

Wharf Estates China Limited

Balance Sheet (Extract)

as at December 31, 2004

	HK\$M
Investment properties	4,605
Other properties and fixed assets	876
	5,481
Property inventory and development	1,489
Net current liabilities	(371)
Other non-current liabilities	(641)
Net business assets (before debts)	5,958

Wharf China continued to develop and manage high-quality investment properties in major cosmopolitan cities in China through its reputable brand “**Times Square**”.

Beijing Capital Times Square is a retail and office complex with about 1.3 million square feet in gross floor area (GFA). It is strategically located in the Xidan area, at the intersection of West Changan Avenue and Xuanwu Men Nei Avenue. Although the Central Government has implemented austerity measures since early 2004 to slow down economic growth, the complex maintained an office average occupancy rate of 91 per cent throughout 2004, a six per cent increase from 2003's 85 per cent.

The 1.2 million-square-foot Shanghai Times Square is a retail, office and apartment complex on Huai Hai Zhong Road, at the very heart of Shanghai's CBD. It has excellent accessibility with convenient links to major highways and a nearby underground railway station. Similar to Beijing Capital Times Square, in spite of the impact of Central Government's austerity measures on the Shanghai economy, occupancy rates of the office, residential and retail portions in 2004 improved to 96 per cent, 86 per cent and 81 per cent respectively.

Chongqing Times Square, with about 1.6 million square feet of GFA, is located at the City's central retail area, Liberation Statue Square, between Zou Rong Road and Min Zu Road. It is a retail, office and

Both Shanghai Times Square (left) and Beijing Capital Times Square (right) recorded growth in office occupancy in 2004.



apartment complex comprising four residential towers atop the retail/commercial podium. Residential Towers A, B and C were completed and sold in April 2003. Tower D with a total of 302 units was completed in November 2004, and 227 apartment units (75 per cent) have already been sold. The retail portion progressed according to plan and budget with the opening of a 570,000-square-foot department store taking place in December 2004.

Wuhan Times Square, the Group's fourth **Times Square** project, is located at Yan Jiang Da Dao fronting the Yangtze River in Hankou, Wuhan. With about 2.4 million square feet of GFA, it is planned to be primarily a residential and office-apartment complex. Superstructure works have commenced and target completion for the entire development is in the fourth quarter of 2007.

The Group's fifth **Times Square** project Dalian Times Square is located along Ren Min Road in the Zhongshan District of Dalian. It will be developed into a 1.9 million-square-foot retail/apartment complex. Foundation works are scheduled to start in the first quarter of 2005 and completion for the whole project is targeted for the fourth quarter of 2007.

In Shanghai, foundation works for the commercial development located at 1717 Nan Jing Xi Road in the Jingan District of Shanghai have commenced. The 1.6 million-square-foot complex comprises a Grade A office tower with cutting-edge specifications and state-of-the-art facilities plus a retail annex boasting a walking linkage to a major subway station. Completion for the whole development is targeted for 2008.

The Group's other property projects in Shanghai, including Shanghai Wellington Garden and Shanghai Parc Royal are progressing according to schedule.



Wuhan Times Square is targeted for completion by the fourth quarter of 2007.

China Property List

	Project Nature	GFA (sq ft)	Status	Completion
Beijing Capital Times Square	Office/Retail	1,295,000	For Lease	1999
Shanghai Times Square	Office/Retail/Residential	1,211,000	For Lease	1999
Chongqing Times Square	Office/Retail/Residential [#]	1,570,000*	For Lease / Sale	2004
Shanghai Wellington Garden	Residential [#]	562,000	Under Construction	2006
Wuhan Times Square	Retail/Residential [#]	2,408,400	Under Construction	2007
1717 Nan Jing Xi Road	Office/Retail	1,589,300	Under Construction	2008
Dalian Times Square	Retail/Residential	1,866,000	Under Planning	2007
Shanghai Parc Royal	Residential [#]	802,000	Under Planning	2007
Shanghai Jingan Garden	Residential [#]	970,000	Under Planning	2008

* Partly sold

[#] Residential includes office-apartments



Marco Polo Hotel Group



The Marco Polo Hotel Group will open a second deluxe hotel in the Chaoyang District of Beijing in 2006.

The Marco Polo Hotel Group currently boasts a portfolio of nine hotels throughout Asia, including those under construction. During the year under review, the Marco Polo Hotel in Saigon, Vietnam was named one of the best hotels in the city.

Following the opening of the Marco Polo Beijing in December 2001, the Marco Polo Hotel Group will operate a second deluxe hotel in Beijing, which is scheduled to open in 2006. It is ideally located in the Chaoyang district of Beijing and is in close proximity to the Olympic Green. It has convenient access to various public transportation, including Subway Line No. 5 and the Olympic Subway Lines. It is also within 20-minute driving distance from the Beijing Capital International Airport.

This 17-storey hotel will provide 320 rooms and suites, with the inclusion of a Marco Polo's Continental Club. There will be a specially-designed executive floor to provide deluxe accommodation and service for discerning travellers. A wide variety of food and beverage outlets will be featured, highlights of which will include the signature Café Marco, a Chinese restaurant featuring regional specialties and the Lobby Lounge. Additionally, its well-appointed conference and banquet facilities will be perfect for meetings, seminars and social events while the recreation centre will feature a comprehensive range of facilities.



The Marco Polo Hotel in Saigon was named one of the best hotels in the city during the year under review.

Modern Terminals

Driven by continually strong export growth, the South China region registered an overall increase of 19 per cent or 3.96 million TEUs in total volume of containers handled. Throughput in Shenzhen recorded 31 per cent growth while Kwai Chung recorded 11 per cent growth compared with the year before. Shenzhen Terminals' market share grew to 45 per cent while Kwai Chung's market share declined slightly to 55 per cent as at the end of December 2004.

Modern Terminals' total throughput for 2004 increased by 9.1 per cent or 362,000 TEUs against that of 2003. This was mainly driven by feeder, transshipment and intra-Asia volume. During the year under review, operating cost increased because of the increased volume of activities and higher depreciation charges incurred due to the introduction of CT9. Despite the continuous improvement in productivity, the increase in operating cost slightly affected the company's operating profit.

With continuous investment in hardware, software and human resources, **Modern Terminals'** productivity continued to improve in 2004. With the delivery of four CT9 berths to **Modern Terminals**, its operations in Kwai Chung now consist of 7.5 berths, spreading over Container Terminals 1, 2, 5 and 9, with a total handling capacity of 5.5 million TEUs. TEUs per headcount, one of the main productivity benchmarks, improved to 3,630 from 3,365 a year ago. At the end of 2004, **Modern Terminals'** market share remained at about one-third of the total market in Kwai Chung.

Balance Sheet (Extract)

as at December 31, 2004

	HK\$M
Fixed assets	4,982
Interest in associates / jointly controlled entity	676
Net current liabilities	(548)
Other non-current liabilities	(366)
Net business assets (before debts)	4,744

Note: The Group's investment cost in 55.34% of Modern Terminals is HK\$3,709 million.



Modern Terminals' total throughput rose 9.1% to 4.35 million TEUs in 2004.

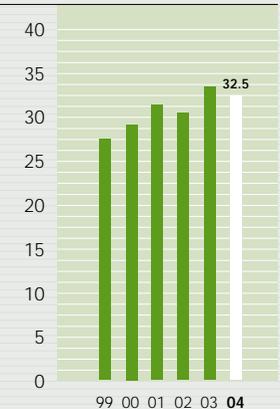
Throughput

(Million TEUs)



Market Share

(%)





With 7.5 berths spreading over Container Terminals 1, 2, 5 and 9 in Kwai Chung, Modern Terminals has a total handling capacity of 5.5 million TEUs.

In March 2005, 33 years after its operations began, **Modern Terminals** celebrated the milestone of the 50 millionth TEU passing through its facilities. Boasting advanced equipment and sophisticated logistics system, **Modern Terminals** is poised to achieve better operational synergy with the completion of berth consolidation and terminal area expansion following the delivery of CT9.



Other Investments

Chiwan Container Terminals, in which **Modern Terminals** effectively holds an eight per cent equity stake, recorded a throughput growth of 880,000 TEUs (an increase of 60 per cent) to 2.35 million TEUs.

Berth 4 of Shekou Container Terminals (Phase II), in which **Modern Terminals** effectively holds a 9.8 per cent equity stake, commenced operation in February 2004. Together with Berth 3 which commenced operation in the third quarter of 2003, Shekou Container Terminals (Phase II) handled 1.07 million TEUs, an increase of 3.6 times or 841,000 TEUs when compared with the previous year.

All ongoing projects in China including the Taicang project in Suzhou are progressing smoothly and on schedule. Taicang, a joint-venture development with the Suzhou government, will become the pioneer project leading off **Modern Terminals'** expansion in the Yantze River Delta.

Modern Terminals also entered into a joint-venture agreement with China Shipping to explore investment opportunities related to the Yang Shan project near Shanghai. A joint working team had been established and a feasibility study on Yang Shan Deepwater Port Project is now underway.

The market outlook for 2005 remains positive, with expectation of strong double-digit growth in the overall Pearl River Delta area. Kwai Chung will also benefit and marginal growth in terms of volume is expected in 2005.



(above) At the end of 2004, **Modern Terminals'** market share stood at about one-third of the total market in Kwai Chung.

(below) **Shekou Container Terminals (Phase II)** handled 1.07 million TEUs in 2004.

Key Operating and Financial Highlights

	2004	2003	2002	2001	2000	1999
Container Handling Capacity (TEUs in millions)	5.09	4.36	4.20	4.03	3.70	3.40
Throughput (TEUs in millions)	4.35	3.99	3.61	3.52	3.36	2.82
Headcount	1,199	1,186	1,176	1,179	1,184	1,294
TEUs per Headcount	3,630	3,365	3,072	2,985	2,840	2,177
Market Share	32.5%	33.1%	30.3%	31.1%	28.9%	27.2%