

- 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.