

# Wheelock and Company Limited The Wharf (Holdings) Limited

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2011 Interim Results  
25 August 2011



**WHEELOCK**

*Founded 1857*



**WHARF**

*Established 1886*



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*Wheelock Properties contributed  
to a record first half*



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*Solid cash flow consistent  
with plan*



WHARF

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*Established 1886*



# Financial Highlights of 2011 Interim Results

	 WHEELOCK Founded 1857		 WHARF Established 1886	
	1H2011 (HK\$M)	% Change	1H2011 (HK\$M)	% Change
<b>Turnover</b>	13,755	+10%	9,745	+13%
<b>Operating Profit</b>	7,501	+25%	4,980	+10%
<b>Finance costs</b>	(878)	-54%	(775)	-42%
<b>Underlying profit *</b>	3,825	+72%	3,283	+11%
<b>IP revaluation surplus (net of Tax &amp; NCI)</b>	6,394	+72%	11,019	+65%
<b>Profit attributable to shareholders</b>	10,219	+56%	14,302	+31%
<b>EPS</b>	HK\$5.03	+56%	HK\$4.84 <sup>^</sup>	+26%
<b>EPS (excluding net IP revaluation surplus)</b>	HK\$1.88	+35%	HK\$1.11 <sup>^</sup>	-26%
<b>DPS</b>	HK\$0.04	+60%	HK\$0.36 <sup>^</sup>	+0%

\* excluding IP revaluation surplus & non-recurring profit in 2010

<sup>^</sup> on expanded share capital base after the rights issue in 3/2011



# Wheelock – Results Highlights

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- ❖ Underlying profit, excluding non-recurrent profit of HK\$601M in 1H2010, increased by 72% to HK\$3.8B; attributable profit +56% to HK\$10.2B
- ❖ Wheelock Properties (WPL) was the largest contributor to a record first half for Wheelock, with the completion of the highly successful One Island South
- ❖ In July & August, WPL acquired 2 prime sites in Kowloon East for commercial development (total GFA: 1.5M sf) for HK\$7.6B. WPL's attributable landbank increased to 2.7M sf.
- ❖ WPL's development interests in Foshan were sold to Wharf in June for HK\$3.4B. The profit of HK\$1.3B will be recognized upon the staged completion and sales of the respective properties.
- ❖ Wheelock's net debt (excluding non-wholly owned subs) decreased by HK\$2.6B to HK\$7.4B, after subscribing HK\$5.0B to Wharf's rights issue in March.



# WPL – Hong Kong Developments

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*The highly successful One Island South generated HK\$2.1B profit .....*

## 1. One Island South, Aberdeen

- ❖ Grade A commercial building (GFA: 812,800 sf), completed in 6/2011
- ❖ All office floors (722,300 sf) presold for HK\$3.3B to generate profit of HK\$2.1B
- ❖ Retail podium (90,500 sf) will be held for investment

## 2. MTR Austin Station

- ❖ 50/50 prime residential development with NWD, attributable GFA: 641,000 sf, AV: HK\$9,130 psf
- ❖ Atop a MTR West Rail station, next to the future terminus for High Speed Rail to the Mainland & the West Kowloon Cultural District
- ❖ Master layout plan and general building plan approved, foundation work underway



# WPL – Hong Kong Developments

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*Progress of existing developments on plan.....*

## **3. 211-215C, Prince Edward Road West, Ho Man Tin**

- ❖ Residential development, GFA: 91,700 sf; AV: HK\$8,800 psf
- ❖ Lease modification premium paid in 3/2011
- ❖ Superstructure work underway
- ❖ Target to launch the project in 2H2011 subject to presale consent

## **4. 46 Belcher's Street, Western District**

- ❖ Residential development, GFA: 89,000 sf; AV: HK\$3,800 psf
- ❖ Foundation work underway
- ❖ Target to launch for presale in 2H2011



# WPL – Hong Kong Developments

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*Landbank increased to 2.7M sf.....*

## **5. Kwun Tong commercial project**

- ❖ Acquired in 7/2011 for HK\$3.53B or HK\$3,856 psf
- ❖ Site area: 76,200 sf; GFA: 914,900 sf
- ❖ To be developed into 2 Grade A office buildings overlooking the Victoria Harbour and future Kai Tak Cruise Terminal, with easy access to the MTR

## **6. Hung Hom commercial project**

- ❖ Acquired in 8/2011 for HK\$4.03B or HK\$6,827 psf
- ❖ Site area: 147,500 sf; GFA: 590,000 sf
- ❖ To be developed into 2 Grade A office buildings overlooking the Victoria Harbour, with easy access to the MTR



# WPL – China Developments

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*Foshan assets sold to concentrate on HK developments.....*

- ❖ In 6/2011, WPL sold its 50% stakes in the 4 Foshan residential projects to Wharf

	HK\$B
Property valuation	5.1
Presales proceeds	(1.7)
Cash	0.7
Tax & other liabilities	<u>(0.7)</u>
Net consideration received from Wharf	<u>3.4</u>

- ❖ Profit of HK\$1.3B will be recognized between 2H2011 and 2015, upon the staged completion and sales of the respective properties



# WPSL – Developments

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*No project completed in 1H2011; Scotts Square completion in 2H2011.....*

## 1. Orchard View

- ❖ A luxury residential development, comprising 30 four-bedroom apartments with private lift lobbies
- ❖ 40% sold by 6/2011, ASP: S\$3,200+psf
- ❖ Completed in 5/2010

## 2. Scotts Square

- ❖ A prime residential development atop a retail complex located in the heart of the Orchard Road shopping belt
- ❖ 79% presold, ASP: ~S\$4,000 psf.
- ❖ The retail podium (130,600 sf) is held for long term investment
- ❖ Construction in progress with full completion in 2H2011



# WPSL – Developments

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*Developments are progressing on plan.....*

## 3. Ardmore Three

- ❖ A 36-storey luxury development along Ardmore Park
- ❖ Construction work underway, full completion in 2014
- ❖ A show-flat will be completed on site in late 2011

## 4. 雍景山

- ❖ High-end residential development in Fuyang District, 22km from the city centre of Hangzhou with a nice mountain view; full completion in 2018
- ❖ Acquired in 2/2011 for RMB1.4B; GFA:358,000 sm; AV:~RMB4,000 psm



# WPSL – Investment Properties

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*Steady recurrent income base to expand .....*

## 5. Wheelock Place

- ❖ GFA: 464,900 sf; valuation: S\$ 850M
- ❖ An office and retail development at Orchard Road
- ❖ Full occupancy; average monthly rental: S\$12 psf

## 6. Scotts Square (Retail Podium)

- ❖ GFA: 130,600 sf
- ❖ Pre-leasing underway
- ❖ Construction in progress with full completion in 2H2011



# Wharf – Results Highlights

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## *A solid Group Performance.....*

- ❖ Underlying profit, excluding non-recurrent profit of HK\$1.2B in 1H2010, increased by 11% to HK\$3.3B; attributable profit +31% to HK\$14.3B
- ❖ All segments reported higher turnover and (except logistics) operating profit
- ❖ EPS (before IP revaluation) at HK\$1.11 to give a healthy dividend cover at 3.1 times for same DPS of HK\$0.36 on the enlarged share base
- ❖ New investments during 1H2011 exceeded HK\$20B primarily for China properties, funded by HK\$10B of new equity and HK\$10B of debt
- ❖ Book NAV: HK\$187B, +14% (HK\$61.59 per share)



# Wharf – Results Highlights

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*Hong Kong & China properties performed strongly .....*

- ❖ Harbour City & Times Square produced a record performance, supported by robust retail sales and tightening of prime office supply
- ❖ Retail sales at Harbour City & Times Square accounted for an unmatched 8.3% share of HK's total retail sales, up from 7.9% in 1H2010
- ❖ China property sales increased by 271% to RMB6.3B. Net order book increased to RMB14.9B for 945,000 sm. Completions in 1H2011 totaled 160,000 sm. China landbank increased to 12.4M sm
- ❖ MTL's throughput growth in South China slowed but remains steady; margin declined due to one-off items and rising operating costs



# Hong Kong Properties – Harbour City

*A record performance for Harbour City.....*

<i>Property Value (excl. Hotels) at 30.6.2011: HK\$87.1B</i>	Attributable GFA (sf)	1H11 (HK\$M)	1H10 (HK\$M)	% Change
Retail	1,948,000	1,723	1,437	+20%
Office	4,435,000	787	774	+2%
Serviced Apartments	670,000	145	132	+10%
Hotel and Club	1,364,000	531	488	+9%
<b>Total:</b>	<b>8,417,000</b>	<b>3,186</b>	<b>2,831</b>	<b>+13%</b>



# Hong Kong Properties – Harbour City

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*Harbour City generates 6.2% of HK retail sales, envy of others.....*

- ❖ Largest mall in town, representing 75% of retail area of Canton Road
- ❖ Retail sales: +33%, outperformed HK market by 9% points.
- ❖ Retail represents 23% of HC's total area but 54% of total revenue
- ❖ Continues to provide a captivating “shoppertainment” experience to shoppers through a finely calibrated trade mix and innovative marketing campaigns



# Hong Kong Properties – Harbour City

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*Strong performance from other components.....*

## Office

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- ❖ Occupancy and spot rent trended up strongly during 1H2011
- ❖ Occupancy: 95%
- ❖ Lease renewal retention rate: 73%



## Serviced Apartments

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- ❖ Occupancy: 94%
- ❖ Favorable rental growth



# Hong Kong Properties – Times Square

*A record performance for Times Square.....*

<i>Property Value at 30.6.2011: HK\$32B</i>	Attributable GFA (s.f.)	1H11 (HK\$M)	1H10 (HK\$M)	% Change
Retail	936,000	587	512	+15%
Office	1,033,000	228	226	+1%
<b>Total:</b>	<b>1,969,000</b>	<b>815</b>	<b>738</b>	<b>+10%</b>



# Hong Kong Properties – Times Square

*Times Square is the most successful vertical shopping mall in HK.....*

## Retail

- ❖ Full occupancy
- ❖ Retail represents 48% of TS's area but 72% of revenue
- ❖ Tenant mix on the atrium floors fine-tuned to uplift the shopping ambiance



## Office

- ❖ Occupancy: 96%, strong growth in spot rents in 1H2011
- ❖ Lease renewal retention rate: 28% as some tenants moved to fringe locations
- ❖ Vacated space rapidly absorbed by new tenants, including relocation from Central / Wanchai



# Other Hong Kong Properties

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*Steady performance, developments on schedule.....*

## The Peak Portfolio

- ❖ Existing developments – occupancy: 90%+, strong rental growth
- ❖ Mt Nicholson - master layout plan & GBP submitted for approval



## Plaza Hollywood

- ❖ Turnover: +7% to HK\$186M
- ❖ Average occupancy: 99%

## Other developments

- ❖ One Mid-town in Tsuen Wan - a high-rise industrial / loft building, GFA: 644,000 sf; completion in 2H2012
- ❖ Kowloon Godown, Yau Tong Godown, Yau Tong JV project, at different development stages



# China Properties – Building for Tomorrow

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*Mainland China assets reached 39% of Group assets at 6/2011... ..*

## China Portfolio

- ❖ Acquired sites in Changsha, Hangzhou, Suzhou & Foshan (attributable GFA: 2M sm) for RMB13B
- ❖ Land bank: +17% to 12.4M sm, spanning across 13 cities & on track to next milestone of 15M sm
- ❖ The RMB required for o/s land payments has been fully covered
- ❖ Continue to develop local execution knowhow

## Development Properties

- ❖ Contract sales: +271% to RMB6.3B, 437,000 sm were sold.
- ❖ Net order book increased to RMB14.9B for 945,000 sm
- ❖ Area completed in 1H2011: 160,000 sm

## Investment Properties

- ❖ Wheelock Square completed in 2010 is leasing well
- ❖ Completed IPs were valued at HK\$13B at 30.6.2011
- ❖ Development progress of 5 IFCs as planned



# China Properties – Acquisitions

*Landbank increased to 12.4M sm.....*

## ❖ Sites acquired in 1H2011

Site	Project Nature	Attributable GFA (sm)	Accommodation value (RMB psm)
Fu Yang District, Hangzhou	Residential	129,000	5,000
Yuhang District, Hangzhou	Residential	220,000	3,600
Wu Zhong District, Suzhou	Residential	385,000	7,600
Changsha IFC, Changsha	Mix use	700,000	8,000

**Total: 1,434,000**

## ❖ In 6/2011, Wharf acquired the 50% shares in 4 Foshan residential JVs for HK\$3.4B

Foshan Projects	Attributable uncompleted GFA (sm)		Accommodation value* (RMB psm)
	Presold	Unsold	
Evian Town	100,000	86,000	13,000
Evian Uptown	15,000	96,000	6,800
Shishan Town	-	155,000	2,500
First Ring Rd, Nanhai	-	112,200	5,800

\* On unsold area

**Total: 564,200**



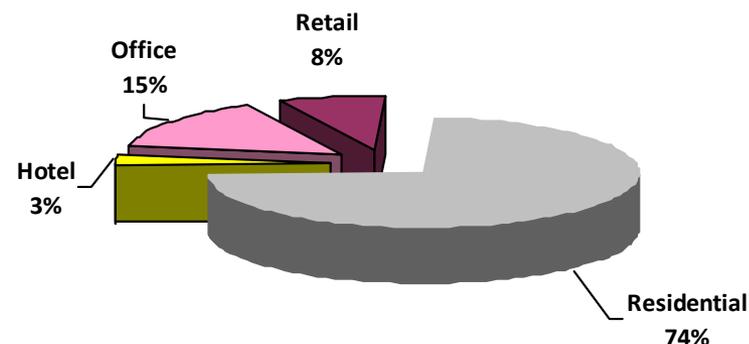
# China Properties – Landbank

*China landbank on course for the 15M sm milestone.....*

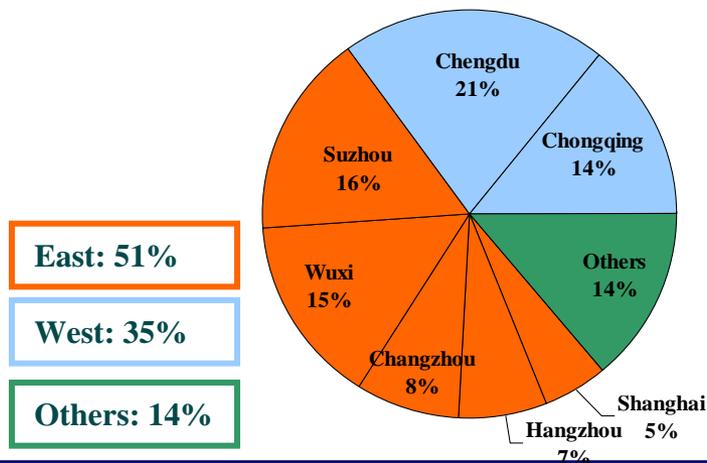
## GFA by Region

Region	Attributable GFA sm
East	6.3M
West	4.3M
Others	1.8M
<b>TOTAL</b>	<b>12.4M</b>

## GFA by Land Use



## 12.4M sm landbank split by cities

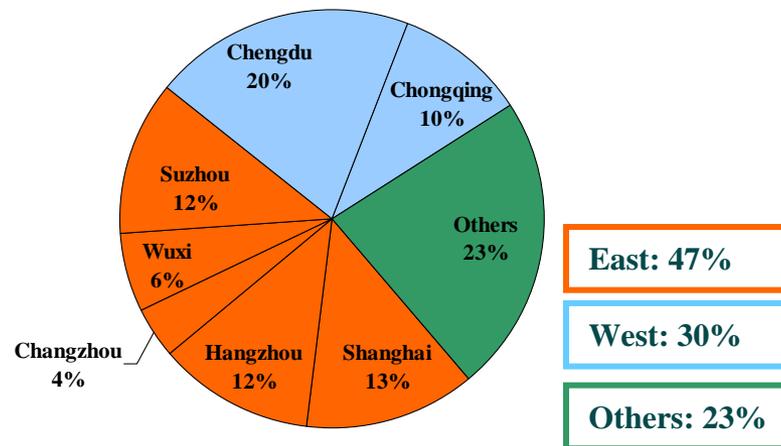


**East: 51%**

**West: 35%**

**Others: 14%**

## RMB 65.4B cost split by cities



**East: 47%**

**West: 30%**

**Others: 23%**



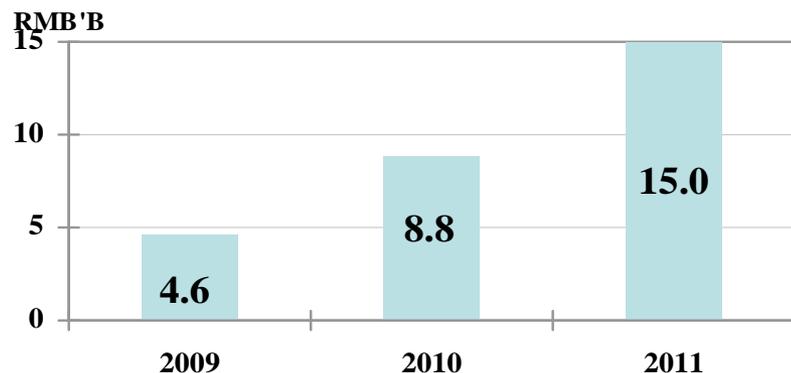
# China Development Properties

*PRC property business growing as planned.....*

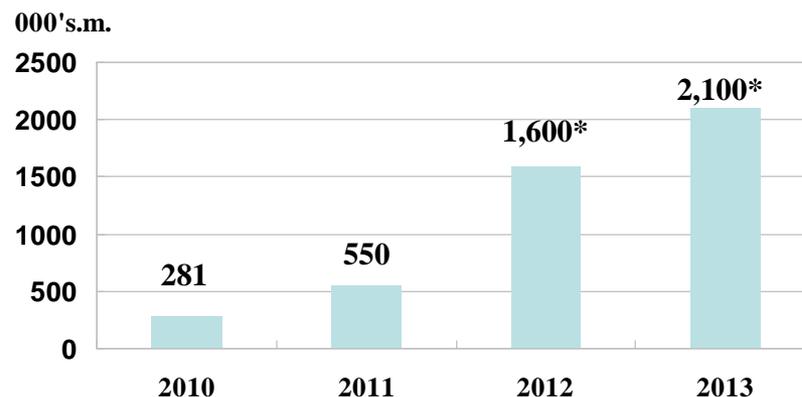
## ❖ In 1H2011,

- ❖ Turnover: +31% to HK\$1,343M
- ❖ Operating Profit: +1.4% to HK\$568M (high margin in 1H2010 due to completion of No 1 Xin Hua Road)
- ❖ Operating Margin: 42%
- ❖ Contracted Sales: +271% to RMB6.3B
- ❖ Completion: 160,000 sm

## 2009-2011 Contracted Sales



## 2010-2013 Project Completions



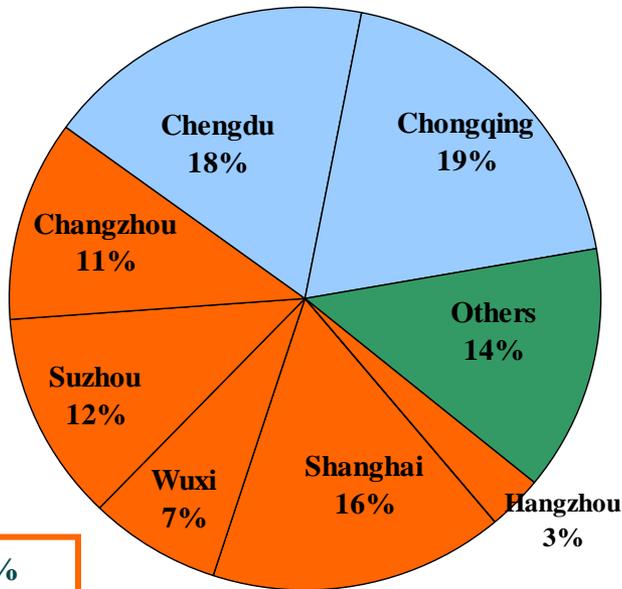
\* provisional data



# China Development Properties - Sales

*Sales diversity to minimize concentration risk.....*

**RMB6.3B Sales in 1H11**

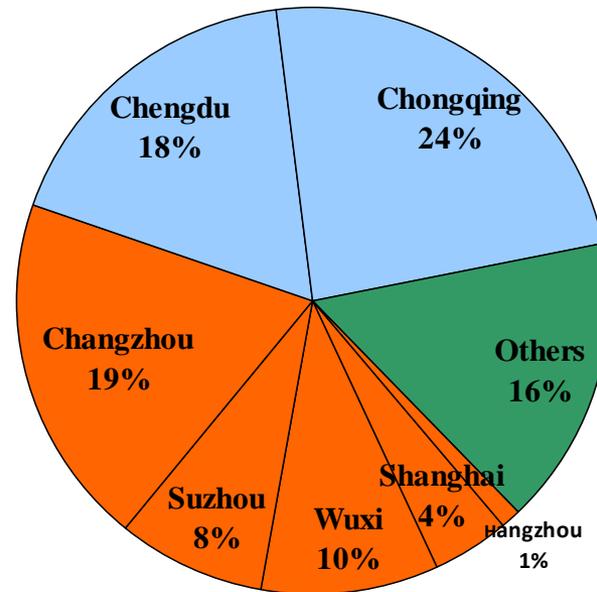


**East: 49%**

**West: 37%**

**Others: 14%**

**437,000 sm Sold in 1H11**



**East: 42%**

**West: 42%**

**Others: 16%**



# China Development Properties – Sales

*Sales totaled RMB6.3B in 1H2011 and tracked the Group's plan.....*

<b>New projects</b>	<b>City</b>	<b>Product</b>	<b>Attributable GFA sold (sm)</b>	<b>Attributable Proceeds (RMB'M)</b>	<b>Average Price (RMB psm)</b>
Times City	Suzhou	High-rise	29,000	410	13,900
The U World	Chongqing	High-rise	32,000	715	22,100
Peaceland Cove	Tianjin	High-rise	38,000	494	13,100
Magnificent	Tianjin	High-rise	28,000	402	14,300
<b>Projects previously launched</b>	<b>City</b>	<b>Product</b>	<b>Attributable GFA sold (sm)</b>	<b>Attributable Proceeds (RMB'M)</b>	<b>Average Price (RMB psm)</b>
Xiyuan	Shanghai	Medium-rise	17,000	890	52,700
Times Riverside, Times 8	Chengdu	High-rise / office	41,000	752	18,500
Times Palace	Changzhou	High-rise / villas	85,000	696	8,200
Ambassador Villa	Suzhou	Villas	7,000	337	51,100
Int'l Community	Chongqing	High-rise	72,000	494	6,900



# China Investment Properties

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*Recurrent rental earnings boosted by Wheelock Square.....*

## **1H2011 Performance**

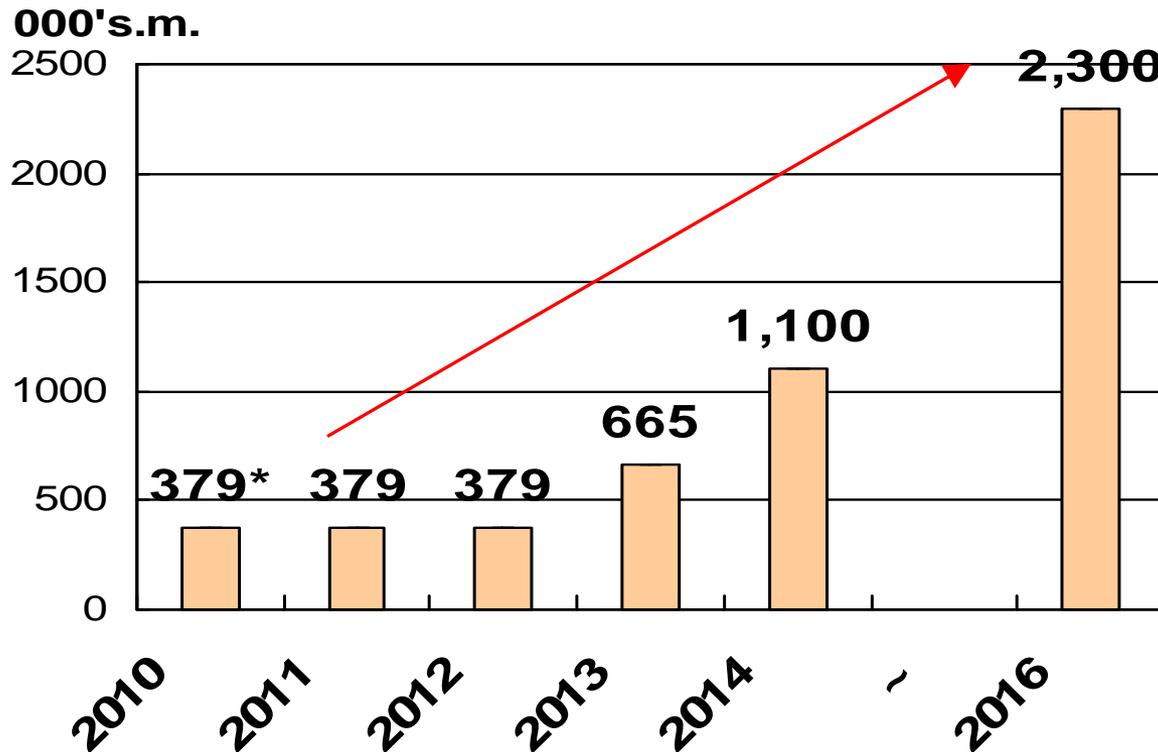
- ❖ Turnover: +34% to HK\$317M, Operating profit: +39% to HK\$193M
- ❖ Over 70% office area at Shanghai Wheelock Square leased, with latest monthly rental rates at over RMB400psm
- ❖ Chongqing TS transformed into a modern & stylish shopping mall, a soft re-opening took place in early July 2011.
- ❖ Dalian TS registered a 38% growth in retail sales psm with 100% occupancy
- ❖ Shanghai TS performed satisfactorily with 93% retail and 96% office occupancy



# China Investment Properties

*Recurrent earning base will substantially increase from 2013.....*

## Growth of IP Portfolio GFA<sup>^</sup>



## Completion timetable

- ❖ Chengdu IFC 2013-15
- ❖ Chongqing IFC 2014-15
- ❖ Wuxi IFC By 2015
- ❖ Suzhou IFC By 2016
- ❖ Changsha IFC By 2016

<sup>^</sup> Includes office / residential areas that may be for sale

\* Includes Shanghai Wheelock Square, Times Squares in Shanghai, Chongqing and Dalian



# China Investment Properties – IFC Series

*5 IFCs to be rolled out in 2013-2016.....*

## **Chengdu IFC – GFA 439,000 sm\***

- ❖ The Group's next flagship IP rolled out in the busiest pedestrian shopping area of Chengdu.
- ❖ Comprises retail, Grade A offices, a 5-star hotel and luxury residences
- ❖ Construction of Phase 1 (retail complex and an office tower) is scheduled for completion in 2013

## **Chongqing IFC – GFA 223,000 sm\***

- ❖ 50:50 JV with COLI; located in the new CBD of Chongqing
- ❖ Comprises up-market retail, Grade A offices, a 5-star hotel and serviced apartments
- ❖ Construction is underway; full completion in 2015

\* GFA represents plot-ratio GFA and excludes commercial areas below ground



# China Investment Properties – IFC Series

*5 IFCs to be rolled out in 2013-2016.....*

## **Suzhou IFC - GFA 351,000 sm\***

- ❖ Tallest skyscraper in Suzhou overlooking Jinji Lake
- ❖ Comprises Grade A offices, 5-star hotel and luxury apartments

## **Wuxi IFC – GFA 280,000 sm\***

- ❖ Tallest skyscraper in Taihu Plaza, Wuxi's new CBD
- ❖ Comprises Grade A office, 5-star hotel and luxury residences

## **Changsha IFC – GFA 700,000 sm\***

- ❖ Acquired in 1/2011, a prime site in the city centre
- ❖ Comprise 3 towers (2 in excess of 300m in height) atop a 250,000 sm retail podium
- ❖ Comprises upscale retail, Grade A offices, 5-star hotel & luxury apartments. Construction will start in late 2011.

\* GFA represents plot-ratio GFA and excludes commercial areas below ground



# Marco Polo Hotels

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*A solid performance.....*

## **1H2011 Performance**

- ❖ Revenue: +11% to HK\$593M  
Operating profit: +30% to \$187M
- ❖ Occupancy: 81% for the 3 HK hotels  
Average room rate: +21% over 2010
- ❖ The managed Marco Polo Foshan in Lingnan Tiandi will open in 2011
- ❖ From 2012 onwards, new Marco Polo hotels in Changzhou, Changsha, Chengdu, Chongqing, Manila, Guiyang, Suzhou and Wuxi will come on stream



# Modern Terminals

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*Steady HK performance; China growth momentum continues.....*

## 1H2011 Performance

- ❖ Revenue: +6% to HK\$1,620M
- ❖ Operating profit -15% to \$675M due to one-off items in 2010 & rising operating costs

## 1H2011 Throughput

- ❖ Kwai Tsing (HK): +1% to 2.7M TEUs
- ❖ Taicang (YRD): +9% to 685K TEUs
- ❖ DCB (PRD): +19% to 343K TEUs



# Other Businesses

*Steady results from Communications, Media & Entertainment.....*

## **i-CABLE**

- ❖ Revenue: +9% to HK1,051M
- ❖ Net loss: HK\$55M represented a 62% improvement

## **Wharf T&T**

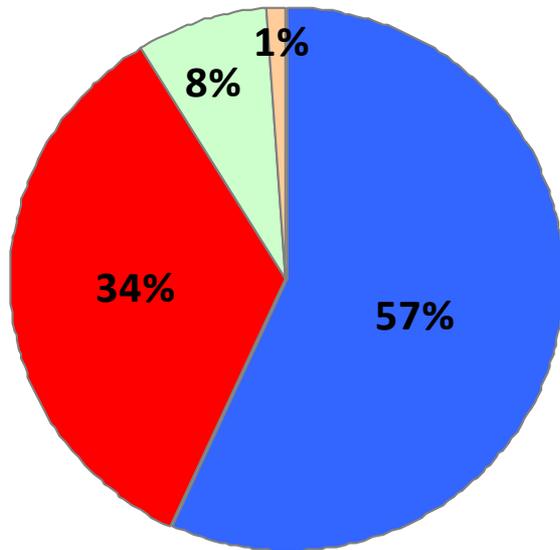
- ❖ Revenue: +6% to HK\$879M
- ❖ Net profit: +8% to HK\$103M



# Financial Highlights

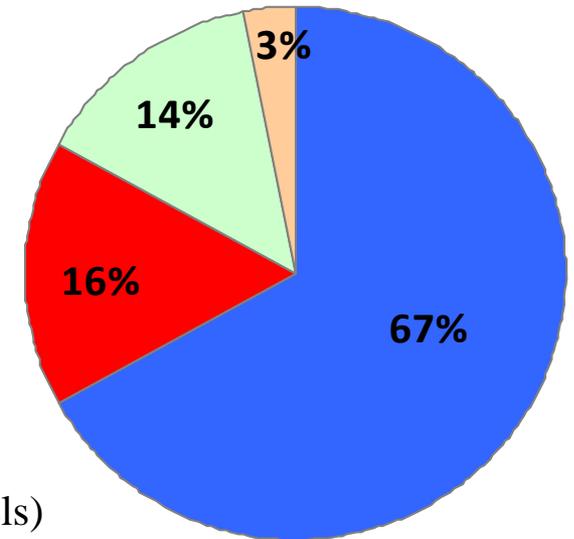
*Hong Kong properties remain the driver; China is growing.....*

% of Group Total Business Assets



HK\$257.1B

% of Group Operating Profit



HK\$5.0B

- HK Properties (excl. Hotels)
- China Properties
- Logistics
- CME & Others

\* China assets: 39% as at 30.6.2011 (Properties: 34%, Logistics: 5%)



# Financial Highlights

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*Prudent financial management with 21.9% gearing.....*

Net debt / (Cash)	30.6.2011 (HK\$'M)	31.12.2010 (HK\$'M)
Wharf (excluding below subsidiaries)	33,503	23,376
MTL	11,054	9,932
HCDL	(1,694)	(172)
i-CABLE	(369)	(447)
<b>Total:</b>	<b>42,494</b>	<b>32,689</b>
<b>Gearing (net debt to total equity)</b>	<b>21.9%</b>	<b>19.2%</b>

*\*Wharf raised HK\$10B equity through a rights issue in 3/2011 and HK\$6.2B through CB in 6/2011*



# Financial Highlights

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*Diversified sources of income and funding.....*

❖ **Strong recurring income base**

- ❖ Investment Properties – Harbour City, Times Square, China
- ❖ Logistics and Hotels

❖ **Multiple sources of funding and revenue**

- ❖ Equity - HK\$10B rights issue in 3/2011
- ❖ Debt - HK\$6.2B CB in 6/2011
- ❖ At 30.6.11, cash balance: HK\$20B, undrawn bank facilities: HK\$23B
- ❖ China property sales target of RMB15B (HK\$18B) in 2011



# End of Presentation

Wheelock and Company Limited [HKEx Stock Code: 0020.HK]

The Wharf (Holdings) Limited [HKEx Stock Code: 0004.HK]

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# Appendix

*Wharf underlying earnings +11% to HK\$3,283M.....*

<i>Underlying earnings</i>	1H2011 (HK\$'M)	1H2010 (HK\$'M)	% Change
Profit (before net IP revaluation surplus)	3,283	4,204	-22%
Less: Non-recurrent profit in 1H2010	--	(1,246)	--
Underlying earnings	3,283	2,958	+11%

## *Non-recurrent profit in 1H2010*

1H2010  
(HK\$'M)

Revaluation surplus on Wharf's interests in Hactl	437
Net tax write-back upon reaching a tax settlement	<u>809</u>
Total	1,246

