

Chairman's Statement

RESULTS

Wheelock and Company Limited's consolidated profit attributable to shareholders for the year ended 31 March 2002 was HK\$546.6 million, compared to HK\$523.3 million for the previous year.

Earnings per share were 26.9 cents, compared to 25.8 cents for the previous year.

The consolidated net asset value of the Company as at 31 March 2002 was HK\$13.04 per share, compared to HK\$13.99 per share a year earlier.

An interim dividend of 2.5 cents per share was paid in January 2002, and the Directors recommend a final dividend of 5.0 cents per share to be approved at the Annual General Meeting. The total dividend for the year will be 7.5 cents per share, the same as last year.

The Wharf (Holdings) Limited

Interest in The Wharf (Holdings) Limited represents almost 50 per cent of Group total assets. Share of Wharf's profit contribution to Wheelock was HK\$1,202.9 million with dividend to Wheelock totalling HK\$968.3 million.

For the most part of the financial year under review, operating environment was very challenging due mainly to the global economic downturn. Underpinned by its five core assets, namely, *Harbour City*, *Times Square*, *Modern Terminals*, *i-CABLE* and *Wharf New T&T*, **The Wharf (Holdings) Limited** performed reasonably well. These five brands account for about 90 per cent of **Wharf's** total business assets.

Wharf Estates Limited's core properties *Harbour City* and *Times Square* contributed an aggregated HK\$3 billion in rental income, an improvement of six per cent over a year ago.

Wharf China Limited grouped under its portfolio several businesses that have operations with "China leveraging" opportunities such as property, hotels and logistics. Annual contribution from China property rental now amounts to nearly HK\$200 million.

Modern Terminals maintained profitability at the 2000 level with an increased throughput of 4.7 per cent and a productivity gain of almost 12 per cent.

Wharf Communications Limited successfully accomplished a few major milestone achievements. While *i-CABLE's* net profit increased by 735 per cent to HK\$167 million, **Wharf New T&T** also broke into net profitability for the very first time with just six per cent market share.

New Asia Realty and Trust Company, Limited

New Asia Realty's assets represent almost 30 per cent 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.

Despite the higher sales contributions from its principal subsidiaries such as **Realty Development Corporation**, operating margin was under considerable pressure due to the soft market situation. Adhering to the Group's accounting policy, further property provisions were made during the year. Apart from development property, **Realty Development Corporation's** investment property contribution, including the one from Wheelock House, was fairly steady.

Singapore-listed subsidiary **Marco Polo Developments Limited** posted strong growth in property sales due mainly to higher sales recognition from the Ardmore Park project. Key investment property Wheelock Place achieved an average occupancy of 94 per cent at satisfactory rental during the financial year under review. Upcoming focus will be on the launch of the Grange Residences, the redevelopment of the former Marco Polo Hotel.

Property and Investments

Direct property and securities investments represent 18 per cent of Group total assets.

Wheelock's landbank was mainly represented by its direct one-third interest or effective interest of 74 per cent in Bellagio and 20 per cent direct interest or effective interest of 62 per cent in Sorrento. Sorrento Phase I was successfully launched in November 2001 and sales proceeds generated during the financial year amounted to HK\$4.2 billion. Both Bellagio Phase I and Sorrento Phase II will be launched in due course.

The performance of the Group's investment portfolio totalling HK\$3,727.7 million was generally in line with that of the broader stock market.

Distribution and Retail

Assets under the Distribution and Retail Division represent 2 per cent of Group total assets.

The year 2001/2002 was an extremely challenging year for retailers as consumer spending continued to be cautious.

Lane Crawford managed to achieve a slight growth in turnover as well as a modest profit in spite of the tough business environment and shrinking margin. During the year under review, the Taiwan project was dropped and investment expensed off.

Joyce posted a loss for the year ended March 2002. The gross margin was eroded by the severe competition and Ad Hoc's closure sale. The termination of the Armani franchise and the need to make additional provision for inventories also had significant impact on **Joyce's** performance.

Bucking the trend, **City'Super** reported double-digit growth in sales turnover. During the financial year under review, average sales per square foot remained fairly steady.

OUTLOOK

Hong Kong is best positioned in Asia, having successfully dealt with the three major challenges, namely, the sovereignty change since 1982, the Asian Financial Crisis in 1997 and the "hollowing out" phenomenon since 1979. The worst is behind us.

Hong Kong is exceptionally strong in the service industry which now contributes 86 per cent of Hong Kong's GDP. Yet, this sector accounts for only 33 per cent of GDP in China. We see that being a great opportunity as Hong Kong is the service platform and service provider to help rebuild China's much needed service industry. China's WTO membership is a new milestone for Hong Kong, presenting unprecedented positive opportunities and challenges. Hong Kong's critical mass in logistics, corporate and financial services, market place for goods and commercial services is unparalleled. Hong Kong is the haven for private enterprise. We believe Hong Kong is in the right place, at the right time and with the right neighbour. Over the last 50 years, Hong Kong has been preparing for the opening of the China market. It is now opening.

With the strong recurrent dividend income stream coming from **Wharf** and **New Asia Realty**, Wheelock is well-placed to participate in the recovery of the Hong Kong economy.

Peter K. C. Woo
Chairman

Hong Kong, 14 June 2002