

## Business Review



The Wharf (Holdings) Limited, a major listed associate with strategic focus on Hong Kong and China, is driven by strong recurrent earnings and value creation opportunities originating from its flagship property *Harbour City* at Kowloon Point. Core brands including *Harbour City*, *Times Square*, *Modern Terminals*, *i-CABLE* and *Wharf New T&T* make up 90 per cent of the group's business assets. Development of these core brands will steer the group's future investments in Hong Kong and China.

### Wharf Estates Limited

*Harbour City's* 10 office blocks accounted for the bulk of all 2001 office leasing activities in Kowloon, with a net takeup of more than 500,000 square feet in gross floor area. Excluding Tower 6 of Gateway II, *Harbour City* achieved an occupancy rate of 91 per cent at the year end. Tower 6 is expected to reach 80 per cent occupancy by the second half of 2002.

Gateway Apartments continued to receive favourable response with occupancy maintained at around 85 per cent. The average duration of leases is between nine and 18 months.

Consolidated occupancy for the three Marco Polo Hotels along Canton Road was 83 per cent – a decline of four percentage points over 2000. However, the average room rate remained fairly stable.

Retail occupancy at *Harbour City* held up firmly above 95 per cent throughout 2001. Despite the adverse economic conditions and fairly poor consumer sentiment, rental reversions turned positive during the fourth quarter.

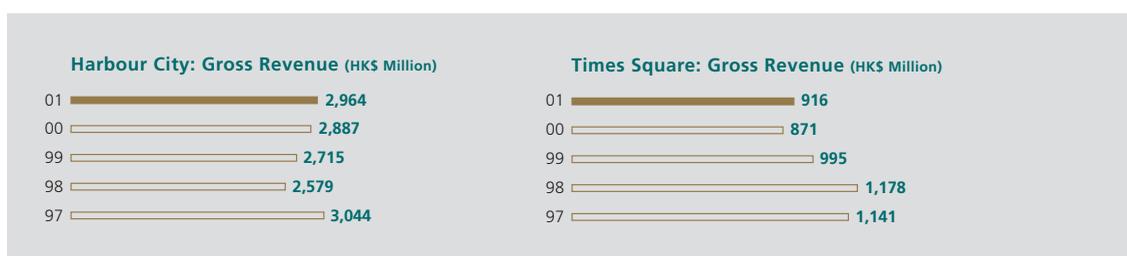
*Times Square's* retail podium maintained its distinctively high occupancy rate of 98 per cent plus throughout 2001. While more than 50 per cent of retail tenancies are due for renewal in 2002, opportunities will be taken to further refine tenant quality and trade mix.

Due to the superior quality of its office space, *Times Square* offices' average occupancy for the year increased steadily to about 92 per cent.

Business Review (continued)

Development projects with a total of 1.1 million square feet in GFA, including Galaxia, Serenade Cove and Nelson Court, were sold. **Wharf** acquired in July 2001 a 15.6 per cent interest in a consortium to develop a property in Yau Tong, Kowloon. Attributable gross floor area to **Wharf** is about 1.6 million square feet.

Mountain Court and Chelsea Court have been leasing well in the high-end luxury rental market. No. 1 Plantation Road is now near completion. Redevelopment for 3-5 Gough Hill Path is also progressing according to schedule.

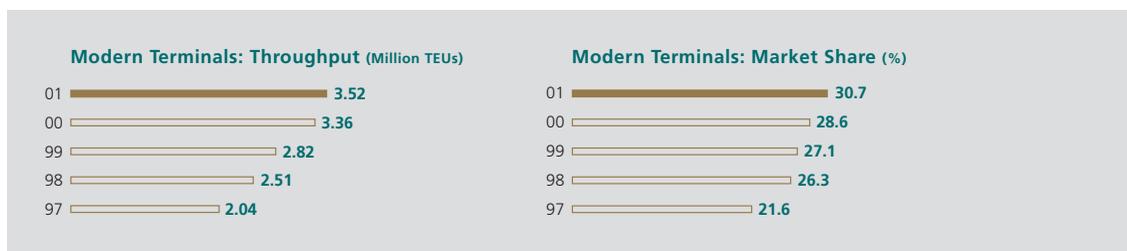


### Wharf China Limited

The overall occupancy rate for the two *Times Square* complexes in Beijing and Shanghai improved to 70 per cent since they came on stream in 2000. Annual rental income is now close to HK\$200 million. Chongqing Times Square, currently under construction, has a total GFA of 1.6 million square feet and an estimated construction cost of HK\$1 billion.

For Marco Polo Hotels, last year's most exciting event was the opening of the Marco Polo Beijing in December. With China's WTO entry and Marco Polo Hotels' presence in Beijing and Xiamen, there exists a good opportunity to roll out the Marco Polo Hotel brand and business model in other cities in China.

By delivering a growth of 4.7 per cent in the number of TEUs handled in 2001, *Modern Terminals'* market share in Kwai Chung expanded to 30.7 per cent from 28.6 per cent. With respect to port development projects, *Modern Terminals* obtained the in-principle approval in February 2001 from the Central Government in Beijing for taking up an interest of approximately 20 per cent in Shekou Container Terminal 2 project. The completion date for the first berth of Container Terminal 9 in Hong Kong will be early 2003.



Business Review (continued)

## Wharf Communications Limited

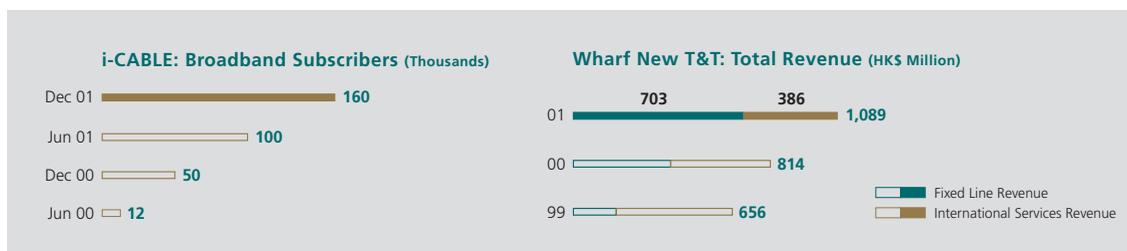
### *i-CABLE*

Total Pay TV subscribers exceeded 560,000 at the end of 2001.

The broadband business broke into net profitability in the second half of 2001, and became one of the first broadband ISPs in the world, if not the only one, to be profitable. The broadband access subscriber base tripled to 160,000 during 2001, with an estimated market share of 30 per cent in the residential sector.

### *Wharf New T&T*

In October 2001, the name of New T&T was officially changed to *Wharf New T&T*. The year 2001 was a major milestone year for *Wharf New T&T* which broke into profitability even with only 6 per cent of the total market share. Total installed fixed lines grew from 140,000 to approximately 240,000 by the end of 2001, representing an annual growth rate of 70 per cent. The total volume of outgoing IDD minutes in 2001 reached 320 million minutes, more than double the 1999 figure. Fixed lines accounted for 65 per cent of total net revenue, up from 49 per cent a year ago and 27 per cent two years ago. In particular, high-value data lines represented over 40 per cent of fixed line revenue and became the fastest growing part of the business.



## Business Review (continued)



### New Asia Realty and Trust Company, Limited

Sorrento is a joint-venture project equally owned by **New Asia Realty, Wheelock, Realty Development Corporation, Wharf** and Harbour Centre Development, located above the MTR's Kowloon Station. Phase I comprising 1,272 units in three towers was launched in November 2001. Total sales reached 926 units or 73 per cent of total Phase I units. Sales proceeds generated during the financial year under review amounted to HK\$4.2 billion. Completion of Phase II, two towers consisting of 854 units, is expected by early 2004. The soft launch or pre-sale may start as early as the fourth quarter of 2002.

Bellagio, the Sham Tseng site on the western shore of the New Territories, is a joint-venture development equally owned by **New Asia Realty, Wheelock** and **Wharf**. With 2.8 million square feet in GFA, it is being developed into 3,354 units in eight towers under four phases. Construction work for all four phases is progressing according to schedule. Completion of Phase I, covering 840 units in two towers, is scheduled for late 2002 and the pre-sale launch is planned for the second half of 2002.

### Realty Development Corporation Limited

The pre-sale for Palm Cove commenced in March 2002. Out of the total 260 units, 155 units or 60 per cent have already been sold. This residential development located along Castle Peak Road has a total GFA of 243,600 square feet and completion is expected by mid-2003.

The King's Park development, a 20 per cent owned joint-venture project located in Homantin, is being developed into eight towers consisting of 700 units with a total GFA of 904,200 square feet. Demolition works have been completed and foundation works are now in progress. Pre-sale is now targeted to take place during the fourth quarter of 2002.

### Marco Polo Developments Limited

Wheelock Place, a commercial building with 464,800 square feet in GFA on Orchard Road, achieved an average occupancy of 94 per cent at satisfactory rental during the financial year under review.

The former Marco Polo Hotel site is being redeveloped into a freehold, luxury, high-rise condominium complex with 488,200 square feet in GFA, known as "Grange Residences". Main construction work is now in progress and scheduled to be substantially completed by second half of 2003. Ardmore View is currently leased out with average occupancy at 90 per cent. This residential redevelopment with a total GFA of 92,200 square feet will proceed when market conditions improve.

Business Review (continued)



Lane Crawford

As part of the Group's ongoing efforts in refreshing **Lane Crawford's** brand image as well as maintaining the company's prestigious standards, the façade of Lane Crawford House and the interior have been renovated and reconfigured, giving the Central Store a visually engaging and contemporary look.

Retail trading in Hong Kong remained profitable during the year despite the fact that the overall retail sector was heading for a downturn. Shanghai operation is profitable.



JOYCE

In September 2001, **Joyce** at Pacific Place was expanded from 4,000 square feet to 8,700 square feet.

In August 2001, the **Joyce** Taiwan store was renovated and its size reduced by approximately one-third, resulting in increased turnover and lower rental costs. In March 2002, **Joyce** at Nathan Road was relocated to more cost-effective and better located premises on Canton Road, anchoring the expanding **Joyce** retail presence at **Harbour City**. Both of these stores' increased turnover coupled with rental savings should improve the company's profitability.



city'super

The stores at **Times Square** and **Harbour City** remained to be the major contributors to total sales. A new food-court operation occupying 19,000 square feet at Silvercord in Tsimshatsui was opened in November 2001.