**Wilson W. S. Chan**

*Secretary*

Hong Kong, 11 November 2004

*As at the date of this interim report, the Board of Directors of the Company comprises Messrs. Gonzaga W. J. Li, Joseph M. K. Chow, Herald L. F. Lau, David T. C. Lie-A-Cheong, T. Y. Ng and Glenn S. Yee.*