



The Harbour City complex accounts for 50% of the Group's business assets.

Estate Division

HARBOUR CITY

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Harbour City, at the tip of the Tsimshatsui peninsula in Kowloon and home of Hong Kong's largest shopping mall, accounts for 50 per cent of the Group's business assets.

Recurrent earnings of \$2,964 million in 2001 from 8.29 million square feet of offices, service apartments, hotels, retail shops and 2,000 car parks generate some 60 per cent of the Group's gross rental income. **Harbour City's** retail complex is the most successful shopping mall in Hong Kong.

Offices

4.45 million square feet

In 2001, due to its strategic location, Grade A office space in Tsimshatsui outperformed that in Central by approximately 10 per cent. **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 (GFA).

Harbour City's office space, excluding Tower 6 of Gateway II, totals 3.7 million square feet and achieved an occupancy rate of 91 per cent at the year end. With more than half of its 750,000 square feet committed at the year end, Tower 6 is expected to reach an 80 per cent occupancy by the second half of 2002. Total revenue from the office space increased by 1 per cent to \$1,050 million from \$1,035 million in 2000.

The five Gateway office towers facing the harbour are highly popular with tenants, especially large users. The older towers along Canton Road are undergoing renovation to upgrade their premises. Ocean Centre offices remain in demand due to their excellent location.

Harbour City has a large cluster of China business operators currently occupying its office premises in anticipation of the

Gross Revenue

	2001 HK\$M	2000 HK\$M
Office	1,050	1,035
Retail	993	1,012
Service Apartment	252	114
Hotel	669	726
	2,964	2,887

Operating Profit

	2001 HK\$M	2000 HK\$M
Office	749	754
Retail	744	757
Service Apartment	146	30
Hotel	172	179
	1,811	1,720

HARBOUR CITY

HARBOUR CITY AND TIMES SQUARE MAKE UP 70 PER CENT OF THE GROUP'S BUSINESS ASSETS.

opportunities arising from China's entry into the World Trade Organization (WTO). More China-focused corporate tenants are expected to choose **Harbour City** in the future. Major leasing transactions in 2001 included DuPont, EMI, GlaxoSmithKline, HK Applied Science & Technology Research Institute, JAL, Schlumberger and Sears. International insurance companies with large agent forces, such as AIA, CMG Asia, Eagle Star and Prudential also find **Harbour City** offices to be attractively priced given its convenient location and prestige.

Looking to the next few years, we expect decentralization — a move away from the Central Business District — to be a continuing trend for today's cost-conscious businesses. Even though average rent for Grade A office space in

Central fell about 20 per cent in 2001, it is still at a 70 to 80 per cent premium to Grade A office space in Tsimshatsui.

Service Apartments *670,000 square feet*

Gateway Apartments continued to receive favourable response from the market, with the occupancy rate of its 499 units

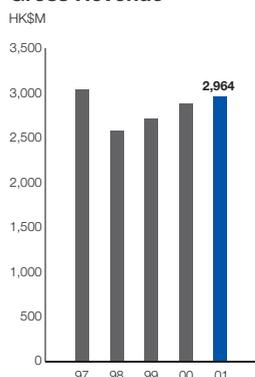
maintained at around 85 per cent. The average duration of leases is between nine and 18 months. Total revenue in 2001 was \$252 million, up from \$114 million for 2000.

Due to the tower's height, it has a 360° view, overlooking the harbour as well as Lion Rock to the North. Different configurations ranging from studio to three-bedroom apartments are available. Tenants have direct access to the shopping podium of **Harbour City**, as well

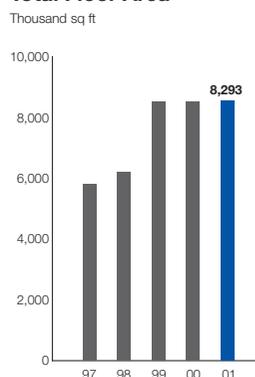


From left: K C Leung, Doreen Lee, David Lawrence

Gross Revenue



Total Floor Area



as to the Pacific Club which offers close to 140,000 square feet for leisure and exercise, including one of the largest private gymnasiums in Hong Kong. A number of multinational corporations have put Gateway Apartments on their preferred short list for expatriate housing, and they account for more than 50 per cent of the current leases.

Hotels

*1.27 million square feet;
1,499 rooms in Hong Kong*

The sharp slowdown in the global economy and the unstable political situation in 2001 combined to cause long-haul travel to fall drastically. According to the Hong Kong Tourism Board, tourist arrivals in 2001 totalled 13.7 million, up 5.1 per cent year on year. The increase came largely from Mainland China visitors due to the simplified immigration procedures introduced by various government authorities on the Mainland. However, the



Harbour City — home of Hong Kong's largest shopping mall.

number of business and leisure travellers from non-Asian countries actually dropped.

The drop in international travellers adversely affected the performance of **Harbour City's** three Marco Polo Hotels — The

Marco Polo Hongkong Hotel (67 per cent owned by the Group), The Marco Polo Gateway and The Marco Polo Prince. Their average occupancies in 2001 were 78 per cent, 84 per cent and 91 per cent respectively. Consolidated

HARBOUR CITY

occupancy for the three hotels was 83 per cent — a decline of four percentage points over 2000. The average room rate remained fairly stable with only a slight drop against the previous year. Net profit of these hotels attributable to the Group for 2001 was \$133 million as compared with \$150 million in 2000.

Looking at 2002, even though the tourism industry has still not

fully recovered, tourist arrivals statistics released by the Hong Kong Tourism Board for the first two months of 2002 showed signs of recovery among long-haul routes especially the US-Hong Kong routes. The three Marco Polo Hotels in Hong Kong are expected to have more high yield business. All tourism-related businesses in Hong Kong, however, are going to be supported largely by the enormous increase of demand

coming from Mainland visitors in the near term.

Retail

1.90 million square feet

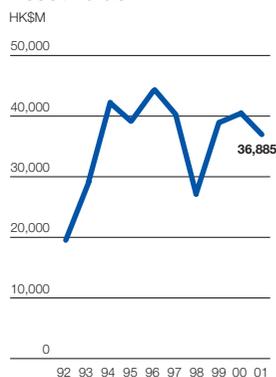
The **Harbour City** shopping centre, Hong Kong's largest, is at the centre of action and excitement for Hong Kong residents and tourists. **Harbour City's** retail podium has 700 shops and restaurants, cinemas and 2,000 carpark spaces. Ocean Terminal at **Harbour City** is Hong Kong's only international cruise terminal, serving more than 1.6 million passengers in 2001, with visits by 32 international cruise ships and 647 Star Cruise vessels, up from 30 and 615 in 2001 respectively.

Because of its size and location, **Harbour City** is itself a highly popular venue for exhibitions and social events. An excellent transportation network — consisting of buses, the MTR, the “Star” Ferry and China Ferry piers, and highways — converges at **Harbour City's** front door.



Due to its superb location, an impressive number of people move through and around the Harbour City complex every day.

Asset Value



Forty per cent of Hong Kong’s hotel rooms are located within a 10-minute walking distance of **Harbour City**. It is just minutes’ walking distance from numerous city attractions including the Hong Kong Cultural Centre, Hong Kong Museum of Art, Hong Kong Museum of History and the Space Museum. As a result, the number of people moving through and around the **Harbour City** area every day is often described as “incredible” by foreign visitors.

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. Rental income from the retail spaces for 2001 was \$993 million against \$1,012 million in 2000.

The property management team at **Harbour City** works hard to ensure retail tenants also benefit from other

value-added services. Using the “Shoppertainment” concept, the team aims to transform **Harbour City** and Canton Road into more than just a shopping hub. Outdoor live music performance “Music in the City” is highly popular during weekends and holidays. The “Harbour City Book Cafe” gives shoppers an opportunity to enjoy arts and be exposed to a full cultural spectrum. “Fashion In Motion” shows are crowd-pleasers and a good way for shoppers to keep up with the latest trends and designs. City’Super, the niche lifestyle specialty store, has been a big success and another draw to shopper traffic. In 2001, the 50 restaurants and food outlets in **Harbour City** in general also enjoyed healthy growth in business. Cova, Starbucks and Ye Shanghai are the latest members joining the elite group of restaurants and food outlets at **Harbour City**.

Constant expansion and re-merchandising in the trade mix



“Music in the City” offers outdoor live music performances during weekends and holidays.

and ongoing promotional efforts continue to attract shoppers as well as quality and prestigious brand names to **Harbour City** especially along Canton Road. In fact, Canton Road is fast becoming the “Champs Elysees” of Hong Kong with its cluster of upscale designer flagship stores such as Agnes b, D&G, Ferragamo, Gucci, Louis Vuitton and Miu Miu. In 2002,

HARBOUR CITY

following their footsteps, Joyce celebrated the grand opening of its new Tsimshatsui shop along Canton Road. Prada will soon open its new shop there too, adding more glamour and flare to the area. Fashion and related accessories outlets presently occupy about 31.4 per cent of the total retail area in **Harbour City**.

For the Future

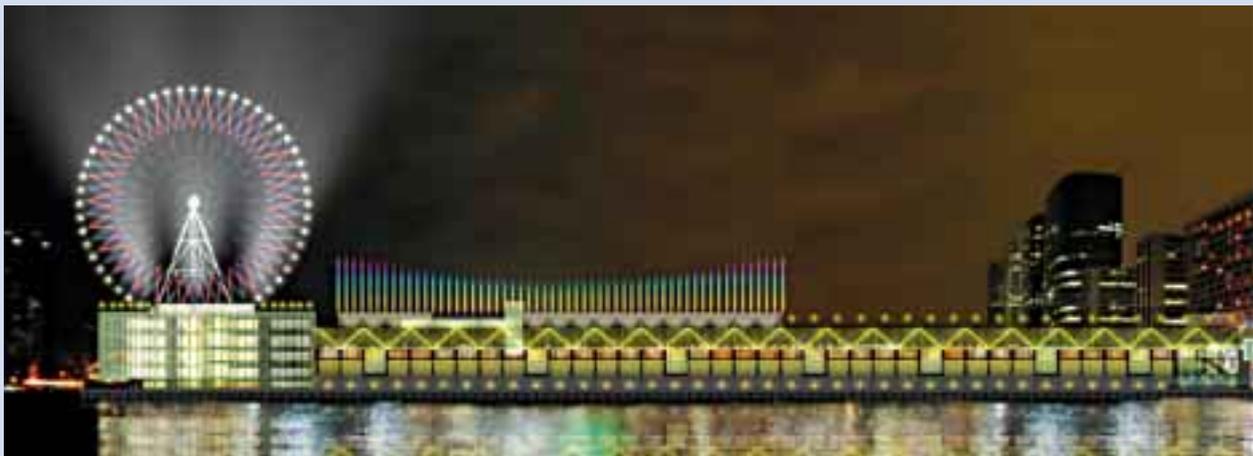
Plans are moving ahead to ensure that **Harbour City** and the Tsimshatsui peninsula remain Hong Kong's most exciting and visually spectacular

Harbour City: Retail Tenant Mix (by Area and Rental) as at December 31, 2001

	% by Area	% by Rental
Fashion & Related Accessories	31.4	45.5
Restaurant, Fast Food, F&B	18.0	9.5
Department Stores, Confectionery Products	15.0	11.4
Children's Wear & Related Trades, Toys	8.9	5.0
Leather Goods - Shoes, Bags, Luggage etc	5.9	9.1
Others	20.8	19.5
	100.0	100.0

spots. In 2001, the Group obtained the in-principle approval to build a Ferris Wheel at the tip of Ocean Terminal that will literally take riders out over the harbour. This exciting project will add critical mass to **Harbour City** as a retail and

entertainment destination, and will become a prominent feature of the Hong Kong skyline. When completed, it is sure to become a "must-visit" for residents and tourists alike and add to the traffic flow through **Harbour City**.



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The Government and the Hong Kong Tourism Board will soon start a beautification project along the Tsimshatsui Promenade. Centred around a dragon theme, the project is expected to increase traffic to the area. The Kowloon-Canton Railway has begun building a link to the Tsimshatsui-“Star” Ferry area from its Hung Hom Station that will be completed in 2004. This link will make Canton Road an even more prominent location with an ideal transportation network. The Wharf Group’s “Star” Ferry is the key water link between Tsimshatsui and Hong Kong Island. Redevelopment of the “Star” Ferry’s pier on the Hong Kong side and redesign of its pier on the Kowloon side will further enhance “Star” Ferry’s importance as a major mode of local transport as well as a major tourist attraction.

Harbour City: Area/Occupancy/Anchor Tenants

	Area (sq ft)	Year-end Occupancy	Anchor Tenants
Office			
Gateway I - Tower 1 & 2	1,128,000	95%	- Ernst & Young - Nike - Sony - United Airlines
Gateway II - Tower 3 & 5	820,000	88%	- CMG Asia - Karstadt Quelle - Prudential - Schlumberger - Sears
Gateway II - Tower 6	750,000	45%	- AIA - DuPont - EMI - GlaxoSmithKline - JAL
Harbour City (Exclude Gateway I and II)	1,748,000	88%	- APL - Eagle Star - Hasbro - Hitachi - Mattel
Service Apartment			
Gateway Apartments	670,000 (499 units)	85%	
Retail			
Harbour City	1,901,000	96%	- City’ Super - Golden Gateway Multiplex - Gucci - I.T - Joyce - Lane Crawford - Louis Vuitton - Marks & Spencer - Polo Ralph Lauren - Prada - Toys“R”Us
Hotel			
The Marco Polo Hongkong Hotel	665 rooms	78% *	
The Marco Polo Gateway	438 rooms	84% *	
The Marco Polo Prince	396 rooms	91% *	

* Average occupancy throughout the year



Times Square represents some 20% of the Group's business assets.

TIMES SQUARE

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廣場

Times Square represents some 20 per cent of the Group's business assets.

A landmark property in Causeway Bay, Hong Kong's busiest shopping district, **Times Square** generated a strong recurrent rental income of more than \$900 million in 2001. Comprising one million square feet of top quality Grade A office space, a highly popular one-million-square-foot retail podium and over 700 carpark spaces, **Times Square** has been named one of Hong Kong's top ten tourist attractions by the Hong Kong Tourism Board.

Offices

1.03 million square feet

The office rental market in Causeway Bay in 2001 generally experienced a significant decline from 2000 in light of uninspiring market conditions. Due to the superior quality of its office space, the average rental rate of **Times Square's** new letting and renewal of office leases registered

only one per cent drop during 2001 when compared with an overall average decline of over 30 per cent for all office spaces in the area. This outperformance demonstrates that **Times Square's** offices offer much better value than other properties.

Times Square offices managed to deliver double-digit growth of almost 21 per cent in rental revenue totalling \$328 million for 2001 as a result of improved average occupancy. Occupancy rates for the twin office towers increased steadily to about 92 per cent during the year. Core

tenants include well-known international corporations including AT&T, Coca-Cola, Motorola, NatWest, NCR, Shell and The Walt Disney Company.

Retail

936,000 square feet

Times Square's retail podium maintained its distinctively high occupancy rate of 98 per cent plus throughout 2001. Total revenue for the retail spaces in 2001 amounted to \$588 million as compared with \$600 million a year ago. During the year, almost 30 per cent of the total floor area came up for renewal

Gross Revenue

	2001 HK\$M	2000 HK\$M
Office	328	271
Retail	588	600
	916	871

Operating Profit

	2001 HK\$M	2000 HK\$M
Office	294	222
Retail	506	534
	800	756

TIMES SQUARE

with the bulk of the renewals concluded at higher rates. More than 50 per cent of retail tenancies are due for renewal in 2002, and we expect positive rental reversions to continue. Opportunities will be taken to further refine tenant quality and trade mix. A host of new trendy retailers such as b+ab, i.t, Lamarthe and Natural Beauty Basic joined **Times Square** in 2001. Fashion related outlets



Times Square's retail podium maintains a distinctively high occupancy of over 98%.

Times Square: Area/Occupancy/Anchor Tenants

	Area (sq ft)	Year-end Occupancy	Anchor Tenants
Office	1,033,000	92%	- AT&T - Coca-Cola - Disney - Lucent - Motorola - NatWest - NCR - Shell
Retail	936,000	98%	- Bally - Broadway - City' Super - Disney Store - Fortress - Lane Crawford - Marks & Spencer - Max Mara - UA Cinema - Versace

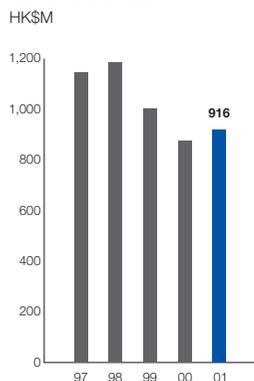
represent some 18 per cent of the total retail space.

With increased targeted marketing and promotional efforts, **Times Square's** shopping complex is the "hot spot" for action and entertainment on Hong Kong Island. As a result of this popularity and extremely heavy daily traffic, shops in **Times Square** stay open for business until 10 p.m. every night. The extension of trading

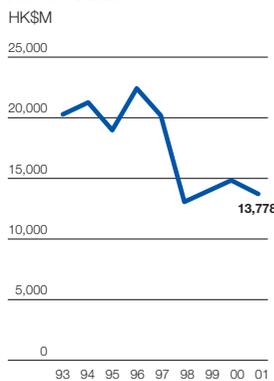
hours has been well-received by its 220-plus tenants. **Times Square** is also a favourite venue for exhibitions and social events. The New Year's Eve Apple Countdown normally attracts more than 50,000 visitors to celebrate and herald the arrival of the new year at the **Times Square** complex. This has been a Hong Kong landmark event since 1993.

The **Times Square** retail complex has been creatively

Gross Revenue



Asset Value



segmented into themed floors, thereby establishing several “mini-shopping-hubs” for specific types of goods and merchandise. For example, the seventh and eighth floors have formed a hub for electronic appliances and now become the preferred place for most locals as well as tourists to shop for audio-visual and other electronic products. Tenants range from general electrical appliances stores to highly specialized home theatre showrooms. The Food Forum consists of four consecutive floors housing 18 restaurants with a variety of cuisines. Restaurants there are heavily patronized from morning to late evening.



Times Square is the “hot spot” for action and entertainment.

Three other core offerings of **Times Square** are in themselves major destinations for shoppers — the luxury fashion and home furnishings retailer Lane Crawford, the niche lifestyle specialty store City’Super and the four-screen UA Times Square Cinema complex.

Times Square: Retail Tenant Mix (by Area and Rental)
as at December 31, 2001

	% by Area	% by Rental
Restaurant, Fast Food, F&B	27.2	16.6
Department Stores, Confectionery Products	23.4	21.1
Fashion & Related Accessories	17.8	30.1
Consumer Electronic & Entertainment	12.4	8.0
Others	19.2	24.2
	100.0	100.0



Sorrento Phase I was launched with excellent response in last November.



Wharf Estates Limited

Development Division

Property Sales

With significantly lower financing costs and more affordable prices in 2001, there was some improvement in both primary and secondary residential property transactions. The rebound in primary sales was particularly noticeable, with a 20 per cent increase in total transactions over the previous year. This general improvement was reflected in the Group's sales activities.

Nelson Court, with 86 units on Waterloo Road in Kowloon, was launched in early 2001. The pre-sale was extremely well received with 95 per cent of units sold, generating total proceeds of \$365 million.

In November 2001, Sorrento Phase I, a joint-venture project above the MTR's Kowloon Station comprising 1,272 units in three towers, was launched with an initial target to sell 600 units.

The excellent response exceeded all expectations and total sales reached 920 units or 72 per cent of the entire 1,272 units. Proceeds totalled about \$3.5 billion by the end of 2001. Sales proceeds achieved in the first quarter of 2002 were \$700 million.

Projects Under Development

Following the successful sales of Nelson Court and Sorrento Phase I, Wharf Estates will continue to

be active in the residential sales market in 2002. Upcoming launches include Phase I of Bellagio and Sorrento Phase II.

Bellagio, the Sham Tseng site on the western shore of the New Territories, is a joint-venture development equally owned by Wheelock, New Asia Realty and the Group. With 2.8 million square feet in GFA, it is being developed into 3,354 units in eight towers under four phases.



No.1 Plantation Road will be completed for lease by mid-2002.

Major Residential Developments

Property	GFA (sq ft)	Total Units	% Owned	Status
Mountain Court	49,900	16	100%	Completed for Lease
Chelsea Court	43,000	20	100%	Completed for Lease
No. 1 Plantation Road	97,000	48	100%	Under Construction
Gough Hill Path	24,700	7	100%	Under Construction
Sorrento Phase I	1,296,000	1,272	33%*	Under Construction
Sorrento Phase II	1,235,000	854	33%*	Under Construction
Bellagio Phase I/II	1,418,000	1,704	33%	Under Construction
Bellagio Phase III/IV	1,381,800	1,650	33%	Under Design Planning
Kowloon Godown	2,300,000	–	**	Under Planning Submission
Yau Tong Godown	244,000	–	100%	Under Planning Submission
Yau Tong JV Project	10,843,000	–	15.6%	Under Planning Submission

* *Effective ownership*
 ** *A joint venture with details under discussion*

Bellagio directly faces the beautiful Tsing Ma bridge — the world's longest double-deck suspension bridge — and has a waterfront location. Ideally located, it takes only 15 minutes to get to Central, 20 minutes to the Hong Kong International Airport, and 20 minutes to the Hong Kong-China border. Construction work for all four phases is progressing according

to schedule. Completion of Phase I, covering 850 units in two towers, is scheduled for late 2002 and the pre-sale launch is planned for the second half of 2002.

Sorrento is equally owned by a five-member consortium comprising Wheelock, New Asia Realty, Realty Development, Wharf and Wharf's subsidiary

Harbour Centre Development. Total development area for the two phases is 2.5 million square feet, with 2,126 units. Completion of Phase II, two towers consisting of 854 units, is expected in the first quarter of 2004. The soft-launch or pre-sale may start as early as the fourth quarter of 2002.

Two Peak properties on The Peak on Hong Kong Island, Mountain Court and Chelsea Court, were completed in 2001 and have been leasing well in the high-end luxury rental market. We expect to complete the property at No.1 Plantation Road by mid-2002. Redevelopment for a fourth property, 3-5 Gough Hill Path, is also progressing according to schedule. The Wharf Peak Portfolio has a total GFA of 284,000 square feet.

After the successful sale of various development projects totalling 1.1 million square feet, including Galaxia, Serenade

Cove and Nelson Court, Wharf acquired in July 2001 a 15.6 per cent interest in a consortium to develop a property in Yau Tong, Kowloon. Subject to approval of the planning application, this development is estimated to have attributable 1.6 million square feet in GFA.

TOTAL DEVELOPMENT PORTFOLIO EQUALS 5.6 MILLION SQUARE FEET

Management

Mr David Lawrence returned to Hong Kong in April 2002 as an Executive Director of the Group

and as the Executive Director of Wharf Estates' Development Division overseeing the Group's property development activities in Hong Kong. Mr Lawrence was the former head of Richard Ellis in Singapore between 1985 and 1991, and he is the chief executive officer and managing director of Marco Polo Developments Limited in Singapore, a Wheelock subsidiary.

The development team, which includes Mr T Y Ng and Mr Ricky Wong, will maintain a tight operating structure, with "develop and sell" as its business model. Wharf Estates' strategy to focus on quality rather than quantity will continue as it has demonstrated an ability to yield better returns to shareholders.



Mountain Court at 11 Plantation Road has been leasing well in the high-end luxury rental market.