

BUSINESS REVIEW

WHEELOCK PROPERTIES LIMITED ("WPL", A 100%-OWNED SUBSIDIARY)

Hong Kong

WPL's development landbank was partly depleted by the completion of the highly successful One Island South but reverted to 2.7 million square feet (attributable) following the recent acquisition of two commercial sites in Kowloon East.

One Island South in Aberdeen is a Grade A commercial building with a GFA of 812,800 square feet. The project was completed in June 2011, all the office floors of a total GFA of 722,300 square feet, pre-sold for total proceeds of HK\$3.3 billion to generate a profit of HK\$2.1 billion for the Group. The 90,500-square-foot retail podium will be held for investment pending the completion of the MTR South Island Line, which will include a station opposite to One Island South (target opening 2015).

The MTR Austin Station project is a prime residential development in Kowloon West being developed with New World Development on a 50:50 basis, with an attributable GFA of 641,000 square feet. It is located on top of the MTR station, next to the future High Speed Rail terminus to the Mainland (target opening 2015) and borders the West Kowloon Cultural District. The master layout plan and general building plan have been approved. Foundation work is underway.

Superstructure work for the residential development at 211-215C Prince Edward Road West, Homantin is underway. The development offers a total GFA of 91,700 square feet. Premium for the lease modification was paid in March 2011. The project is targeted for pre-sale in late 2011 subject to the pre-sale consent application process.

Foundation work for the residential development at 46 Belcher's Street, Western District is underway. The development offers a total GFA of 89,000 square feet. The project is scheduled for pre-sale in late 2011.

In July, WPL won a tender for a 76,200-square-foot commercial site at the junction of Wai Yip Street, Shun Yip Street and Hoi Bun Road along the Kwun Tong waterfront for HK\$3.53 billion, or HK\$3,856 per square foot. The development, with a GFA of 914,900 square feet, will comprise two Grade A office buildings overlooking the Victoria Harbour and the future Kai Tak Cruise Terminal, with easy access to the Ngau Tau Kok MTR station.

In August, WPL won another tender for a 147,500-square-foot commercial site at the junction of Hung Luen Road and Kin Wan Street, within the core commercial hub of Hung Hom, for HK\$4.03 billion, or HK\$6,827 per square foot. The development, with a total GFA of 590,000 square feet, will comprise two Grade A office buildings overlooking the Victoria Harbour, with easy access to MTR East and West Rails, through-train services to Guangzhou and the future Sha Tin-to-Central cross-harbour train service (target opening 2020).

South China

In June, WPL sold its 50% stakes in the joint ventures of four residential projects in Foshan, Guangdong to Wharf at a consideration of HK\$3,388 million based on a property valuation of HK\$5,138 million.

In accordance with the prevailing accounting standard, the estimated profit of HK\$1.3 billion from this sale will be recognised between the second half of 2011 and 2015 upon the staged completion and sales of the respective properties.

WHELOCK PROPERTIES (SINGAPORE) LIMITED ("WPSL", A 75.8%-OWNED LISTED SUBSIDIARY)

In accordance with Hong Kong Financial Reporting Standards, WPSL's profit contribution to the Group for the period was HK\$181 million (2010: HK\$1,106 million).

Wheelock Place, a prime commercial development in Orchard Road, continued to generate steady recurrent income with full occupancy at the end of June.

Orchard View, a luxury residential development, was completed in 2010. It comprises 30 four-bedroom apartments with private lift lobbies. 40% of the units were sold by June at an average price of over S\$3,200 per square foot.

79% of the apartments at Scotts Square, a prime residential development atop a retail complex located in the heart of the Orchard Road shopping belt, have been pre-sold at an average price of close to S\$4,000 per square foot. Pre-leasing of the retail podium is underway. Main construction is in progress with full completion scheduled in the second half of 2011.

Construction work for Ardmore Three, a 36-storey luxury development along Ardmore Park, has commenced with full completion expected in 2014. A show flat will be completed on site in late 2011.

In February, WPSL acquired five sites for a high-end residential development in Fuyang District, 22 kilometres from the city centre of Hangzhou, China. The project offers a developable GFA of 358,000 square metres and the residence will command a nice mountain view. The development is scheduled for full completion in 2018.

THE WHARF (HOLDINGS) LIMITED ***("WHARF", A 50.02%-OWNED LISTED SUBSIDIARY)***

Wharf's profit attributable to shareholders for the period rose by 31% to HK\$14,302 million. Earnings per share were HK\$4.84. Excluding the investment property revaluation surplus and one-off exceptional gains recorded in 2010, underlying recurrent profit increased by 11% to HK\$3,283 million.

Hong Kong

Retail sales conducted in Harbour City and Times Square during the period accounted for an unmatched 8.3% share of Hong Kong's total retail sales, up from 7.9% a year earlier.

Harbour City

Turnover (excluding hotels) increased by 13% to HK\$2,655 million and operating profit by 13% to HK\$2,313 million.

Harbour City's retail sales performance continued to outpace the market with a 33% year-on-year growth, nine percentage points higher than the market average. Turnover from Harbour City's retail sector increased by 20% to HK\$1,723 million.

Turnover from the office sector increased by 2% to HK\$787 million. Office rental rates for new commitments trended up strongly during the period, with 95% occupancy at the end of June and lease renewal retention rate held up solidly at 73%.

Turnover from the serviced apartments increased by 10% to HK\$145 million with 94% occupancy and favourable rental growth.

Times Square

Times Square turned over HK\$815 million for an increase of 10%. Operating profit grew by 11% to HK\$727 million.

Times Square remains the most successful vertical shopping mall in Hong Kong. Retail revenue grew by 15% to HK\$587 million with full occupancy during the period.

Turnover from the office sector increased marginally to HK\$228 million with occupancy climbing to 96% at the end of June and strong growth in spot rents.

Other Hong Kong Properties

Leasing of the Peak portfolio remained active with average occupancy maintained at over 90% and strong rental growth.

Plaza Hollywood posted a 7% growth in turnover to HK\$186 million with favourable rental growth. Average occupancy stood at 99%.

The master layout plan and general building plan of the exclusive Mount Nicholson residential development have been submitted for approval. One Midtown (formerly identified as Cable TV Tower South Project) in Tsuen Wan is scheduled for completion in the second half of 2012.

China

Wharf is on course with its strategy to increase Mainland assets to 50% of Wharf's business assets, with 39% of business assets in China at the end of June.

Property Development

Turnover for China property development increased by 31% to HK\$1,343 million and operating profit reached HK\$568 million.

Sales

During the period, four new projects were launched for sales. Together with further sales from projects previously launched, a total of 437,000 square metres of properties were sold to generate attributable sales proceeds of RMB6.3 billion, 271% higher than last year. Net order book increased to RMB14.9 billion at the end of June.

Suzhou Times City (formerly identified as Suzhou Industrial Park Xiandai Da Dao Project) was launched in May to realise proceeds of RMB410 million. The U World in Chongqing (formerly identified as Chongqing Jiangbei City Zone B Project) was launched in April to realise attributable proceeds of RMB715 million.

In Tianjin, Peaceland Cove was launched in February, and Magnificent (formerly identified as Tianjin Jinjiang Road Project) was launched in May. They generated a combined attributable proceeds of RMB896 million during the period.

In July, Wharf launched another new project, Wuxi Xiyuan (formerly identified as Wuxi Old Canal No. 71 Project), which generated sales proceeds of RMB113 million.

For projects previously launched including Times Palace in Changzhou, Tian Fu Times Square and Crystal Park in Chengdu, Shanghai Xiyuan and No. 1 Xin Hua Road in Shanghai, and Ambassador Villa in Suzhou, more units were released for sales during the period and were met with good demand.

Acquisitions and Development Progress

During the first half, Wharf acquired sites in Changsha, Foshan, Hangzhou and Suzhou with an attributable GFA of 2.0 million square metres for RMB13 billion. Wharf's landbank increased by 17% to 12.4 million square metres at the end of June, spanning across 13 cities and is on track to the next milestone of 15 million square metres.

In January and March, Wharf acquired two sites in Wuzhong District in Suzhou, a site in Changsha for the development of Changsha IFC, and two sites in Fuyang District and Yuhang District in Hangzhou.

In June, Wharf acquired from WPL the 50% shares in the joint ventures of four residential projects in Foshan, Guangdong at a consideration of HK\$3,388 million. The projects acquired included Evian Town, Evian Uptown, Shishan Town Project and Nanhai Guicheng Project, with total attributable uncompleted GFA of 564,200 square metres. All projects are undertaken through 50:50 joint ventures with China Merchants Property.

All projects under development are progressing in accordance with plan.

Property Investment

Turnover and operating profit increased as a result of contribution from Wheelock Square in Shanghai completed in 2010. The completed investment properties were valued at HK\$13 billion at the end of June.

Over 70% of the office area of Wheelock Square has been committed with the latest monthly rental rates at over RMB400 per square metre. This premier-grade development continues to attract multinationals and major corporations.

Dalian Times Square produced a 38% growth in unit retail sales at full occupancy. Chongqing Times Square completed its premises transformation into a modern and stylish shopping mall with a soft re-opening in July. Shanghai Times Square continued to perform satisfactorily.

In January, Wharf acquired a prime site in the city centre of Changsha for the development of Changsha IFC. The development will provide upscale retail, Grade A offices, a five-star hotel and luxury apartments, with a total GFA of 700,000 square metres. Construction will start in late 2011 for full completion in 2016.

Construction of phase one of Chengdu IFC, which includes the retail complex and an office tower, is scheduled for completion in 2013. Development of Chongqing IFC, Wuxi IFC and Suzhou IFC is progressing as planned.

Marco Polo Hotels

Total revenue from the Marco Polo hotels and club grew by 11% to HK\$593 million. Consolidated occupancy of the three Marco Polo hotels in Hong Kong was 81% with a 21% increase in average room rates. Other Marco Polo hotels performed strongly in their respective locations.

Modern Terminals

Modern Terminals' consolidated revenue increased by 6% to HK\$1,620 million during the period. However, operating profit decreased by 15% to HK\$675 million as a result of one-off items and rising operating costs.

Throughput in Hong Kong grew modestly to 2.7 million TEUs. In China, throughput at Taicang International Gateway in Suzhou grew by 9% to 685,000 TEUs while Da Chan Bay Terminal One in Shenzhen handled 343,000 TEUs, 19% higher than last year.

Other Businesses

i-CABLE

Turnover increased by 9% to HK\$1,051 million while a net loss of HK\$55 million for the period represented a 62% improvement. The financial position remains solid with net cash of HK\$369 million.

Wharf T&T

The ICT industry benefited from the rally of IT and telecom spending to cope with business demand during the period. Wharf T&T's revenue rose by 6% to HK\$879 million and net profit by 8% to HK\$103 million with stable net cash inflow.