



WHEELOCK AND COMPANY LIMITED

2000/2001 Results Announcement

GROUP RESULTS

The Directors of Wheelock and Company Limited are pleased to announce the results of the Group for the year ended 31st March, 2001 as follows:

Audited Consolidated Profit and Loss Account for the year ended 31st March:		(Restated)	
	Note	2001 HK\$ Million	2000 HK\$ Million
Turnover	(1)	3,761.5	4,551.0
Other net income	(2)	442.2	327.6
		<u>4,203.7</u>	<u>4,878.6</u>
Direct costs and operating expenses		(2,201.2)	(2,546.7)
Selling and marketing expenses		(404.9)	(379.7)
Administrative expenses		(244.1)	(233.3)
Provision for impairment in value of properties	(3)	(1,221.2)	(998.8)
Operating profit	(4)	132.3	720.1
Borrowing costs	(5)	(897.7)	(933.5)
Share of profits less losses of associates		1,580.4	1,882.2
Profit before taxation		815.0	1,668.8
Taxation	(6)	(253.2)	(467.0)
Profit after taxation		561.8	1,201.8
Minority interests		(45.2)	(337.4)
Group profit attributable to shareholders		516.6	864.4
Dividends		(152.3)	(152.3)
Transferred to revenue reserves		364.3	712.1
Earnings per share	(7)	25.4 cents	42.6 cents

Notes:

- (1) The principal activities of the Group are retailing and trading, property investment and sale, treasury management, investment holding and rendering of financial and commercial services. Analysis of the Group's turnover and operating profit by principal activities and geographical locations for the year ended 31st March, 2001 is as follows:

	Turnover		Operating profit (before borrowing costs and provision for properties)	
	2001 HK\$ Million	2000 HK\$ Million	2001 HK\$ Million	2000 HK\$ Million
A. Principal activities:				
Retailing and trading	1,865.7	1,388.3	56.8	61.8
Sale of property	1,294.1	2,428.3	553.5	977.5
Property rental	282.3	321.5	224.9	267.6
Treasury management, investment and others	319.4	412.9	518.3	412.0
	3,761.5	4,551.0	1,353.5	1,718.9
B. Geographical locations of operations:				
Hong Kong	2,329.6	2,123.6	568.3	795.8
Singapore	1,349.5	2,377.9	778.2	914.8
Others	82.4	49.5	7.0	8.3
	3,761.5	4,551.0	1,353.5	1,718.9

- (2) Other net income

	2001 HK\$ Million	2000 HK\$ Million
Net profit on disposal of non-trading securities	231.5	154.3
Net provision for non-trading securities	(16.6)	—
Net other provision released / (charged)	84.0	(44.4)
Deferred profits realised	56.2	71.8
Profit on disposal of subsidiaries	-	78.3
Profit on disposal of interest in associates	-	108.7
Others	87.1	(41.1)
	442.2	327.6

- (3) Provision for impairment in value of properties in 2000/2001 mainly included provision made by Realty Development group with the remaining provision substantially related to the development in Sham Tseng. See the Commentary on Annual Results section for details.

(4) Operating profit is arrived at:

	2001	2000
	HK\$ Million	HK\$ Million
after charging:-		
Cost of properties sold	765.7	1,549.4
Cost of inventories sold	1,057.7	806.3
Depreciation	56.2	34.3
	<u> </u>	<u> </u>
and after crediting:-		
Dividend income from listed investments	140.9	139.4
	<u> </u>	<u> </u>

(5) Borrowing costs

	2001	2000
	HK\$ Million	HK\$ Million
Bank loans and overdrafts	1,063.8	1,013.6
Other loans repayable within 5 years	241.8	242.2
Other borrowing costs	102.5	106.0
Less: Amount capitalised	(510.4)	(428.3)
	<u> </u>	<u> </u>
	897.7	933.5
	<u> </u>	<u> </u>

(6) 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% (2000 - 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:-

	2001	2000
	HK\$ Million	HK\$ Million
Company and subsidiaries		
Hong Kong profits tax for the year	19.3	13.0
Overseas taxation (credit)/charge		
for the year	(2.7)	20.1
Underprovisions in prior years	-	157.5
Deferred taxation	93.1	188.8
	<u> </u>	<u> </u>
	109.7	379.4

Associates		
Hong Kong profits tax for the year	111.2	116.6
Overseas taxation for the year	16.8	11.9
Underprovisions in prior years	30.0	-
Tax refund in prior years	-	(28.5)
Deferred taxation	(14.5)	(12.4)
	<u> </u>	<u> </u>
	143.5	87.6

	253.2	467.0
	<u> </u>	<u> </u>

- (7) The calculation of earnings per share is based on earnings for the year of HK\$516.6 million (2000 – HK\$864.4 million) and on the weighted average of 2,030.8 million (2000 – 2,030.6 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 diluting effect on the earnings per share.

- (8) Change in Accounting Policies

In prior years, pre-operating and pre-maturity expenses of the Group's associates in relation to cable television and telecommunications operations were deferred and amortised over the respective licence periods and pre-operating expenses in relation to other projects under development were deferred and amortised over a period, not exceeding five years from the dates the projects came into operation. With effect from 1st April, 2000, a new accounting policy was adopted to write off all these expenses as they are incurred in accordance with Interpretation 9 issued by the Hong Kong Society of Accountants. The new accounting policy has been adopted retrospectively. In adjusting prior years' figures, revenue reserves as at 1st April, 1999 were restated and decreased by HK\$838.2 million representing the Group's share of unamortised balance of pre-operating and pre-maturity expenses charged to the prior year's consolidated profit and loss account.

As a result of the adoption of Interpretation 9 and restating the prior years' results and reserves, the Group's profit for the year attributable to shareholders has increased by HK\$78.5 million (2000 – HK\$141.4 million) as a result of no amortisation of pre-operating and pre-maturity expenses and the write-off of related expenses incurred during the year and the Group's net assets at 31st March, 2001 have decreased by HK\$633.9 million (2000 – HK\$706.8 million).

DIVIDENDS

An interim dividend in respect of the year ended 31st March, 2001 of 2.5 cents (2000 – 2.5 cents) per share was paid on 18th January, 2001, absorbing a total amount of HK\$50.8 million (2000 – HK\$50.8 million). The Directors have recommended for adoption at the Annual General Meeting to be held on Friday, 31st August, 2001 the payment on 21st September, 2001 to Shareholders on record as at 31st August, 2001 of a final dividend in respect of the year ended 31st March, 2001 of 5.0 cents (2000 – 5.0 cents) per share, absorbing a total amount of HK\$101.5 million (2000 – HK\$101.5 million).

COMMENTARY ON ANNUAL RESULTS

(I) Review of 2000/2001 Results

Group profit attributable to Shareholders for the year under review was HK\$516.6 million, a decrease of 40.2% from HK\$864.4 million. Earnings per share were 25.4 cents compared to 42.6 cents for the previous year.

The Group's turnover for the year was HK\$3,761.5 million, compared to HK\$4,551.0 million for 1999/2000, a decrease of 17.3%, which was principally due to lower property sales revenue recognised by Marco Polo Developments group ("MPDL") in respect of its sales of Ardmore Park units in Singapore. On retailing and trading side, turnover increased by 34.4% to HK\$1,865.7 million resulting from an increase in turnover of Lane Crawford and the acquisition of Joyce Boutique Holdings Limited, a non wholly-owned listed subsidiary, in mid-August 2000.

The Group's operating profit before borrowing costs decreased by 81.6% to HK\$132.3 million from HK\$720.1 million achieved in the previous year, mainly as a result of lower contribution derived from MPDL and the increase in provision for impairment in value of properties.

MPDL's profit was mainly derived from recognition of a proportion of the pre-sale profit of Ardmore Park of which 15% was recognised in 2000/2001 against 25% for the previous year. As at 31st March 2001, stage billings representing 60% of the total sales price of all the units sold have been billed and fully collected. Temporary Occupation Permit for the whole development of Ardmore Park was obtained in May 2001 and to-date stage billings representing 85% of the total sales price of the 316 units sold have been billed and substantially collected.

Despite the difficult retailing environment of Hong Kong, Lane Crawford managed to maintain a satisfactory positive operating profit while the newly acquired Joyce Boutique Holdings Limited turned around from loss and reported a net profit of HK\$7.2 million.

Provision for impairment in value of properties of HK\$1,221.2 million in 2000/2001 included provision of HK\$338.7 million made by Realty Development group ("RDC") for its residential development project in Tuen Mun, industrial/office development project in Kwai Chung and certain land reserved for development. The remaining provision is mainly related to the development project in Sham Tseng. Provision for 1999/2000 is mainly related to property development projects in China Mainland and certain projects in Hong Kong.

Included in the operating profit for the year is other net income of HK\$442.2 million against HK\$327.6 million for 1999/2000, mainly due to increase in profits on disposal of certain securities and the write-back of certain other provisions.

Borrowing costs charged to the consolidated profit and loss account for the year were HK\$897.7 million, a decrease of 3.8% as compared with HK\$933.5 million for 1999/2000.

The share of profits in associates of HK\$1,580.4 million decreased by 16.0% from HK\$1,882.2 million for 1999/2000, mainly as a result of the decrease in profit contribution from Wharf. Wharf reported a profit attributable to shareholders of HK\$2,480.0 million for its financial year ended 31st December, 2000, compared to HK\$3,511.0 million achieved in 1999. Wharf's profit for 1999 included a non-recurring gain of HK\$3,762.0 million arising from the spin off of i-CABLE Communications Limited and provisions made for contingencies from litigation case of HK\$1,000.0 million and also for certain properties under development of HK\$1,508.0 million.

Taxation charge for 2000/2001 was HK\$253.2 million, against HK\$467.0 million in 1999/2000. Lower taxation charge was recorded mainly due to decreased sales revenue recognised by MPDL, and included in 1999/2000 taxation was an additional tax provision of HK\$157.4 million made by RDC.

The profits shared by minority interests for the year were HK\$45.2 million, a decrease of 86.6% from HK\$337.4 million in 1999/2000. The decrease was mainly due to decrease in profits of the Group's non-wholly owned subsidiaries.

(II) Liquidity and Financial Resources

- a) At 31st March, 2001, the ratio of the Group's net debt to total assets was 27.4%, compared to 28.8% at 31st March, 2000. At 31st March, 2001, the Group's net debt amounted to HK\$15,664.5 million, made up of HK\$16,963.6 million in debts and HK\$1,299.1 million in deposits and cash, a decrease of 2.6% as compared with HK\$16,081.7 million at 31st March, 2000.

The debt maturity profile of the Group at 31st March, 2001 is analysed as follows:

	2001	2000
	HK\$Million	HK\$Million
Repayable within one year	4,564.7	4,806.8
Repayable after 1 year, but within 2 years	7,580.9	5,615.0
Repayable after 2 years, but within 5 years	4,818.0	7,089.9
	<u>16,963.6</u>	<u>17,511.7</u>

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

	2001	2000
	HK\$Million	HK\$Million
Fixed assets	3,859.6	4,176.1
Long-term investments	363.2	1,712.7
Properties under development	6,009.7	10,769.1
	<u>10,232.5</u>	<u>16,657.9</u>

- c) 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.
- d) At 31st March, 2001, the Group maintained a portfolio of long-term listed investments with market value of HK\$3,324.0 million (2000— HK\$3,600.9 million) which primarily comprised blue chip securities.

(III) Finance

During the financial year, the Group secured and renewed committed banking facilities at lower margins in a total amount of approximately HK\$11 billion, of which HK\$3.4 billion relates to the refinancing of the MTRC Kowloon Station Package Two development project at favourable terms to replace a previous facility of HK\$2.2 billion. In addition, various short-term banking facilities were also secured or renewed. Grace Sign Limited, in which RDC has a 20% interest, has also completed a project finance facility of HK\$2.5 billion to finance the development of KIL 11118 King's Park site.

(IV) Acquisition of Subsidiaries and Associates

During the financial year, the Group acquired a controlling interest of 52% in Joyce Boutique Holdings Limited and a 39% interest in City Super Limited. Besides, RDC has participated in a joint venture of which RDC owns 20% to acquire the King's Park site at HK\$2,508.0 million.

(V) Employee

The Group had approximately 2,300 employees as at 31st March, 2001. 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 31st March, 2001 was HK\$370.1 million.

BOOK CLOSURE

The Register of Members of the Company will be closed from 27th to 31st August, 2001, 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, 26th June, 2001