

HIGHLIGHTS OF GROUP RESULTS

- Unaudited profit was HK\$2,057.4 million (2003/04: HK\$766.7 million).
- Earnings per share were 101.3 cents (2003/04: 37.7 cents).
- An interim cash dividend of 2.5 cents per share will be paid (2003/04: 2.5 cents), totalling HK\$50.8 million.
- Dividends received from publicly listed associate Wharf and subsidiary Wheelock Properties are HK\$419.5 million in total.
- Profit improvement was largely due to a property provision write-back of HK\$1,327.0 million (HK\$983.7 million attributable to the Group) for the Bellagio project.
- Better results were also attributable to the higher development profit of HK\$145.5 million (2003/04: HK\$17.2 million) being recognised by Wheelock Properties (Singapore) Limited.
- Turnover was HK\$1,482.0 million (2003/04: HK\$2,159.1 million) due to lower property revenue from the sale of Sorrento units.
- Group operating profit before borrowing costs and property provision write-back was HK\$414.7 million, an increase of HK\$68.9 million or 19.9% from that reported in the same period in 2003/04.
- Substantial reduction in borrowing costs by 56.8% to HK\$36.4 million. Effective borrowing rate was approximately 1.0% per annum (2003/04: 1.7% per annum). Net debt amounted to HK\$6.6 billion.
- Group shareholders' funds totalled HK\$28,468.4 million or HK\$14.01 per share (31/3/2004: HK\$26,544.2 million or HK\$13.06 per share).

GROUP RESULTS

The Group reported an unaudited profit attributable to Shareholders of HK\$2,057.4 million for the half-year period ended 30 September 2004, compared to the HK\$766.7 million recorded in the same period last year. Earnings per share were 101.3 cents (2003/04: 37.7 cents).

Included in the profit for the period under review is a property provision write-back of HK\$1,327.0 million (HK\$983.7 million attributable to the Group) in respect of the Bellagio project.

INTERIM DIVIDEND

The Board has declared an interim dividend of 2.5 cents (2003/04: 2.5 cents) per share in respect of the half-year period ended 30 September 2004, payable on Friday, 7 January 2005 to Shareholders on record as at 6 January 2005.

INVESTMENTS REVIEW

Properties

Bellagio (effectively 74%-owned)

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, Wheelock Properties 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 per cent sold) and HK\$4.1 billion as at the end of September 2004.

Sorrento (effectively 66%-owned)

Sorrento is an MTRC joint-venture project located above the Kowloon Station, equally owned by a five-member consortium comprising Wheelock, Wheelock Properties, a wholly-owned subsidiary of Wheelock Properties, 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 per cent sold) and HK\$5.5 billion. Consent to Assign had been obtained in February 2004 for all 854 units under Phase II.

Wheelock Properties Limited (a 74%-owned listed subsidiary)

Sorrento and Bellagio are effectively 40 and 33.33 per cent owned by Wheelock Properties.

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 per cent sold) and HK\$5.3 billion.

Wheelock Properties (Singapore) Limited (a 75%-owned listed subsidiary)

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 per cent 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 per cent 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 some time near mid-2005.

Wheelock Place, a commercial building with 464,900 square feet in GFA on Orchard Road in Singapore, is currently 95 per cent leased at satisfactory rental rates.

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

Harbour City (wholly-owned)

Retail occupancy was maintained at 98 per cent during the first six months of 2004. Most new leases showed favourable rental growth. While the Ocean Terminal revamp was recently completed with the latest openings of the SportX and KidX areas, the brand new Audio/ Visual/ Electronics "cluster" at Ocean Centre has also become an attractive draw. The occupancy for offices increased to about 93 per cent at the end of June 2004. The consolidated occupancy for the three Marco Polo Hotels rebounded strongly to exceed 88 per cent. Underpinned by the remarkable increase in total visitor arrivals and the Individual Traveller Scheme implemented by the Central Government, average room rate also fully recovered. The occupancy for Gateway Apartments was maintained at around 80 per cent.

Times Square (wholly-owned)

On the back of **Times Square's** increasing traffic, most retail tenants registered double-digit year-on-year growth in sales performance. Retail occupancy was maintained at 98 per cent during the first half of 2004. With the anchor commitment of 93,648 square feet by MLC (Hong Kong) Limited, the office occupancy of **Times Square** has improved to approximately 93 per cent.

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

Pay TV subscription rose to 682,000 at the end of June 2004. **i-CABLE** operated in a mixed environment during the first half – an improving economy instilled greater demand-side consumer confidence on the one hand, while supply-side competition heightened on the other. On the back of higher subscription and strong airtime sales, the division's financial performance improved further in spite of the increase in content costs. The Broadband segment continued its recovery with successful service enhancement through network upgrade and the introduction of value-added services. **i-CABLE's** Broadband subscription grew to 263,000 by the end of June.

Wharf T&T (a wholly-owned subsidiary)

The fixed line installed base grew by 15,000 to reach 448,000, representing an overall market share of 12 per cent. With the composition of 298,000 business lines and 150,000 residential lines, **Wharf T&T** held an 18 per cent share in the business market and a seven per cent share in the residential market as at the end of June 2004. Fixed line revenue grew by 12 per cent to HK\$525 million (2003: HK\$468 million).

Modern Terminals (a 55%-owned subsidiary)

Modern Terminals handled 1.6 per cent more boxes in Kwai Chung at 1.96 million TEUs during the first half of 2004, as compared to the 1.93 million recorded same time a year ago. The unit's market share in Kwai Chung stood at 32 per cent. Chiwan Container Terminals, in which **Modern Terminals** holds an effective stake of eight per cent, recorded a throughput growth of 55 per cent to 1.12 million TEUs during the first half. At another location right next to Chiwan, Berth 4 of Shekou Container Terminals (Phase II) came on stream in February this year.

OUTLOOK

Besides the China theme, the Asia story has been re-vitalized. There are marked economic improvements in several Asian countries including Singapore and Japan. During the past 18 months, the Group succeeded in identifying as well as securing a number of projects in both countries.

With the signing of the Pan-PRD Cooperation Agreement (nine provinces + two special administrative regions), Hong Kong's role and positioning have 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.