BUSINESS REVIEW & PROSPECT

The Hong Kong economy is under broad-based recovery following the end of a 68-month deflationary period in July last year.

During 2004, the local retail market made a swift recovery as a result of the tourism boom and an upsurge in local spending. Meanwhile, the CEPA effect and China's vibrant economic development helped accelerate business activities and opportunities. Rental levels for commercial space soared as demand grew. Last year, Hong Kong's GDP increased by 8.1 per cent, the highest year-on-year growth since 2002. This, together with a general observation of an improving job market and mounting household income, helped boost the property market by taking local sentiment and confidence to a new high. The high-end deluxe home sector, in particular, turned the corner in 2004. During the year, Hong Kong registered the highest volume of property transaction since 1997.

In 2004, Singapore registered a GDP growth of 8.4 per cent, and both office and retail markets showed signs of recovery, which escalated both rentals and capital values during 2004.

Under such operating environment, the Company performed well for the financial year under review.

RESULTS

The Group recorded a profit attributable to Shareholders amounting to HK$1,743.0 million for the year ended 31 March 2005, compared to HK$1,053.7 million for the previous year. Earnings per share were 84.2 cents. Turnover for the year amounted to HK$2,128.8 million.

Due to a substantial write-back of property provisions, the results for the year under review may be regarded as distorted. By excluding this non-recurring write-back in the year under review and the previous year, the Group's profit would only be HK$898.7 million for the year ended 31 March 2005, a decrease of 13.5 per cent compared to the previous year.

An interim dividend of 2.0 cents per share was paid by the Company in December 2004 in respect of the year ended 31 March 2005. Your Directors recommended the payment of a final dividend of 6.0 cents per share, subject to the Shareholders' approval at the forthcoming Annual General Meeting. The total dividend distribution for the year will be 8.0 cents per share.

The Group's investment properties were revalued as at 31 March 2005 and the Group's investments in securities were also stated at fair value. The consolidated net asset value per share of the Company as at 31 March 2005 was HK$7.25 compared to HK$6.06 for the preceding year.

PROPERTY ACTIVITIES

Company's own interests

Located above the Kowloon Station, Sorrento is a joint venture project between MTRC and a five-member consortium equally owned by Wheelock, Wheelock Properties, Wharf, Harbour Centre Development, and a wholly-owned subsidiary of Wheelock Properties. As at the end of this financial year under review, cumulative sales and proceeds reached 2,111 units (99 per cent sold) and HK$12.0 billion respectively.

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, Wheelock Properties and Wharf. Phases I and II, comprising a total of 1,704 units, were completed in December 2002. As at the end of March 2005, cumulative sales reached 1,691 units (99 per cent), realizing proceeds of about HK$4.1 billion. Superstructure works for Phases III and IV, which provide a total of 1,641 residential units, are in progress. The project is expected to be completed by the end of 2005. Pre-sales for Tower 2 and Tower 5 (total: 844 units) were launched in early September of 2004 and met with favourable market responses. As at the end of March 2005, cumulative sales reached 752 units (89 per cent sold), realizing proceeds of HK$2.7 billion.

Parc Palais is owned by a five-member consortium comprising Wheelock Properties, New World Development, Sino Land, Chinese Estates and Manhattan Garments. This residential project in Homantin boasts 700 units or a gross floor area of about one million square feet. As at the end of March 2005, cumulative sales and proceeds reached 607 units (86 per cent sold) and HK$5.8 billion respectively.

Wheelock Properties (Singapore) Limited (75%-owned)

Wheelock Properties (Singapore) Limited has made three significant acquisitions during the financial year under review, namely, Scotts Shopping Centre/The Ascott Singapore, the Oakwood Residence Azabujuban, Tokyo, and all the freehold China Airlines apartments which are located right next to the Sea View Hotel site. In April 2005, the group also completed its purchase of the Angullia View, which will be redeveloped into residential apartments for sale.

Through its wholly-owned subsidiary, Firstbilt Pte Limited, the group acquired all other shares in Hamptons Group Limited ("Hamptons") in the UK not previously held by the group, making Hamptons a wholly-owned subsidiary of the group.

Development Properties

The Grange Residences obtained strata titles subdivisions in March 2005. To date, 97 per cent of the total 164 units have been sold.

The Cosmopolitan is a residential condominium development of 228 apartments on the former Times House Site, with completion targeted for August 2007. A pre-launch preview of The Cosmopolitan was organized in March 2005. To date, 15 per cent of the total 228 apartments have been sold.

The Sea View, a residential condominium development with 546 apartments for sale is proposed on the amalgamated site. Piling works were completed in May 2005 and construction is expected to be completed in July 2007. This development is expected to be launched in mid-2005.

All tenancies of Ardmore Vue expired in end November 2004 with all the tenants having vacated the premises. Demolition of the building is in progress and scheduled to be completed by mid-2005.

The Scotts Shopping Centre is currently 97 per cent leased and The Ascott Singapore is currently 79 per cent leased at satisfactory rental rates. The property is proposed to be redeveloped into a new residential and commercial development when all the prevailing leases and the property management agreement expire towards the end of 2006.

Investment Properties
Wheelock Place, a commercial building with 465,000 square feet in GFA on Orchard Road in Singapore, is currently 95 per cent leased at satisfactory rental rates.

Oakwood Residence Azabujuban in Tokyo is currently 87 per cent leased at satisfactory rental levels.

BOARD

I would like to welcome Messrs. Herald L. F. Lau, David J. Lawrence, David T. C. Lie-A-Cheong and Paul Y. C. Tsui on their joining the Company's Board. These gentlemen's diverse experience and wisdom for sure will benefit our Group extensively.

OUTLOOK

With progressive extension of the Individual Traveller Scheme as well as the opening of Hong Kong Disneyland, the retail sector will continue to benefit. The second stage of CEPA, which encourages Chinese private enterprises to make fuller use of the comprehensive trading services platform in Hong Kong, is expected to accelerate the process of "bringing in, going out" for mainland enterprises, further facilitating economic development in China and thus giving a boost to Hong Kong's business activities.

This economic vibrancy, together with the subsequent increase in job opportunities and growth in personal income, will continue to foster domestic sentiment and thus benefit the property market. Improvement in both transaction volume and property value are expected. Lately, the international investment community has demonstrated renewed passion for Asia. Hong Kong, with China as its hinterland and with its recharged buoyancy, stands to benefit. The Group will continue to explore business opportunities in the region to further create value for Shareholders.

Gonzaga W. J. Li
Chairman

Hong Kong, 7 June 2005