THE WHARF (HOLDINGS) LIMITED

Interim Report to Shareholders 2004

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WHARF

Established 1886

Highlights of Group Results

- Unaudited profit amounted to HK$1,680 million, an increase of 28%.
- Earnings per share were HK$0.69 (2003: HK$0.53).
- Interim dividend: 32.75 cents per share.
- Turnover was HK$5,739 million, an increase of 5% (2003: HK$5,463 million).
- Operating profit before borrowing costs was HK$2,520 million, an increase of 6% (2003: HK$2,368 million).
- Property investment: revenue increase of 7% to HK$2,241 million. Operating profit increased by 7% to HK$1,554 million, within which operating profit of hotel business increased by HK$123 million.
- Share of associates' profits (mainly from associates undertaking property development) increased by HK$92 million to HK$146 million.
- CME (Communications, Media and Entertainment): total revenue increased by 10% to HK$1,931 million. Operating profit up 12% to HK$223 million.
- Logistics: total revenue (mainly contributed by the 55.3%-owned Modern Terminals) dropped 1% to HK$1,515 million. Operating profit also down 3% to HK$831 million.
- Net borrowing costs decreased by 57% to HK$131 million (2003: HK$305 million). Average borrowing costs was 1.6% p.a. (2003: 3.1% p.a.).
- Consolidated net asset value was HK$21.46 per share (as at December 31, 2003: HK$21.09 per share).
- Debt ratios: as at June 30, 2004, the ratio of net debts to total assets reduced to 19.5% and the ratio of net debts to shareholders' equity decreased to 29.3% (as at December 31, 2003: 21.4% and 32.9% respectively).
- As at June 30, 2004, planned capital expenditure of the Group totalled HK$5.6 billion, of which HK$2.9 billion are for property (8 million sq ft) under development for trading and long term investment in mainland China.

Group Results

The unaudited Group profit attributable to Shareholders for the six months ended June 30, 2004 amounted to HK$1,680 million, an increase of 28%, compared to HK$1,309 million achieved for the corresponding period last year. Earnings per share were 69 cents (2003: 53 cents).

Interim Dividend

An interim dividend in respect of the year ended December 31, 2003 of HK$802 million was paid by way of (a) cash in an aggregate sum of HK$294 million, equivalent to 12 cents per share, and (b) distribution of 244,747,663 shares of HK$1.00 each in the share capital of i-CABLE Communications Limited ("i-CABLE Shares") held by the Company, with a value of HK$2.075 per i-CABLE Share, being the closing price per i-CABLE Share on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as at August 19, 2003. On this basis, the interim dividend for the half-year period ended June 30, 2003 was 32.75 cents per share in total.

The Board has declared an interim dividend in respect of the half-year period ended June 30, 2004 of 32.75 cents per share, payable on Tuesday, October 19, 2004 to Shareholders on record as at October 12, 2004.

Consolidated Profit And Loss Account

For The Six Months Ended June 30, 2004

	Note	**Unaudited 30/06/2004 HK$ Million**	Unaudited 30/06/2003 HK$ Million
Turnover	2	**5,739**	5,463
Direct costs and operating expenses		**(1,975)**	(1,989)
Selling and marketing expenses		**(271)**	(244)
Administrative and corporate expenses		**(280)**	(264)
Operating profit before depreciation, amortisation, interest and tax		**3,213**	2,966
Depreciation and amortisation		**(693)**	(598)
Operating profit	2	**2,520**	2,368
Borrowing costs	3	**(131)**	(305)
Share of profits less losses of associates	4	**146**	54
Profit before taxation		**2,535**	2,117
Taxation	5(c)	**(465)**	(470)
Profit after taxation		**2,070**	1,647
Minority interests		**(390)**	(338)
Profit attributable to shareholders		**1,680**	1,309
Interim dividend proposed after the balance sheet date	6	**802**	802
Earnings per share			
Basic	7	**HK$0.69**	HK$0.53
Diluted	7	**HK$0.69**	HK$0.53
Interim dividend per share	6	**32.75 cents**	32.75 cents

Consolidated Balance Sheet

As at June 30, 2004

	Note		Unaudited 30/06/2004 HK$ Million		Audited 31/12/2003 HK$ Million
Non-current assets					
Fixed assets					
Investment properties			**54,606**		54,580
Other properties, plant and equipment			**16,645**		16,540
			71,251		71,120
Goodwill			**322**		347
Long term deposits			**156**		156
Interest in associates			**1,405**		2,075
Long term investments			**1,251**		1,392
Deferred debtors			**431**		439
Deferred items			**401**		432
Deferred tax assets			**112**		112
			75,329		76,073
Current assets					
Inventories		**2,701**		2,695	
Trade and other receivables	8	**1,014**		882	
Deposits and cash		**2,023**		1,512	
		5,738		5,089	
Current liabilities					
Trade and other payables	9	**(4,013)**		(4,193)	
Short term loans and overdrafts		**(4,299)**		(6,329)	
Taxation payable		**(848)**		(638)	
		(9,160)		(11,160)	
Net current liabilities			**(3,422)**		(6,071)
Total assets less current liabilities			**71,907**		70,002

Consolidated Balance Sheet (Continued)

As at June 30, 2004

	Note		Unaudited 30/06/2004 HK$ Million		Audited 31/12/2003 HK$ Million
Capital and reserves					
Share capital	10	2,447		2,447	
Reserves	11	50,083		49,181	
			52,530		51,628
Minority interests			4,023		4,021
Non-current liabilities					
Long term loans		13,295		12,345	
Deferred taxation		1,804		1,748	
Other deferred liabilities		255		260	
			15,354		14,353
Total equity and non-current liabilities			71,907		70,002

Condensed Consolidated Cash Flow Statement

For The Six Months Ended June 30, 2004

	Unaudited 30/06/2004 HK$ Million	Unaudited 30/06/2003 HK$ Million
Net cash inflow from operating activities	**2,631**	2,755
Net cash inflow relating to investing activities	**25**	512
Net cash outflow from financing	**(2,145)**	(2,992)
Increase in cash and cash equivalents	**511**	275
Cash and cash equivalents at January 1	**1,512**	757
Cash and cash equivalents at June 30	**2,023**	1,032
Analysis of the balance of cash and cash equivalents		
Deposits and cash	**2,023**	1,032
Reconciliation of cash and cash equivalents to deposits and cash		
Cash and cash equivalents per above	**2,023**	1,032
Long-term deposits maturing in 2003	**–**	468
	2,023	1,500

Condensed Consolidated Statement of Changes in Equity

For The Six Months Ended June 30, 2004

	Unaudited 30/06/2004 HK$ Million	Unaudited 30/06/2003 HK$ Million
Total equity as at January 1	**51,628**	47,734
Net (losses)/gains not recognised in the consolidated profit and loss account	**(71)**	55
Profit attributable to shareholders	**1,680**	1,309
Investments revaluation reserves transferred to the profit and loss account on disposal of non-trading investments – by company/subsidiaries	**(22)**	4
Final dividend approved in respect of previous year	**(685)**	(685)
	973	628
Total equity as at June 30	**52,530**	48,417

Notes to the accounts

1. Basis of preparation of the accounts

The unaudited consolidated accounts have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" and Appendix 16 of Listing Rules of The Stock Exchange of Hong Kong Limited. The accounting policies and methods of computation used in the preparation of the interim accounts are consistent with those used in the annual accounts for the year ended December 31, 2003.

2. Turnover and operating profits

a. Segment Information

i. Business segments

	Segment Revenue		Segment Results	
	30/06/2004 HK$ Million	30/06/2003 HK$ Million	**30/06/2004 HK$ Million**	30/06/2003 HK$ Million
Property investment	**2,241**	2,092	**1,554**	1,448
Hong Kong	**1,793**	1,805	**1,406**	1,430
China	**106**	90	**35**	28
Hotels	**342**	197	**113**	(10)
Communications, media and entertainment ("CME")	**1,931**	1,748	**223**	199
Pay television	**920**	844	**235**	210
Internet and multimedia	**232**	193	**(27)**	(48)
i-CABLE (before unallocated items)	**1,152**	1,037	**208**	162
Telecommunications	**674**	615	**11**	19
Others	**105**	96	**4**	18
Logistics	**1,515**	1,532	**831**	854
Terminals	**1,335**	1,367	**774**	820
Others	**180**	165	**57**	34
	5,687	5,372	**2,608**	2,501
Property development	**73**	102	**12**	(13)
Investment and others	**118**	114	**20**	15
Inter-segment revenue (Note)	**(139)**	(125)	**–**	–
	5,739	5,463	**2,640**	2,503
Unallocated income and expenses			**(120)**	(135)
Operating profit			**2,520**	2,368
Borrowing costs			**(131)**	(305)
Associates				
Property development			**113**	44
Terminals			**33**	8
Others			**–**	2
Profit before taxation			**2,535**	2,117

2. Turnover and operating profits (Continued)

a. *Segment Information (Continued)*

i. Business segments (Continued)

Note: Inter-segment revenue eliminated on consolidation included:

	30/06/2004 HK$ Million	30/06/2003 HK$ Million
Property investment	**40**	49
CME	**95**	68
Logistics	**1**	6
Investment and others	**3**	2
	139	125

ii. Geographical segments

During the period, more than 90 per cent of the operations of the Group in terms of the above items was in Hong Kong.

b. *Operating profit is arrived at after:*

	30/06/2004 HK$ Million	30/06/2003 HK$ Million
charging:–		
Depreciation		
– assets held for use under operating leases	**40**	40
– other assets	**545**	494
Amortisation of prepaid expenses and programming library	**83**	53
Amortisation of goodwill	**25**	11
Staff costs, including retirement scheme costs HK$38 million (2003: HK$45 million)	**1,048**	989
Auditors' remuneration		
Audit services	**4**	4
Other services	**1**	1
Cost of properties sold during the period	**53**	104
and crediting:–		
Rental income less direct outgoings, including contingent rentals HK$73 million (2003: HK$47 million)	**1,517**	1,516
Interest income	**23**	60
Dividend income from listed investments	**38**	31
Dividend income from unlisted investments	**49**	29

3. Borrowing costs

	30/06/2004 HK$ Million	30/06/2003 HK$ Million
Interest on:		
Bank loans and overdrafts	**41**	207
Other loans repayable within five years	**51**	75
Other borrowing costs	**51**	55
	143	337
Less: Amount capitalised	**(12)**	(32)
Net borrowing costs for the period	**131**	305

The Group's average borrowing cost for the period was 1.6% per annum (2003: 3.1% per annum).

4. Share of profits less losses of associates

Share of profits of associates mainly included attributable profits on disposal of Sorrento and Bellagio residential units and terminals operation.

5. Taxation

a. The provision for Hong Kong profits tax is based on the profit for the period as adjusted for tax purposes at the rate of 17.5 per cent (2003: 17.5 per cent).

b. Overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessed for tax.

5. Taxation (Continued)

c. Taxation in the consolidated profit and loss account represents:

	30/06/2004 HK$ Million	30/06/2003 HK$ Million
Current tax – Hong Kong profits tax		
Tax for the period	339	377
Underprovision in respect of prior years	66	18
	405	395
Current tax – overseas taxation		
Tax for the period	1	–
Overprovision in respect of prior years	(9)	–
	(8)	–
Deferred tax		
Origination and reversal of temporary differences	56	(25)
Effect of increase in tax rate on deferred tax	–	99
	56	74
Associates	12	1
	465	470

d. None of the taxation payable in the balance sheet is expected to be settled after more than one year.

6. Dividends

a. Dividends attributable to the period

	30/06/2004 HK$ Million	30/06/2003 HK$ Million
Proposed after the balance sheet date:–		
32.75 cents (2003: 12 cents) per share	802	294
Distribution in specie in the form of shares in i-CABLE Communications Limited ("i-CABLE Shares") equivalent to 20.75 cents per share	–	508
	802	802

The above interim dividends were proposed after the balance sheet dates and have not been recognised as liabilities at the respective balance sheet dates.

6. Dividends (Continued)

b. Dividends attributable to the previous financial year but approved during the period

	30/06/2004 HK$ Million	30/06/2003 HK$ Million
Final dividend in respect of the previous financial year, approved during the period, of 28 cents (2003: 28 cents) per share	**685**	685

7. Earnings per share

The calculation of earnings per share is based on the earnings for the period of HK$1,680 million (2003: HK$1,309 million) and the weighted average of 2,447 million ordinary shares (2003: 2,447 million ordinary shares) in issue during the period.

The calculation of diluted earnings per share is based on earnings for the period of HK$1,680 million (2003: HK$1,309 million) and the weighted average of 2,447 million ordinary shares (2003: 2,447 million ordinary shares) after adjusting for the effects of all dilutive potential ordinary shares.

The existence of unexercised options during the period ended June 30, 2004 has no dilutive effect on the calculation of diluted earnings per share for the period ended June 30, 2004.

8. Trade and other receivables

Included in this item are trade debtors (net of provision for bad and doubtful debts) with an ageing analysis as at June 30, 2004 as follows:

	30/06/2004 HK$ Million	31/12/2003 HK$ Million
0 – 30 days	**340**	355
31 – 60 days	**212**	154
61 – 90 days	**47**	60
Over 90 days	**40**	64
	639	633

The Group has a defined credit policy. The general credit terms allowed range from 0 to 60 days, except for pre-sale proceeds of properties under development, which are due to receive upon completion of the properties under development.

9. Trade and other payables

Included in this item are trade creditors with an ageing analysis as at June 30, 2004 as follows:

	30/06/2004 HK$ Million	31/12/2003 HK$ Million
0 – 30 days	**127**	284
31 – 60 days	**55**	66
61 – 90 days	**47**	54
Over 90 days	**215**	198
	444	602

10. Share capital

	30/06/2004 No. of share Million	31/12/2003 No. of share Million	**30/06/2004 HK$ Million**	31/12/2003 HK$ Million
Authorised				
Ordinary shares of HK$1 each	**3,600**	3,600	**3,600**	3,600
Issued and fully paid				
Balance at January 1	**2,447**	2,447	**2,447**	2,447
Exercise of share options	**–**	–	**–**	–
Balance at June 30/December 31	**2,447**	2,447	**2,447**	2,447

11. Reserves

	Share premium HK$ Million	Capital redemption reserves HK$ Million	Investment properties revaluation reserves HK$ Million	Investments revaluation reserves HK$ Million	Other capital reserves HK$ Million	Revenue reserves HK$ Million	Total HK$ Million
a. Company and subsidiaries							
Balance at January 1, 2004	7,742	7	32,109	229	(686)	10,469	49,870
Dividends approved in respect of the previous year	–	–	–	–	–	(685)	(685)
Transferred to the profit and loss account on disposal of non-trading investments	–	–	–	(22)	–	–	(22)
Revaluation deficit – non-trading investments	–	–	–	(71)	–	–	(71)
Profit for the period	–	–	–	–	–	1,546	1,546
Balance at June 30, 2004	7,742	7	32,109	136	(686)	11,330	50,638
b. Associates							
Balance at January 1, 2004	–	–	–	1	–	(690)	(689)
Profit for the period	–	–	–	–	–	134	134
Balance at June 30, 2004	–	–	–	1	–	(556)	(555)
Total reserves							
At June 30, 2004	**7,742**	**7**	**32,109**	**137**	**(686)**	**10,774**	**50,083**
At December 31, 2003	7,742	7	32,109	230	(686)	9,779	49,181

12. Material related party transactions

Except for the transactions noted below, the Company and the Group have not been a party to any material related party transactions during the period ended June 30, 2004:

a. Loans totalling HK$1,874 million (31/12/2003: HK$2,588 million) advanced by the Group to certain associates involved in the Sorrento and Bellagio property developments projects are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules. Waivers were granted by the Stock Exchange in 1997 and 1994 from complying with the relevant connected transaction requirements. The net interest earned by the Group from these loans during the period is not material in the context of these accounts.

b. As disclosed in Note 13(b), the Company and a subsidiary, together with its principal shareholder and two of its subsidiaries, have jointly and severally guaranteed the performance and observance of the terms by a subsidiary of the associate under an agreement to develop the Sorrento property development project.

Such guarantees given by the Company constitute connected transactions as defined under the Listing Rules, but a waiver from complying with the relevant connected transaction requirements was granted by the Stock Exchange in 1997.

13. Contingent liabilities

As at June 30, 2004:

a. There were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to overdraft, short term loan and credit facilities, bonds and notes of up to HK$26,096 million (31/12/2003: HK$28,562 million).

b. The Company and a subsidiary together with its principal shareholder and two of its subsidiaries thereof, have jointly and severally guaranteed the performance and observance of the terms under an agreement for the Sorrento property development project by the subsidiary of an associate.

c. Forward exchange contracts amounting to HK$5,616 million (31/12/2003: HK$5,616 million).

14. Commitments

	30/06/2004 HK$ Million	31/12/2003 HK$ Million
a. Capital commitments		
Planned capital expenditure:		
Authorised and contracted for	**1,508**	1,099
Authorised but not contracted for	**2,334**	1,419
	3,842	2,518
b. Other commitments		
Planned expenditure related to properties under development for sale in mainland China:		
Authorised and contracted for	**118**	62
Authorised but not contracted for	**1,656**	2,393
	1,774	2,455

15. Review of unaudited interim accounts

The unaudited interim accounts for the six months ended June 30, 2004 have been reviewed by the audit committee of the Company.

Business Review and Prospects

Harbour City

Retail

The overall occupancy level of **Harbour City** was maintained at 98 per cent during the six months under review. International names signed up during the period included Vacheron Constantin, Tag Heuer, Montegrappa, cK Calvin Klein, Mulberry, Plastiq, Replay, Max Studio.com, FCUK, as know as de base, Oregon Scientific, le coq sportif Golf, Cutter & Buck, New Balance, Birkenstock, Nike Women, Caffe Colorado etc. Most new leases and renewed tenancies showed favourable rental growth.

The Ocean Terminal revamp started with LCX and Faces was almost completed with the newly introduced SportX area and KidX with a very popular Playstation centre. The brand new Audio/Visual/Electronics "cluster" at Ocean Centre is now completed and an attractive draw. The cluster is composed of Chung Yuen, Broadway, Fortress and a number of AV specialty shops.

Offices

Occupancy for **Harbour City** offices increased to about 93 per cent at the end of June 2004. New leases during the first half of 2004 reached 400,000 square feet which was equivalent to about 80 per cent of year 2003's total. Although double-digit rental increase was recorded during the first half, the current rental level is still lagging behind that of 2001 and hence the rental reversion stayed negative. Of the 602,000 square feet office area due for renewals in first half of 2004, 442,000 square feet were renewed, representing a retention rate of 73 per cent.

Hotels and Serviced Apartments

The consolidated occupancy for the three Marco Polo Hotels at **Harbour City** rebounded strongly to exceed 88 per cent, as compared to the 48 per cent recorded a year ago affected by SARS. 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. Apart from China, other high growth segments included South Africa, South America and India.

Having gone through a period of rapid price increase, particularly at the luxury end, sales activities for residential properties in Hong Kong have moderated and prices are also beginning to stabilise. Leasing demand for high-end residential premises like Wharf's Peak Portfolio has nevertheless increased as a result of the recovery of the financial markets. Occupancy for Gateway Apartments was maintained at around 80 per cent, a level comparable to the pre-SARS situation back in early 2003.

As at June 30, 2004, there were capital expenditures planned for **Harbour City** totalling HK$295 million, of which HK$82 million have been contracted for and HK$213 million authorised but not yet contracted for.

Times Square

Retail

On the back of **Times Square**'s increasing traffic, most retail tenants registered double-digit year-on-year growth in sales performance. Apart from newly recruited fashion names such as French Connection, Tommy Hilfiger, D-Mop, Red-Dragon, Lloyd, Billabong, The North Face, Lafuma and Lacoste, additional quality F&B operators including Super Star Seafood Restaurant and Chung's Cuisine are also drawing an impressive amount of traffic into the retail podium. The refurbishment project at the basement level commenced in May and is targeted to complete by August. With a rejuvenated configuration and more product offerings, the exercise of optimising trade mix will continue throughout the second half. The retail occupancy of **Times Square** was maintained at 98 per cent during the period under review.

Offices

With the anchor commitment of 93,648 square feet by MLC (Hong Kong) Ltd, the occupancy rate of **Times Square** is set to improve to approximately 93 per cent. Other than this particular transaction, others, inclusive of new lettings as well as expansion of existing tenants, were mostly with the size of 5,000 square feet and below. Of the 75,280 square feet office area due for renewals in the first half, 41,989 square feet were renewed. This represents a retention rate of 56 per cent. Negotiations of the remaining soon-to-expire tenancies are progressing smoothly.

Wharf Estates Development Limited

Sorrento

Sorrento is an MTRC joint-venture project above the Kowloon Station, equally owned by a five-member consortium comprising Wharf, Harbour Centre Development, Wheelock, Wheelock Properties Limited ("Wheelock Properties") (formerly known as New Asia Realty and Trust Company, Limited) and a wholly-owned subsidiary of Wheelock Properties. As at the end of June 2004, the entire 1,272 units out of Phase I had been sold, raising more than HK$6.1 billion in proceeds. With respect to Phase II consisting of Towers 1 and 2, which was launched one year later in November 2002, cumulative sales and proceeds reached 809 units (94 per cent sold) and HK$5.4 billion as at the end of this period under review.

Bellagio

Bellagio, in Sham Tseng on the western shore of New Territories overlooking the Tsing Ma Bridge, is a joint-venture development equally owned by Wharf, Wheelock and Wheelock Properties. Phases I and II were first launched in September 2002 for pre-sales. As at the end of June 2004, cumulative sales reached 1,686 units (99 per cent sold), realising proceeds of HK$4.1 billion. Construction works for Phases III and IV, which cover the remaining 1,641 units, are in progress with a target to complete by the end of 2005. The application for pre-sale permit is currently being processed.

As at June 30, 2004, there were capital expenditures planned for property projects under Wharf Estates Development Limited totalling HK$23 million which have all been contracted for.

i-CABLE

i-CABLE operated in a mixed environment during the first half of 2004. An improving economy instilled greater demand-side consumer confidence on the one hand, while supply-side competition heightened on the other. In that context, the company was able to exceed all past performances in the period under review.

Pay TV

Subscription rose to 682,000 at the end of June, which represented a four per cent net gain over the 6-month period. On the back of higher subscription and strong airtime sales, the Pay TV division registered growth in both EBITDA and operating profit in spite of the increase in content costs. As the division continued to expand its programming platform, the latest acquisition will in deed guarantee the exclusive live coverage of English Premier League, which is the most popular and widely followed European soccer tournament in Hong Kong, for the next three seasons. By the end of July, CABLE TV was broadcasting 86 channels on its platform, 45 of which in the basic package, to offer viewers wide programme choice. In China, the company's satellite channel, Horizon Channel, has expanded coverage to about 18 million homes through programme syndications and various collaborations.

Internet and Multimedia Services

Performance of the Broadband segment continued its recovery with successful service enhancement through network upgrade and the introduction of value-added services. While overall market growth has slowed down, **i-CABLE**'s broadband subscription grew to 263,000 by the end of June. Subscription growth was particularly noticeable in the second quarter with the introduction of a bundled marketing package with CABLE TV. Portal content enhancement has also brought significantly improved income from value-added services. During the period under review, additional content agreements had been concluded with several mobile service operators which certainly helped to further strengthen **i-CABLE**'s role as the leading multimedia content supplier in Hong Kong.

As at June 30, 2004, there were capital expenditures planned for **i-CABLE** totalling HK$756 million, of which HK$548 million have been contracted for and HK$208 million authorised but not yet contracted for.

Wharf T&T

The first half of 2004 marked a new era in the competitive landscape for the FTNS market in Hong Kong. While the economic recovery has led to a modest rise in demand, the 'liquidity' of customer migration in the overall market slowed down drastically from 2003 as a result of most competitors' significant amount of effort directed towards various customer retention programmes. Furthermore, the incumbent's intensifying challenges against the regulatory regime through legal or other means have, to some extent, paralysed the legal framework and measures originally meant to prevent the dominant operator from engaging in anti-competitive practices. It also led to the repeal of the mandatory Type II interconnection policy.

During the six-month period under review, 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.

While fixed line revenue grew by 12 per cent to HK$525 million (2003: HK$468 million), IDD revenue fell by 26 per cent to HK$109 million (2003: HK$147 million). The ratio between turnover from fixed lines and IDD rose to 4.8:1 (2003: 3.2:1). Total outgoing IDD volume, including both wholesale and retail, grew by 26 per cent to 217 million minutes (2003: 172 million minutes).

As at June 30, 2004, there were capital expenditures planned for **Wharf T&T** totalling HK$179 million, of which HK$105 million have been contracted for and HK$74 million authorised but not yet contracted for.

Modern Terminals Limited

In terms of throughput volume, **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. As **Modern Terminals**' earlier investments in China are beginning to bear fruit, a significantly higher contribution from this area actually helped to offset to some extent the continuous pressure on tariff in Hong Kong.

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. Berth 4 of Shekou Container Terminals (Phase II) came on stream in February this year. Together with Berth 3 which commenced operation in the third quarter of 2003, Shekou Container Terminals (Phase II) handled in total 492,000 TEUs during the period under review.

On April 1, 2004, a share realignment exercise was carried out by several shareholders of the SCT consortium which resulted in a substantially common ownership structure for Phases I and II. Such efficient structure will certainly bring along synergies and other mutual benefits to all shareholders. Upon swapping the interests, **Modern Terminals** owns approximately 10 per cent in each of Phases I and II.

As at June 30, 2004, there were capital expenditures planned for **Modern Terminals** totalling HK$1,451 million, of which HK$610 million have been contracted for and HK$841 million authorised but not yet contracted for.

Commentary on Interim Results

(I) Review of 2004 interim results and segmental performance

Review of 2004 interim results

Profit attributable to Shareholders

Unaudited Group's profit attributable to shareholders for the six months ended June 30, 2004 amounted to HK$1,680 million, representing an increase of HK$371 million or 28% over HK$1,309 million achieved for the same period in 2003. Earnings per share were HK$0.69, against HK$0.53 for the first half of 2003.

The resilient growth in profit was largely due to the increase in operating profit of the Group's hotel business by HK$123 million as compared with the first half of 2003, when the economy of Hong Kong was severely affected by the outbreak of SARS. The results improvement was also attributable to a reduction in borrowing costs by HK$174 million and increase in share of profits by HK$92 million mainly from associates undertaking property development.

Group's Turnover

Group's turnover for the period was HK$5,739 million, an increase of HK$276 million or 5% as compared to HK$5,463 million earned in same period last year. Increase in turnover was principally due to the improvement in hotel revenue by HK$145 million. The hotel revenue for last year was severely affected by SARS. For the first half of 2003, the hotel revenue totalled HK$197 million, as compared to HK$342 million for the period under review and HK$299 million for the first half of 2002. Communications, Media and Entertainment (CME) segment also reported revenue growth of HK$183 million resulting from enlarged subscribers and higher airtime sales of i-CABLE group.

Group Operating Profit

Group operating profit before borrowing costs for the period was HK$2,520 million, increased by HK$152 million or 6% from HK$2,368 million for first half of 2003. This was primarily due to the favourable results of hotel and CME operations as discussed above.

Segment performance

Property Investment

The Property Investment segment reported a revenue increase of HK$149 million or 7% to HK$2,241 million. Operating profit showed an increase of HK$106 million or 7% to HK$1,554 million. The improvement was chiefly contributed from hotel operations.

Wharf Estates Limited

Harbour City

Harbour City, a core property investment asset of Wharf Estates Limited, generated a turnover of HK$1,476 million in the period, an increase of HK$150 million or 11% as compared with the first half of 2003, because of improvement in revenue from hotels operations. The average hotel room occupancy was 88% in the period under review as compared to 48% achieved in the same period last year, which was adversely affected by the outbreak of SARS in the second quarter of 2003. Besides, satisfactory improvement in average hotel room rate was achieved. The hotel segment reported a profit of HK$113 million as opposed to a loss of HK$10 million in the same period last year. This compares to a profit of HK$95 million reported in the first six months of 2002.

The Harbour City's retail area benefited from the active leasing activities and the continuous influx of mainland tourists subsequent to the extension of the individual traveller scheme to additional cities and provinces in mainland China. Its revenue improved steadily for an overall higher rental rate coupled with a high sustainable occupancy level. The office area and apartments recorded a decrease in rental contribution, reflecting the reversionary impacts of the lower average rental rates achieved in the past two years, though the achieved rental rates have been improving since the beginning of 2004.

Times Square

Times Square, another core investment property asset of Wharf Estates Limited, generated a total revenue of HK$405 million, which was lower than the previous period's level by HK$10 million or 2%. Lower rental contribution from office area was recorded due to reversionary impacts of lower average rental rate achieved in the past two years. Occupancy level of the office area has returned to a high level following active leasing activities. The operating results of Times Square were helped by an increase in rental from retail area, which achieved satisfactory improvement both in occupancy and average rental rate under the boosted tourism environment.

Plaza Hollywood

Plaza Hollywood, under Wharf Estates Limited, reported a slight increase in retail rental revenue to HK$122 million due to higher average occupancy achieved for the period under review.

As at June 30, 2004, the aggregate property value of Harbour City, Times Square and Plaza Hollywood owned under Wharf Estates Limited was HK$50,168 million, based on the revaluation conducted by independent valuers as at December 31, 2003. This portfolio generated total revenue and operating profit of HK$2,003 million and HK$1,437 million respectively for the period under review, compared to HK$1,862 million and HK$1,331 million respectively reported in the first half of 2003.

Wharf Estates Development Limited

Owning various residential, office and industrial investment properties located in Hong Kong including the Peak properties, Wharf Estates Development Limited reported a decrease both in aggregate revenue and operating profit for the period under review. The decrease was chiefly attributable to a loss in rental earnings from the industrial building in Yau Tong, which was demolished in the second half of 2003 as well as lower occupancy or rental rate achieved for certain industrial and office buildings. However, the Peak investment properties performed well and reported a growth both in aggregate rental revenue and operating profit, due to the limited supply of luxurious residential properties in the Peak.

Wharf Estates China Limited

With its two major investment properties in mainland China, namely, Beijing Capital Times Square and Shanghai Times Square, of which the occupancy or rental rate continued to improve, Wharf Estates China Limited recorded satisfactory growth both in aggregate revenue and operating profit for the period under review.

Communications, Media and Entertainment ("CME")

Benefited from continuous increases in subscribers to Pay TV, Broadband Internet multimedia and telecommunication services, the total revenue of CME segment increased by HK$183 million or 10% to HK$1,931 million and its operating profit increased by HK$24 million or 12% to HK$223 million compared to the first half of 2003.

i-CABLE

The group revenue of i-CABLE was HK$1,154 million for the period under review, an increase of 11% as compared to HK$1,037 million in the first half of 2003, and its operating profit before unallocated items increased by HK$46 million or 28% to HK$208 million. The net profit attributable to shareholders of i-CABLE also increased by HK$52 million or 55% to HK$147 million. The performance of i-CABLE surpassed all previous periods in terms of both revenue and net profits.

Pay TV

The turnover of Pay TV for the period under review was HK$920 million, an increase of HK$76 million or 9% as compared to the first half of 2003. Its operating profit recorded an increase of HK$25 million or 12% to reach HK$235 million. The favourable results were due to subscriber growth and strong increase in airtime sales, despite new competition in the market. Subscribers of Pay TV grew by about 27,000 in the first half of 2004 as compared to 19,000 a year ago to reach 682,000 as a result of strengthened programming contents including UEFA EURO 2004 and the new Super Soccer Channel and Cable Entertainment News Channel launched in the second half of 2003, and an improved economy compared to one year ago. ARPU was HK$222, compared to HK$219 in the first half of 2003.

Internet and multimedia

Internet and multimedia revenue for the period increased by HK$39 million or about 21% to HK$232 million. Its operating loss, under a full cost allocated basis for network cost, narrowed to HK$27 million as compared to HK$48 million in the first half of 2003. The improvement was primarily due to growth of subscribers of about 6,000 in the first half of 2004 to 263,000 which was at a slower pace than the same period last year as overall market growth slowed down compared to last year; and ARPU increased by 14% year-on-year to HK$142 resulted from successful service enhancement through network upgrade and the introduction of value-added services.

Telecommunications

Wharf T&T

Compared to the first half year of 2003, Wharf T&T increased its telecommunication revenue by 3% to HK$634 million. Its installed base of fixed lines increased by 15,000 lines to reach 448,000 lines with market share of 12% for the first half of 2004. Wharf T&T continued to shift its focus from IDD to fixed lines. The company's revenue from fixed-line telephony services rose by HK$57 million or 12% to HK$525 million, whilst IDD revenue fell by HK$38 million or 26% to HK$109 million. The ratio between fixed lines and IDD improved to 4.8:1 for the first half of 2004, as compared to 3.2:1 for the first half of 2003 and 4:1 for the full year of 2003. The operating profit, however, showed a slight increase of HK$1 million to HK$20 million mainly due to higher depreciation charge, which neutralized the increase in EBITDA.

Combined with other telecommunication business, the turnover and operating profits of this segment was HK$674 million and HK$11 million respectively, compared to HK$615 million and HK$19 million achieved respectively in the same period last year.

Logistics

The total revenue of Logistics segment for the period under review, mainly contributed by Modern Terminals Limited ("Modern Terminals"), a 55.3%-owned subsidiary, was HK$1,515 million, a decrease of HK$17 million or 1% as compared with HK$1,532 million in the first half of 2003. The operating profit also recorded a decrease of HK$23 million or 3% to HK$831 million.

Modern Terminals

Despite the growth in throughput handled by Modern Terminals mainly driven by feeder and transshipment volume, Modern Terminal's revenue and operating profit decreased for the period under review as the average tariff rate continued to be under pressure. As compensated by attributable profit from Modern Terminals' investments in mainland China through associates, which became operational gradually and performed well in the first half of 2004, coupled with lower taxation charge in profits tax and in the deferred tax liability, the net profit after tax of Modern Terminals grew by 3% as compared over the same period last year.

Property development

Wharf Estates Development Limited and Wharf Estates China Limited conducted during the period under review some property sale activities in Hong Kong and China respectively and recorded an aggregate gain of HK$12 million, as compared to a loss of HK$13 million in the first half of 2003. The sales of Sorrento and Bellagio residential units undertaken through associates continued for the period under review and their sales results were taken up as the Group's share of associates profit but not in the Group's turnover and operating profit.

Borrowing costs

Due to a persistently low interest rate environment as well as a declining Group's net debt level, net borrowing costs charged decreased by HK$174 million or 57% to HK$131 million for the period under review from HK$305 million incurred in the same period last year. The charge was after capitalization to related assets of HK$12 million for the period compared to HK$32 million in the previous corresponding period. The Group's average borrowing cost was 1.6% p.a., a reduction from 3.1% p.a. in the first half of 2003.

Share of profits less losses of associates

The share of profits of associates for the period was HK$146 million, an increase of HK$92 million as compared to profit of HK$54 million in the first half of 2003. The increase was chiefly attributable to improvement in sales of Sorrento and Bellagio residential units and higher profit contribution from container port business engaged by Modern Terminals through its associates in mainland China.

Profit before taxation

Combining the effects of increase in operating profit, reduction in borrowing costs and increase in associates' profit as explained in the above, the Group's profit before taxation increased by HK$418 million or 20% to HK$2,535 million from HK$2,117 million in the same period last year.

Taxation

The taxation charge for the period was HK$465 million, a decrease of HK$5 million from HK$470 million recorded in the corresponding period last year. Excluding the effect of the 1.5% increase in profits tax rate on deferred tax liability, which increased total tax charge by HK$99 million in the first half of last year, there was an increase in taxation of HK$94 million for the period under review. Such increase was in line with the improvement in profits before taxation.

Minority interest

Minority interests were HK$390 million for the period compared to HK$338 million in the previous corresponding period. The increase arose mainly from better results achieved by two non-wholly owned subsidiaries, namely, Harbour Centre Development Limited and i-CABLE Communications Limited.

Included in the Group's profit attributable to the shareholders were profits of HK$553 million (6/2003: HK$470 million) contributed from three major non-wholly owned subsidiaries, namely, the 55.3%-owned Modern Terminals, 67.1%-owned i-CABLE Communications Limited ("i-CABLE") and 66.8%-owned Harbour Centre Development Limited ("HCDL"). Total dividends received or receivable from these subsidiaries amounted to HK$500 million for the period under review (6/2003: HK$504 million).

(II) Liquidity and financial resources

Shareholders' funds

As at June 30, 2004, the shareholders' funds of the Group totalled HK$52,530 million, an increase of HK$902 million from HK$51,628 million at December 31, 2003. The consolidated net asset value of the Group at June 30, 2004 was HK$21.46 per share, compared to HK$21.09 per share at December 31, 2003.

Supplemental Information

To better reflect the underlying net asset value of the Group, the following objective-base adjustments are given below:

	Per share
Book net asset value at June 30, 2004	HK$21.46
Add adjustments for:–	
Modern Terminals	
– based on the previous average transaction prices	2.15
i-CABLE	
– based on market value at June 30, 2004 (@HK$2.98 p.s.)	1.17
Adjusted net asset value per share at June 30, 2004	HK$24.78

Net cash generated from the Group's operating activities

For the period under review, net cash generated from the Group's operating activities amounted to HK$2.6 billion, as compared to HK$2.7 billion in previous corresponding period. For the investing activities, the Group's capital expenditure amounted to HK$0.8 billion, which was almost matched by the repayments of advances from the associates undertaking the property developments of Bellagio and Sorrento.

Capital expenditure and commitments

The capital expenditure, including programming library of i-CABLE, incurred by the Group's core businesses during the period and their capital commitments at June 30, 2004 are analysed as follows:

Business Unit/Company	Capital Expenditure for 1-6/2004 HK$ Million	Capital Commitments as at June 30, 2004 Authorised And Contracted for HK$ Million	Capital Commitments as at June 30, 2004 Authorised But not Contracted for HK$ Million
Property investments/others			
China	20	140	998
Harbour City	38	82	213
Other properties	17	23	–
	75	245	1,211
Wharf T&T	118	105	74
	193	350	1,285
Modern Terminals (55.3% owned)	290	610	841
i-CABLE (67.1% owned)	291	548	208
	774	1,508	2,334
At December 31, 2003		1,099	1,419

The capital expenditure of i-CABLE and Wharf T&T mainly related to procurement of their network equipment while that of Modern Terminals was substantially incurred for the construction of Container Terminal 9. i-CABLE and Modern Terminals, 67.1% and 55.3% owned by the Group respectively, funded their own capital expenditure programmes. The capital commitments authorized and contracted for of the Group as at June 30, 2004 was HK$0.4 billion higher than that at December 31, 2003, which was mainly due to the commitment of programming rights of the i-CABLE group. The increase in the Group's capital commitments authorized but not contracted for of HK$0.9 billion was mainly due to planned container investments in mainland China by Modern Terminals pending regulatory approval.

In addition to the above, the Group had planned expenditures of approximately HK$1,774 million (31/12/2003: HK$2,455 million) related to the properties under development for sale in mainland China at the end of June 2004.

Major property projects undertaken by associates

Sales of the Sorrento and Bellagio projects undertaken by associates, 40%-owned and 33-1/3% owned by the Group, respectively, are continuing. For the period under review, 102 units of Sorrento and 101 units of Bellagio were sold. At June 30, 2004, the 1,272 Phase I units of Sorrento were all sold, with 809 units or 94% sold for Phase II. The sales of Bellagio accumulated to 1,686 units or 99% of the 1,704 Phases I and II units.

At June 30, 2004, the cash deposits in Sorrento's stakeholders account amounted to HK$0.3 billion, which would be sufficient to fully cover its outstanding construction cost for completion of the whole project. Construction works for Bellagio Phases III and IV are underway in accordance with schedule and the estimated outstanding cost for completion of these phases was approximately HK$0.7 billion. The two project companies did not have any external borrowings at June 30, 2004.

Gearing Ratios

As at June 30, 2004, the ratio of net debts to total assets decreased to 19.5% and the ratio of net debts to shareholders' equity decreased to 29.3%, compared to 21.4% and 32.9% at December 31, 2003, respectively. The Group's net debts decreased from HK$17.0 billion at December 31, 2003 to HK$15.4 billion at June 30, 2004, which was made up of HK$17.6 billion in debts less HK$2.2 billion in deposits and cash. Included in the Group's debts were loans of HK$1.6 billion borrowed by Modern Terminals, a non-wholly owned subsidiary (31/12/2003: HK$1.3 billion). The loan is without recourse to the Company and other subsidiaries of the Group.

Availability of committed and uncommitted facilities

Given the ample liquidity in the market, the Group had refinanced facilities amounting HK$8.2 billion, with tenors ranging from 1 to 7 years, on more favourable terms during the first six months of 2004. The refinancing exercise has further reduced the average borrowing margin and lengthened the Group's debt maturity profile in the first half of 2004.

The Group's available loan facilities and debt securities amounted to HK$24.9 billion. Debts totaling HK$17.6 billion were outstanding at June 30, 2004, against the available facilities as analysed below:

	30/6/2004			
Debt Maturity	**Available Facility HK$ Billion**	**Total Debt HK$ Billion**		**Undrawn Facility HK$ Billion**
Company and wholly-owned subsidiaries				
Committed facilities				
Repayable within 1 year	3.5	3.5	20%	–
Repayable between 1 to 2 years	2.4	2.4	14%	–
Repayable between 2 to 3 years	3.5	3.5	20%	–
Repayable between 3 to 4 years	0.7	0.7	4%	–
Repayable between 4 to 5 years	4.5	3.5	20%	1.0
Repayable after 5 years	3.9	1.5	9%	2.4
	18.5	15.1	87%	3.4
Uncommitted facilities	2.3	0.4	2%	1.9
	20.8	15.5	89%	5.3
Non wholly-owned subsidiaries – Committed and uncommitted				
Modern Terminals Limited	2.9	1.6	8%	1.3
i-CABLE Communications Limited	0.6	–	–	0.6
Others	0.6	0.5	3%	0.1
	24.9	17.6	100%	7.3
– Secured	0.7	0.5	3%	0.2
– Unsecured	24.2	17.1	97%	7.1
Total	24.9	17.6	100%	7.3

As at June 30, 2004, the banking facilities of the Group were secured by mortgages over certain investment properties with an aggregate carrying value of HK$3,732 million (31/12/2003: HK$3,732 million).

An analysis of the Group's total debts by currency at June 30, 2004 is shown as below:

	HK$ Billion
Hong Kong dollar	12.5
United States dollar (swapped into Hong Kong dollars)	5.0
Renminbi	0.1
	17.6

The Group's debts are primarily denominated in Hong Kong and US dollars and all US dollars loans have been effectively swapped into Hong Kong dollar loans by forward exchange contracts.

The use of financial derivative products is strictly controlled. The majority of the derivative products entered into by the Group were used for management of the Group's interest rate exposures.

The Group maintained a reasonable level of surplus cash, which was denominated principally in Hong Kong and US dollars, to facilitate the Group's business and investment activities. As at June 30, 2004, the Group also maintained a portfolio of long-term investments, primarily in blue-chip securities, with a market value of HK$1.2 billion.

(III) Employees

The Group has approximately 10,551 employees. Employees are remunerated according to nature of the job and market trend, with a built-in merit component incorporated in the annual increment to reward and motivate individual performance. Total staff costs for the six months ended June 30, 2004 amounted to HK$1,048 million, compared to HK$989 million in the first half of 2003.

Compliance with Code of Best Practice

None of the Directors of the Company is aware of any information which would reasonably indicate that the Company was not in compliance with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange, at any time during the six-month period ended June 30, 2004. Nevertheless, the following two matters, being matters involving conflict of interest for a Director or the substantial shareholder of the Company, were not approved by meetings of the Company's Directors in accordance with the provisions of paragraph 11 of the above mentioned Code of Best Practice, but instead were duly approved by Resolutions in Writing of the Board of Directors of the Company:

(i) the sale by the Group of a 39.08% effective interest in City Super Limited at a consideration of HK$15.2 million to a company which is indirectly wholly-owned by a trust the settlor of which is the Chairman of the Company, as announced on April 16, 2004; and

(ii) the acquisition by the Group of a 30% equity interest in Kim Realty Investment Pte Ltd at a consideration of S$2.04 million from a subsidiary of the Company's substantial shareholder, namely, Wheelock and Company Limited, as announced on June 11, 2004.

Directors' Interests in Shares

At June 30, 2004, Directors of the Company had the following personal beneficial interests, all being long position, in the ordinary shares of the Company and of a subsidiary of the Company, namely, i-CABLE Communications Limited ("i-CABLE"), and the percentages which the shares represented to the issued share capital of the Company and i-CABLE respectively:

	Number of Shares (percentage of issued capital)	
The Company		
Mr Gonzaga W J Li	686,549	(0.0281%)
Mr Stephen T H Ng	650,057	(0.0266%)
Mr Erik B Christensen	25,000	(0.0010%)
Mr T Y Ng	178,016	(0.0073%)
i-CABLE		
Mr Gonzaga W J Li	68,654	(0.0034%)
Mr Stephen T H Ng	1,065,005	(0.0527%)
Mr Erik B Christensen	2,500	(0.0001%)
Mr T Y Ng	17,801	(0.0009%)

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the Securities and Futures Ordinance (the "SFO") in respect of information required to be notified to the Company and the Stock Exchange pursuant to the SFO or to the Model Code for Securities Transactions by Directors of Listed Issuers:

(i) there were no interests, both long and short positions, held as at June 30, 2004 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO); and

(ii) there existed during the financial period no rights to subscribe for any shares, underlying shares or debentures of the Company which were held by any of the Directors or Chief Executive of the Company or any of their spouses or children under 18 years of age nor had there been any exercises during the financial period of any such rights by any of them.

Substantial Shareholders' Interests

Given below are the names of all parties which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at June 30, 2004 as recorded in the register kept by the Company under section 336 of the SFO and the percentages which the shares represented to the issued share capital of the Company:

	Names	**No. of Ordinary Shares (percentage of issued capital)**	
(i)	Lynchpin Limited	171,974,029	(7.03%)
(ii)	Star Attraction Limited	171,974,029	(7.03%)
(iii)	Wheelock Properties Limited (formerly known as New Asia Realty and Trust Company, Limited)	173,652,029	(7.10%)
(iv)	Myers Investments Limited	173,652,029	(7.10%)
(v)	Wheelock Corporate Services Limited	173,652,029	(7.10%)
(vi)	WF Investment Partners Limited	1,051,765,051	(42.97%)
(vii)	Wheelock and Company Limited	1,223,739,080	(50.00%)
(viii)	Bermuda Trust (Guernsey) Limited	1,223,739,080	(50.00%)
(ix)	J.P. Morgan Chase & Co.	147,092,286	(6.01%)

Note: For the avoidance of doubt and double counting, it should be noted that duplication occurs in respect of the shareholdings stated against parties (i) to (viii) above to the extent that the shareholding stated against party (i) above was entirely duplicated or included in that against party (ii) above, with the same duplication of the shareholdings in respect of (ii) in (iii), (iii) in (iv), (iv) in (v), (v) in (vi), (vi) in (vii) and (vii) in (viii).

All the interests stated above represented long positions and as at June 30, 2004, there were no short positions recorded in the said register.

Share Option Scheme

Throughout the period under review, there were outstanding certain share options previously granted on August 1, 1996 under the Company's Executive Share Incentive Scheme to 12 employees (being participants with options not exceeding the respective individual limits) working under the employment contracts which are regarded as "continuous contracts" for the purposes of the Employment Ordinance. Such options were exercisable during the period from August 1, 2005 to July 31, 2006, and on full exercise would require the Company to allot 400,000 new shares to the grantees at an exercise price of HK$25.00 per share.

Except as disclosed above, no share option of the Company was issued, exercised, cancelled, lapsed or outstanding throughout the period under review.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial period under review.

Book Closure

The Register of Members will be closed from Tuesday, October 5, 2004 to Tuesday, October 12, 2004, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to qualify for the abovementioned interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, October 4, 2004.

By Order of the Board
Wilson W S Chan
Secretary

Hong Kong, August 19, 2004

As at the date of this interim report, the Board of Directors of the Company comprises Mr. Peter K. C. Woo, Mr. Gonzaga W. J. Li, Mr. Stephen T. H. Ng, Mr. David J. Lawrence, Professor Edward K. Y. Chen, Mr. Paul M. F. Cheng, Dr. Raymond K. F. Ch'ien, Mr. Erik B. Christensen, Mr. Vincent K. Fang, Mr. Hans Michael Jebsen, Mr. Christopher P. Langley, Mr. Quinn Y. K. Law, Ms. Doreen Y. F. Lee, Mr. T. Y. Ng and Mr. James E. Thompson.