



## **WHEELOCK AND COMPANY LIMITED**

### **2001/2002 Results Announcement**

- Group profit was HK\$546.6 million, an increase of 4.5% against last year.
- Earnings per share were 26.9 cents, an increase of 4.3%.
- Interest in The Wharf (Holdings) Limited represents almost 50% of Group total assets. With its five core assets including Harbour City, Times Square, Modern Terminals, i-CABLE and Wharf New T&T, share of Wharf's profit contribution to Wheelock was HK\$1,202.9 million with dividend to Wheelock totalling HK\$968.3 million.
- New Asia Realty and Trust Company, Limited's assets represent almost 30% of Group total assets. Attributable profit before property provisions from New Asia Realty to Wheelock was HK\$449.9 million with dividend to Wheelock totalling HK\$107.5 million.
- Other properties and investments represent 18% of Group total assets.
- Sorrento Phase I was successfully launched, generating HK\$4.2 billion in sales proceeds. Wheelock and its subsidiaries have an interest of 60%.
- The year under review was extremely challenging for retailers, as consumer spending remained cautious. The retail portfolio amounts to 2% of Group total assets.

## GROUP RESULTS

The Directors of Wheelock and Company Limited are pleased to announce the results of the Group for the year ended 31 March 2002 as follows:

Audited Consolidated Profit and Loss Account for the year ended 31 March:	Note	2002 HK\$ Million	(Restated) 2001 HK\$ Million
Turnover	(1)	<b>7,164.7</b>	3,761.5
Other net income	(2)	<b>113.0</b>	442.2
		<b>7,277.7</b>	4,203.7
Direct costs and operating expenses		<b>(4,831.7)</b>	(2,201.2)
Selling and distribution expenses		<b>(694.2)</b>	(404.9)
Administrative expenses		<b>(358.9)</b>	(244.1)
Provision for impairment in value of properties		<b>(1,250.5)</b>	(1,221.2)
Operating profit	(1)	<b>142.4</b>	132.3
Borrowing costs	(3)	<b>(554.2)</b>	(897.7)
Share of profits less losses of associates		<b>1,404.1</b>	1,587.4
Profit before taxation		<b>992.3</b>	822.0
Taxation	(4)	<b>(399.6)</b>	(253.2)
Profit after taxation		<b>592.7</b>	568.8
Minority interests		<b>(46.1)</b>	(45.5)
Group profit attributable to shareholders		<b>546.6</b>	523.3
Dividends attributable to the year			
Interim dividend declared during the year		<b>50.8</b>	50.8
Final dividend proposed after the balance sheet date		<b>101.6</b>	101.5
		<b>152.4</b>	152.3
Earnings per share	(5)	<b>26.9 cents</b>	25.8 cents

Notes:

(1) Turnover and operating profit

(a) Segment information

	Segment Revenue		Segment Results	
	2002 HK\$ Million	2001 HK\$ Million	2002 HK\$ Million	2001 HK\$ Million
(I) Business segments				
Property development	4,486.2	1,294.1	1,046.1	560.0
Property investment	337.7	332.9	241.9	233.6
Retail and distribution	2,056.9	1,865.7	(80.3)	56.8
Investment and others	401.1	380.3	211.5	532.0
	<u>7,281.9</u>	<u>3,873.0</u>	<u>1,419.2</u>	<u>1,382.4</u>
Inter-segment revenue (Note i)	(117.2)	(111.5)	-	-
	<u>7,164.7</u>	<u>3,761.5</u>	<u>1,419.2</u>	<u>1,382.4</u>
Unallocated expenses			(26.3)	(28.9)
Provision for impairment in value of properties				
Property development			(1,065.5)	(1,004.9)
Property investment			(185.0)	(216.3)
Operating profit			<u>142.4</u>	<u>132.3</u>
Borrowing costs			(554.2)	(897.7)
Share of results of associates (Note ii)			1,404.1	1,587.4
Profit before taxation			<u>992.3</u>	<u>822.0</u>

Notes:

(i) Inter-segment revenue eliminated on consolidation includes :

Property investment	54.6	50.6
Investment and others	62.6	60.9
	<u>117.2</u>	<u>111.5</u>

(ii) Share of results of associates

	Segment Results	
	2002 HK\$ Million	2001 HK\$ Million
Property investment	1,366.5	1,280.4
Property development	32.6	143.3
Communication, media and entertainment	155.8	28.9
Pay television	174.3	104.9
Telecommunication	4.0	(34.0)
Internet, multimedia and others	(22.5)	(42.0)
Logistics	921.9	926.7
Terminals	874.5	877.2
Other logistics business	47.4	49.5
Hotels	85.9	89.4
Investment and others	(29.4)	453.0
Unallocated expenses and other items	(576.8)	(538.6)
Borrowing costs	(552.4)	(795.7)
	<u>1,404.1</u>	<u>1,587.4</u>

	Segment Revenue		Segment Results	
	2002 HK\$ Million	2001 HK\$ Million	2002 HK\$ Million	2001 HK\$ Million
(II) Geographical segments				
Hong Kong	4,348.7	2,329.6	343.2	568.3
Singapore	2,696.3	1,349.5	1,042.8	778.2
Others	119.7	82.4	6.9	7.0
	<u>7,164.7</u>	<u>3,761.5</u>	<u>1,392.9</u>	<u>1,353.5</u>
Provision for impairment in value of properties				
Hong Kong			(985.3)	(1,203.3)
Singapore			(265.2)	(17.9)
			<u>142.4</u>	<u>132.3</u>

(b) Operating profit is arrived at:

	2002 HK\$ Million	2001 HK\$ Million
after charging:-		
Cost of properties sold	3,440.6	765.7
Cost of inventories sold	1,214.7	1,057.7
Depreciation	<u>70.1</u>	<u>56.2</u>
after crediting:-		
Dividend income from listed investments	<u>152.2</u>	<u>140.9</u>

(2) Other net income

	2002 HK\$ Million	2001 HK\$ Million
Net (loss)/profit on disposal of non-trading securities	(35.4)	231.5
Net provision for non-trading securities	-	(16.6)
Deferred profits realised	100.1	56.2
Profit on disposal of subsidiaries	17.5	-
Net other provision released	-	84.0
Others	<u>30.8</u>	<u>87.1</u>
	<u>113.0</u>	<u>442.2</u>

(3) Borrowing costs

	<b>2002</b>	2001
	<b>HK\$ Million</b>	HK\$ Million
Interest payable on:		
Bank loans and overdrafts	<b>610.5</b>	1,063.8
Other loans repayable within 5 years	<b>134.4</b>	241.8
Other borrowing costs	<b>140.8</b>	102.5
	<u><b>885.7</b></u>	<u>1,408.1</u>
Less: Amount capitalised	<u><b>(331.5)</b></u>	<u>(510.4)</u>
	<u><b>554.2</b></u>	<u>897.7</u>

(4) Taxation

The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at the rate of 16% (2001 - 16%). 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>2002</b>	2001
	<b>HK\$ Million</b>	HK\$ Million
Company and subsidiaries		
Hong Kong profits tax for the year	<b>13.3</b>	19.3
Overseas taxation charge/(credit) for the year	<b>905.0</b>	(2.7)
Deferred taxation	<u><b>(665.0)</b></u>	<u>93.1</u>
	<u><b>253.3</b></u>	<u>109.7</u>
	.....	.....
Associates		
Hong Kong profits tax for the year	<b>143.0</b>	111.2
Overseas taxation for the year	<b>8.8</b>	16.8
Underprovisions in prior years	<b>-</b>	30.0
Deferred taxation	<u><b>(5.5)</b></u>	<u>(14.5)</u>
	<u><b>146.3</b></u>	<u>143.5</u>
	<u><b>399.6</b></u>	<u>253.2</u>

(5) Earnings per share

The calculation of basic earnings per share is based on earnings for the year of HK\$546.6 million (2001 - HK\$523.3 million) and on the weighted average of 2,031.3 million (2001 - 2,030.8 million) ordinary shares in issue during the year.

No figure for diluted earnings per share is shown as the exercise of the subscription rights attached to the share options would not have a material diluting effect on the earnings per share.

(6) Changes in Accounting Policies

Except for the changes noted below which have been made in accordance with new and revised Hong Kong Statements of Standard Accounting Practice ("SSAP"), the accounting policies and methods of computation used in the preparation of the Group's accounts for the year ended 31 March 2002 are consistent with those used in the accounts for the year ended 31 March 2001:

(a) Goodwill/Negative goodwill

In prior years, goodwill/negative goodwill arising on consolidation, representing the excess/shortfall of the cost of investments in subsidiaries and associates over the appropriate share of the fair value of the identifiable assets and liabilities acquired, was taken to reserves in the year in which it arose. On disposal of a subsidiary or an associate, the attributable amount of goodwill/negative goodwill was included in calculating the profit or loss on disposal.

The Group has adopted SSAP 30 "Business combinations" issued by Hong Kong Society of Accountants with effect from 1 April 2001. In doing so the Group has relied upon the transitional provisions set out in SSAP 30 such that goodwill/negative goodwill arising on acquisition of a subsidiary or an associate by the Group prior to 1 April 2001, representing the excess/shortfall of the cost of investment over the appropriate share of the fair value of the identifiable assets and liabilities acquired, has been written off against/taken to capital reserves in the period in which it arose and has not been restated.

For acquisitions after 1 April 2001, goodwill is recognised as an asset and is amortised to the profit and loss account on a straight-line basis over its estimated useful life. Negative goodwill which relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the profit and loss account.

On disposal of a controlled subsidiary or an associate, any attributable amount of purchased goodwill not previously amortised through the profit and loss account or which has previously been dealt with as a movement on Group reserves is included in the calculation of the profit and loss on disposal.

The carrying amount of goodwill is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists an impairment loss is recognised as an expense in the profit and loss account.

Goodwill arising in prior years and not restated for the reasons noted above has been assessed for indications of impairment as required by SSAP 31 "Impairment of assets" issued by the Hong Kong Society of Accountants. As a result of this review upon adoption of SSAP 30 and SSAP 31, which has been applied retrospectively, goodwill arising in prior years has been considered to have been impaired in prior

years, and, consequently, revenue reserves as at 1 April 2000 were restated and reduced by HK\$160.9 million whilst other capital reserves at 1 April 2000 were increased by a corresponding amount, representing the Group's and the Group's share of associates' impairment of goodwill arising in prior years.

(b) Planned maintenance provision

In prior years, the Group's associates operated a planned maintenance scheme for their hotels which projected future maintenance requirements over a period of four years. Within this scheme, actual costs and/or projected costs for the ensuing four years' period, as estimated by the Group's associates, were equalised by annual provisions in the profit and loss account. With effect from 1 April 2001, maintenance costs are expensed in the profit and loss account in the year in which they are incurred in accordance with SSAP 28 "Provisions, contingent liabilities and contingent assets" issued by the Hong Kong Society of Accountants. The effect of this new accounting policy has been adopted retrospectively. In adjusting prior years' figures, revenue reserves as at 1 April 2000 were restated and increased by HK\$50.8 million representing the Group's share of the reversal of the previous provision for planned maintenance.

As a result of the adoption of SSAP 28 and restating the prior years' results and reserves, the Group's profit for the year attributable to shareholders has increased by HK\$9.1 million (2001 - HK\$6.7 million) as a net result of not making provisions for planned maintenance and writing off the actual maintenance costs incurred during the year.

(c) Proposed dividends

In prior years, dividends proposed after balance sheet date were accrued as liabilities at the balance sheet date. With effect from 1 April 2001, dividends proposed after balance sheet date are not recognised as a liability in the accounting period in which they related in accordance with the revised SSAP 9 "Events after the balance sheet date" issued by the Hong Kong Society of Accountants. The new accounting policy has been adopted retrospectively. In adjusting prior years' figures, shareholders' funds as at 1 April 2001 were restated and increased by HK\$101.5 million (1 April 2000 - HK\$101.5 million) representing the proposed final dividend for the year ended 31 March 2001.

As a result of the adoption of SSAP 9 and restating the prior years' reserves, the Group's shareholders' funds at 31 March 2002 have increased by HK\$101.6 million (2001 - HK\$101.5 million).

(d) Segment reporting

A segment is distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Inter-segment pricing is based on similar terms as those available to other external parties.

The Group has disclosed segment revenue and results as defined under SSAP 26 "Segment reporting" issued by the Hong Kong Society of Accountants. In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segment as the secondary reporting format.

## **DIVIDENDS**

An interim dividend in respect of the year ended 31 March 2002 of 2.5 cents (2001 - 2.5 cents) per share was paid on 31 January 2002, absorbing a total amount of HK\$50.8 million (2001 - HK\$50.8 million). The Directors have recommended for adoption at the Annual General Meeting to be held on 30 August 2002 the payment on 20 September 2002 to Shareholders registered on 30 August 2002 of a final dividend in respect of the year ended 31 March 2002 of 5.0 cents (2001 - 5.0 cents) per share, absorbing a total amount of HK\$101.6 million (2001 - HK\$101.5 million).

## **COMMENTARY ON ANNUAL RESULTS**

### **(I) Review of 2001/2002 results and Segmental Performance**

Group profit attributable to Shareholders for the year under review was HK\$546.6 million, an increase of 4.5% from HK\$523.3 million. Earnings per share were 26.9 cents compared to 25.8 cents for the previous year. The Group's major associate The Wharf (Holdings) Limited contributed profit and dividend of HK\$1,202.9 million and HK\$968.3 million respectively to the Group for the year under review.

The Group's turnover for the year was HK\$7,164.7 million, increased significantly by HK\$3,403.2 million or nearly doubled from HK\$3,761.5 million for 2000/2001. The large increase is principally due to increase in property sales from HK\$1,294.1 million to HK\$4,486.2 million, which was substantially derived from the pre-sale of residential units at the Sorrento Phase I and in respect of the sales of Ardmore Park units in Singapore recognised by Marco Polo Developments group ("MPDL"). In spite of the difficult retail market, the Group also managed to record a 10.2% increase in its retailing sales to HK\$2,056.9 million as Lane Crawford continued to sustain its turnover though Joyce's revenue experienced fall-off following the anticipated termination of its Armani franchise, which expired in January 2001.

The Group's operating profit before borrowing costs increased slightly by 7.6% to HK\$142.4 million from HK\$132.3 million achieved in the previous year despite the above-mentioned significant increase in revenue, which was mainly caused by the absence of profit from disposal of securities in the year under review while there was a profit of HK\$231.5 million on disposal of non-trading securities in the previous year.

Operating profit from sale of property was mainly derived from recognition of a proportion of profit from sales of Ardmore Park units, of which 33.0% was recognised in 2001/2002 against 15.7% in the previous year. The Certificate of Statutory Completion of Ardmore Park was obtained on 18 October 2001 and stage billings accumulating to 93% of the total sales price of the sold units have been billed and fully received.

The pre-sale of Sorrento Phase I was firstly launched in November 2001 with an extremely favourable response. Over 70% of the Phase I units were sold with sale proceeds over HK\$4 billion by end of the year under review. A proportion of the pre-sale profit was recognised for 2001/2002 in accordance with the established accounting policy. The pre-sale profit recognised is insignificant as the project is still under development stage.

The retail market in Hong Kong and Taiwan remained sluggish and low buying sentiment impacted the fashion retail sector very much. Under these circumstances, added by drop in gross margin caused by severe competition and price promotion activities, the Group recorded a net retail operating loss of HK\$80.3 million, compared to a profit of HK\$56.8 million for 2000/2001. For the year under review, Joyce reported an operating loss of HK\$84.8 million, which includes an exceptional provision of HK\$26.2 million for stock and closure of its Ad hoc division, while Lane Crawford managed to achieve a small profit.

The Group's operating profit for 2001/2002 is after charging a total provision of HK\$1,250.5 million for impairment in value of properties, which included HK\$265.2 million made for certain Singapore properties held by MPDL, HK\$217.8 million made by Realty Development Corporation group ("RDC") in respect of its development projects in Tuen Mun and Kwai Chung and certain lands reserved for development with the remaining provision mainly made for the Bellagio project. The provision of HK\$1,221.2 million made in 2000/2001 was mainly for the Bellagio project and RDC's development projects as mentioned above.

Included in the operating profit for the year was other net income of HK\$113.0 million against HK\$442.2 million for 2000/2001, which included a loss of HK\$35.4 million and a profit of HK\$231.5 million, respectively, on disposal of non-trading securities.

Borrowing costs charged to the profit and loss account for the year were HK\$554.2 million, a substantial decrease from HK\$897.7 million incurred in the previous year as a result of interest rate cuts and the reduction in the Group's net debt, which was mainly attributable to the collection of sale proceeds in respect of the stage billings of Ardmore Park and the pre-sale of Sorrento Phase I.

The share of profits of associates was HK\$1,404.1 million, mainly contributed by the Wharf group, against HK\$1,587.4 million in 2000/2001. Wharf reported a profit attributable to shareholders of HK\$2,519.0 million for its financial year ended 31 December 2001, compared to HK\$2,494.0 million achieved in 2000.

The taxation charge for 2001/2002 was HK\$399.6 million, against HK\$253.2 million in 2000/2001. Higher taxation charges was recorded mainly due to increased sales revenue recognised by MPDL.

The profits shared by minority interests for the year was HK\$46.1 million, against HK\$45.5 million in 2000/2001.

## (II) Liquidity and financial resources

- a) The consolidated net asset value of the Group at 31 March 2002 was HK\$26,485.1 million or HK\$13.04 per share, decreased from HK\$28,419.3 million or HK\$13.99 per share at 31 March 2001, which was mainly due to the downward revaluation of the investment properties and long-term investments of the Group and its principal associate, Wharf.
- b) At 31 March 2002, the ratio of the Group's net debt to total assets was 25.7%, compared to 27.4 % at 31 March 2001. At 31 March 2002, the Group's net debt amounted to HK\$13,175.0 million, made up of HK\$16,626.1 million in debts and HK\$3,451.1 million in deposits and cash, a decrease of 15.9 % as compared with HK\$15,664.5 million at 31 March 2001. The decrease in the Group's net debt was mainly due to substantial proceeds from the sale of Ardmore Park units and the Sorrento Phase I units received during the year under review.

At 31 March 2002, the Group's stakeholders' deposits, representing mainly the bank deposits stakeheld for the pre-sold units at Sorrento Phase I, amounted to HK\$1,153.1 million. Should these bank deposits be included as the Group's cash, the Group's net debt would further reduce to HK\$12,021.9 million or 24.0% of its total assets.

The debt maturity profile of the Group at 31 March 2002 is analysed as follows :

	<b>2002</b>	2001
	<b>HK\$ Million</b>	HK\$ Million
Repayable within 1 year	<b>7,310.2</b>	4,564.7
Repayable after 1 year, but within 2 years	<b>4,940.0</b>	7,580.9
Repayable after 2 years, but within 5 years	<b>3,422.9</b>	4,818.0
Repayable after 5 years	<b>953.0</b>	-
	<b><u>16,626.1</u></b>	<u>16,963.6</u>

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

	<b>2002</b>	2001
	<b>HK\$ Million</b>	HK\$ Million
Investment properties	<b>2,857.5</b>	3,859.6
Long-term investments	<b>785.2</b>	363.2
Properties under development for sale	<b>15,144.4</b>	6,009.7
	<b><u>18,787.1</u></b>	<u>10,232.5</u>

Some of the pledged long-term investments and properties under development for sale as included above representing a total amount of HK\$924.4 million have been discharged subsequent to 31 March 2002.

- d) To minimise exposure on foreign exchange fluctuations, the Group's borrowings are primarily denominated in Hong Kong dollars except that the borrowings for financing Singapore assets are denominated in Singapore dollars. The Group has no significant exposure to foreign exchange fluctuation.
- e) At 31 March 2002, the Group maintained a portfolio of long-term investments of HK\$3,727.7 million, which primarily comprised blue chip securities with a market value of HK\$3,655.3 million (2001 - HK\$3,324.0 million). The investment revaluation deficit at 31 March 2002 was HK\$264.0 million while there was a surplus of HK\$87.7 million at 31 March 2001. The performance of the investment portfolio is basically in line with the general market trend of the stock markets.
- f) During the financial year, high liquidity was sustained in the banking market. The Group arranged a total of approximately HK\$16 billion committed banking facilities, of which HK\$3.8 billion relates to the financing of the Bellagio project, to refinance its loan facilities with substantial reduction in interest costs and on more favourable terms such as longer maturities, more lenient covenants and the inclusion of revolving condition.

### **(III) Contingent liabilities**

- a) Guarantees given by the Group in respect of banking facilities available to associates amounted to HK\$601.4 million (2001 - HK\$595.3 million) of which HK\$320.2 million (2001 - HK\$322.4 million) had been drawn at the balance sheet date.
- b) The Company, together with two non wholly-owned subsidiaries and two associates have jointly and severally guaranteed the performance and observance of the terms under an agreement for the development of the Sorrento project.

### **(IV) Disposal of subsidiaries**

During the financial year, the Group had disposed its 100% interest in several sites at Yau Tong to the Wharf group for a total consideration of HK\$753.5 million. The consideration was calculated on the basis of the value of the properties as assessed by an independent valuer. This transaction was previously announced on 18 July 2001.

### **(V) Employees**

The Group had approximately 2,200 employees as at 31 March 2002. Employees are remunerated according to nature of the job and market trend, with 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 year ended 31 March 2002 was HK\$433.7 million.

## **BOOK CLOSURE**

The Register of Members of the Company will be closed from 26 to 30 August 2002, both days inclusive, for the purpose of determining shareholders' entitlements to the proposed final dividend.

## **PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE**

All the financial and other related information of the Company required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

By Order of the Board  
**Wilson W. S. Chan**  
Secretary

Hong Kong, 14 June 2002

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