

BUSINESS REVIEW

Investment Properties (“IP”)

Wheelock’s two rare and valuable IP in Central – Wheelock House and Crawford House – have a combined market value of over HK\$10.0 billion.

Wheelock House together with Wheelock Square in Shanghai and Wheelock Place in Singapore, the three Wheelock branded landmarks, anchoring the Group’s brand presence in Asia’s key financial centres. Wheelock House is an office development located at Hong Kong’s ground zero CBD at the intersection of Pedder Street and Des Voeux Road Central, above the Central MTR Station. This location has been Hong Kong’s historical commercial and trading hub since the 1800s. Given this strategic location, office occupancy stood at 99% and rental income grew by 18% in 2013, whilst office rentals in Central were generally under pressure.

Crawford House is a commercial development at No. 70 Queen’s Road Central comprising 18 office floors and a seven-storey retail area with a 120-foot high street frontage and a layby along Queen’s Road Central. This most sought-after retail offering occupies 55,268 square feet. It has been leased to Zara replacing H&M as the anchor tenant since the last quarter of 2013, with opening scheduled for the second quarter of 2014. Its retail value is enhanced as core Central retail is spreading across to the west towards the Mid-Levels escalators adjacent to Crawford House. Office occupancy stood firmly at 99% while rental income grew solidly at 11% in 2013.

Development Properties (“DP”)

Hong Kong Property Sales

Property sales were on par with full year estimates of HK\$10.0 billion despite quiet market conditions. The HK\$10.0 billion contracted sales, comprised of both residential and commercial sales, were a 45% increase over 2012. Net order book accumulated to HK\$11.1 billion.

The West Tower of One Bay East in Kowloon East was pre-sold to Manulife in March 2013 for HK\$4.5 billion. This en-bloc sale represents the single largest transaction in value in Hong Kong over the past 18 months. It is also Manulife’s largest overseas property acquisition transaction. This demonstrates recognition of Wheelock Properties Limited’s (“WPL”) product quality and execution capability in office developments, maintaining a positive track record. The 21-storey Grade A office tower with a GFA of 512,000 square feet will serve as Manulife’s Hong Kong headquarters. Marketing of the East Tower is planned to commence in 2014. With a GFA of 512,000 square feet, it enjoys open views towards Hoi Bun Road Park, Victoria Harbour and the Kai Tak Cruise Terminal. Superstructure works are now underway. Full completion is scheduled for 2015.

Phase One of The Austin, a prime city-centre residential project held by a 50%-owned joint venture with New World Development, was officially launched for pre-sale in October 2013. Market sentiment prior to the sales launch was slow. Primary property sales transactions fell to the lowest level in five years. Against this tide, all 576 residential units were successfully sold in three weeks generating sales proceeds of HK\$10.0 billion. The project was seven times over subscribed with over 4,000 registrations and achieved an average selling price of circa HK\$22,000 per square foot. This positive market response could be attributed to the location, synergies with Canton Road and Harbour City and the unrivalled living destination. In addition, it is uniquely linked to three rail stations and four rail lines: Austin MTR Station underneath, Airport Express at Kowloon Station, Tung Chung MTR Line at Kowloon Station and Hong Kong’s only Express Rail Link terminus to Mainland China (under construction). Finally, it guards the entrance of the West Kowloon Cultural District, Hong Kong’s future cultural centre upon completion. Phase Two is planned for pre-sale in 2014. Superstructure works for both phases are in progress. Full completion is scheduled for 2015.

WHEELOCK SQUARE

Nanjing Xi Road,
Shanghai



BUSINESS REVIEW

Additional units of Kadoorie Hill, a 66-unit luxury development in Ho Man Tin, were sold in 2013. As at 28 February 2014, 64 units (97%) and 54 car parking spaces were sold for sales proceeds of HK\$1.9 billion. The development was completed in the first half of 2013. Handover to buyers commenced in September 2013. It also scored 93 points versus an average of 82 in 2013 in a reputable property quality rating programme by CABLE TV.

Land bank

WPL continues to selectively capture land banking opportunities in Hong Kong. The total development property land bank under management in Hong Kong accumulated to 7.9 million square feet as at 31 December 2013. This size is adequate to fill our development needs in the coming several years. During the year, 2.2 million square feet of development property land bank was replenished for HK\$11.7 billion. The majority of the acquisitions are in city centre locations. The average land cost is considered reasonable at HK\$5,300 per square foot.

The quality of the land bank is competitive. 95% of the land bank is located in city centres and 66% on Victoria Harbour. In terms of locational diversity, it focuses in four city centre submarkets, namely, Tseung Kwan O South Portfolio, Kowloon East Waterfront Portfolio, Kowloon South Portfolio and the Peak Portfolio. In terms of product diversity, residential premises represent 80% of the land bank and commercial premises for sales account for the remaining 20%. WPL maintains a well-balanced portfolio with diversified revenue streams.

The “Tseung Kwan O South Portfolio” signifies WPL’s position as one of the two major landholders in Tseung Kwan O South, each with one-third of the market. The four residential sites totalling 2.3 million square feet include the acquisitions of TKOTL112 Area 65C1 in April 2013 and TKOTL126 Area 68B2 in July 2013, provides over 2,500 residential units. Three out of four

are waterfront sites. These low density developments offer unparalleled living environment, convenience and infrastructure. The sites are surrounded by 2.2 million square feet of parks (twice the size of Kowloon Park) and over 10 kilometres of waterfront promenade and cycling paths. Among other amenities, the area will have three new schools, including an international school. The Tseung Kwan O MTR Station is three stops from Quarry Bay and a 20-minute commute from Central.

The “Kowloon East Waterfront Portfolio” comprises two key clusters: the Bay East Waterfront Cluster and the Yau Tong Harbourfront Cluster. The Bay East Waterfront Cluster in CBD2 amounts to 1.9 million square feet and includes One Bay East (100% interest), Wharf T&T Square and Kowloon Godown redevelopments (52% attributable interest). This cluster spans over 500 metres of the Victoria Harbour coastline. It is situated in the heart of the new CBD2 and the government’s initiative of “Re-energising Kowloon East”. The Yau Tong Harbourfront Cluster consists of two redevelopments, namely, Yau Tong Bay and Yau Tong Godown. Yau Tong Bay is a four-million-square-foot mega harbourfront redevelopment providing over 5,000 residential units. WPL is the co-project manager with Henderson Land.

The “Kowloon South Portfolio” consists of three developments with a total of 1.8 million square feet GFA, namely, The Austin Phase Two, Ho Man Tin and One HarbourGate (formerly known as Hung Luen Road commercial development). These developments are located in Kowloon’s prime city centres and are highly accessible to MTR stations. The residential site on Fat Kwong Street in Ho Man Tin was acquired for HK\$3.8 billion in June 2013. This development is located in the traditional luxury residential area of Kowloon and adjacent to the future Ho Man Tin MTR Station.

The “Peak Portfolio” held by Wharf provides 0.5 million square feet GFA of rare luxury residential land parcels on the Peak. It represents the most prestigious addresses and sought-after collection in Hong Kong where supply is limited. The Mount Nicholson site was acquired at HK\$10.4 billion by a 50:50 joint venture with Nan Fung group. It is a mountain top private enclave and will be developed into a limited number of deluxe villas and apartments. The total GFA is 324,000 square feet. Pre-sale is planned in 2015. Prestigious addresses of No. 1 and 11 Plantation Road and 77 Peak Road are under redevelopment as planned.

The Tuen Mun So Kwun Wat development, which has a vast site area close to 300,000 square feet, was acquired in January 2013. This low density development, of 376,893 square feet GFA, offers a tranquil living environment with apartment towers and villas. It is adjacent to the new Harrow International School and conveniently served by a transportation network to Tsim Sha Tsui and Central via Tuen Mun Road and Route 3. The Gold Coast Yacht and Country Club is a 10-minute drive.

A Timely Move to Develop Office Properties

The timely acquisition of office sites in the last few years has proven to be attractive diversification, especially in the face of recent cooling measures in the residential sector. In the past three years, 1.9 million square feet of office properties were sold. On average, one project was launched for pre-sale every year. The successful sales of One Bay East, One Island South and One Midtown are good examples.

WPL currently has 1.7 million square feet of waterfront office portfolio and is well-positioned to meet the increasing office demand. The remaining tower of One Bay East and One HarbourGate are ready for pre-sale in 2014 and 2015.

One HarbourGate comprises of twin Grade A office towers and a pair of low-rise retail villas with 180-degree Victoria Harbour view. It is located in Hung Hom’s core commercial hub, in close proximity to MTR East and West Rails, through-train services to Guangzhou, the future Shatin-to-Central cross-harbour MTR service and the future Whampoa MTR Station.

Successful and Sustainable Urban Redevelopments

Wheelock’s capability in scouting aged buildings in good locations and their redevelopment into premium quality residences has been well proven. The Babington, Lexington Hill and Kadoorie Hill were all sold strongly with positive market feedback and attractive margins. The High Street project in the Western District of the Hong Kong Island is scheduled for pre-sale in 2014.

A redevelopment site at 175-179 Shau Kei Wan Road was acquired through private acquisition in February 2013. It will be jointly developed with an adjacent site acquired in 2012 for a total GFA of 96,294 square feet.

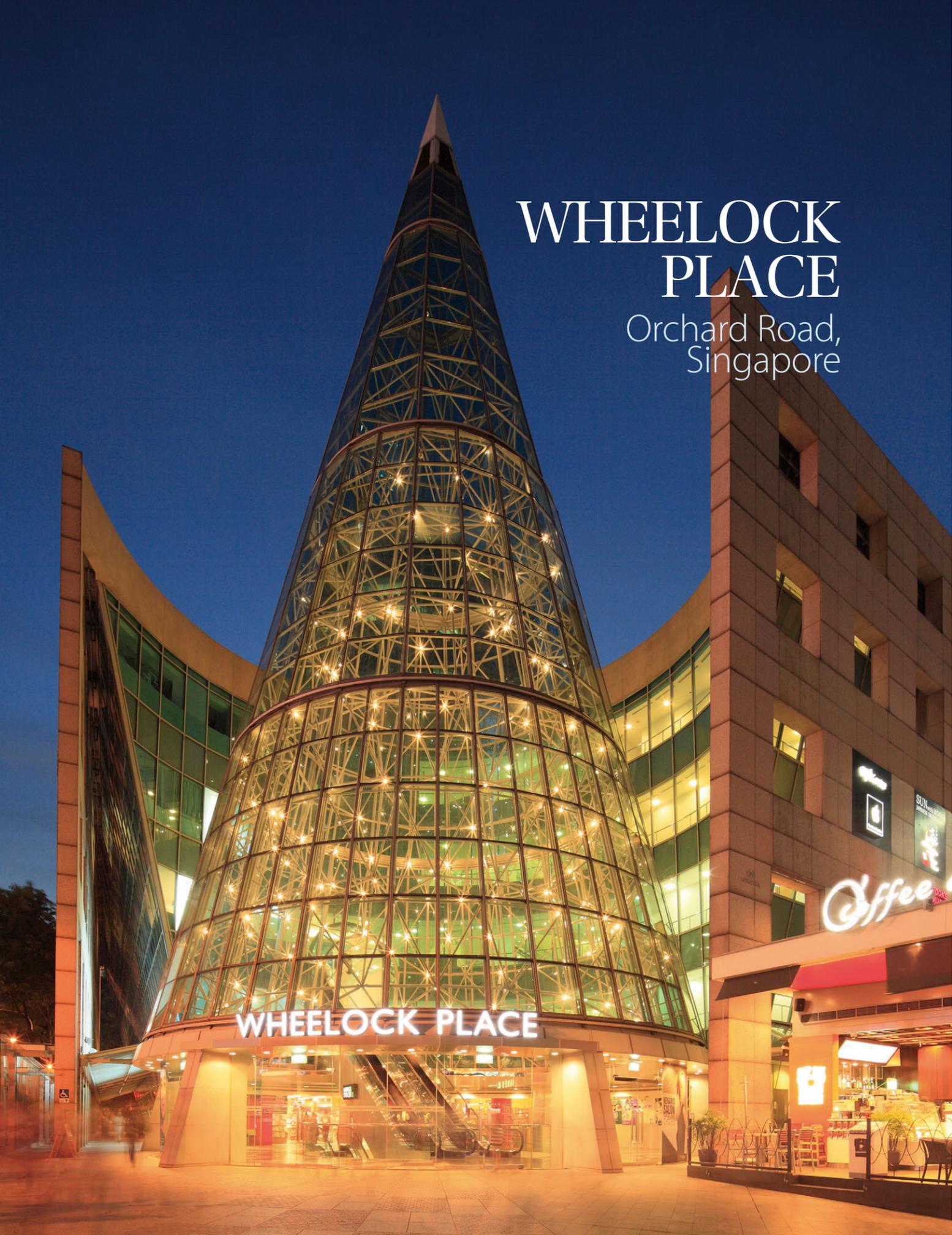
WPL won BCI Asia’s “Top 10 Developers” Award for two consecutive years. This achievement demonstrates that Wheelock is experienced, stable with a transparent management team competent in acquisition, product development and property sales.

76% Equity Investment in Wheelock Properties (Singapore) Limited (“WPSL”)

In accordance with Hong Kong Financial Reporting Standards, WPSL’s profit contribution to Wheelock for the year ended 31 December 2013 was HK\$227 million (2012: HK\$396 million). The decrease was mainly due to the lower property sales recognised compared to the revenue recognised from the sales of Orchard View and Scotts Square in 2012. Included in WPSL’s 2013 results is an accounting profit on disposal of the SC Global shares of HK\$573 million which was offset by a provision for diminution in value for the Ang Mo Kio project (The Panorama) of HK\$681 million.

WHEELOCK PLACE

Orchard Road,
Singapore



Wheelock Place, a prime commercial development on Orchard Road comprising a retail podium and offices, achieved an overall occupancy rate of 96% and an overall average rent of above S\$13 per square foot as at 31 December 2013, with steady recurrent income generated. Retail sales of the shopping podium has stabilised with the full year trading of the two basement floors with linkage to the Orchard MRT.

Scotts Square Retail is located in the heart of the Orchard Road shopping belt next to the Grand Hyatt Hotel and Tangs Plaza. It houses internationally renowned brands including Anne Fontaine, Hermès, Kiton, Michael Kors, On Pedder and Paul & Shark. Retail occupancy rate stood at 95% at an average monthly rent of S\$23 per square foot as at 31 December 2013. With greater competition from new malls, changing consumer preferences as well as softening retail sales, the mall will undergo a revamp of its trade and tenant mix.

Scotts Square, a 43-storey luxury residential development located in downtown Orchard Road, was 79% sold at an average price of S\$4,004 per square foot as at 31 December 2013. The full sales launch of Ardmore Three is being reviewed in light of current market conditions. Given the challenging environment, an accounting provision of S\$110 million has been made for The Panorama. This site was acquired in January 2013 and is located in Singapore's traditional residential district of Ang Mo Kio.

In China, construction for Phase One of the Fuyang project is currently in process. The show suite has been completed and the launch of the project is expected to commence in the first half of 2014.

52% Equity Investment in The Wharf (Holdings) Limited ("Wharf")

Wharf is a property developer with unique IP in Hong Kong and China with a strategic focus on China DP. The company is among the top local blue chip stocks on the Hong Kong Stock Exchange by trading turnover, signalling its high liquidity and attractiveness to investors. The IP portfolio accounts for 58% of its core profit in 2013, which generated strong dividend streams to Wheelock.

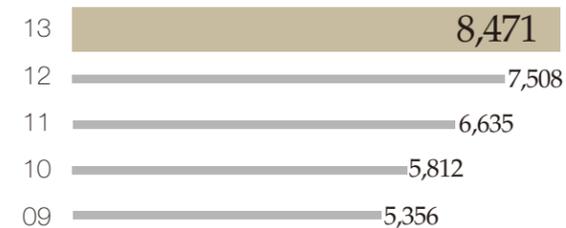
Investment Properties

Harbour City remains one of the world's leading shopping destinations (for total retail sales) with two million square feet of contiguous mall space. Market share maintained at 6.8% of total Hong Kong retail sales. In May, Harbour City launched the "Rubber Duck Project" which soon became a talk-of-the-town event and attracted phenomenal foot traffic from locals and tourists and retail sales. Ocean Terminal's renovation, an important part of Harbour City's substantial premise improvement initiatives for value creation, commenced in April and are progressing to plan. Office demand continued to be fuelled by business expansion, corporate upgrades and decentralisation.

With the unique 17-level retail mall design, diverse trade-mix and direct thoroughfare to the MTR, Times Square is among the most successful vertical malls in the world and remains a must-visit shopping landmark in Hong Kong. The substantial completion of the bold revamp by the end of 2013 stoked the formation

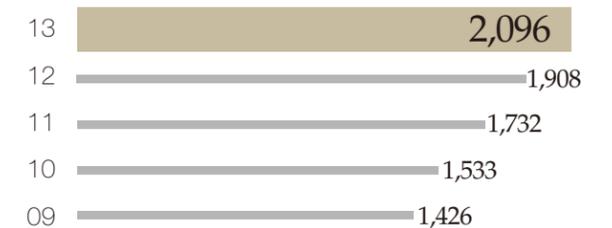
Harbour City

Gross Revenue (HK\$ Million)



Times Square

Gross Revenue (HK\$ Million)



BUSINESS REVIEW

of the new Times Square with the most extensive product range, entertainment and culinary choices at the heart of Causeway Bay. The new Times Square includes a line-up of coveted luxury brands and the brand new and contemporary five-house cinema CINE TIMES from 12th to 14th floors with a wider range of movie choices. On the back of positive rental reversion, the office occupancy stood strong at 95% at the end of 2013.

Plaza Hollywood is a market-leading shopping mall in Kowloon East. It is located atop the Diamond Hill MTR Station, which will be the future interchange hub for the new Shatin-to-Central Link in four years' time with the existing MTR network. It is also located at the entrance to Tate's Cairn Tunnel, a vehicular artery linking Kowloon East with the New Territories and beyond to Shenzhen, and directly linked to the Diamond Hill bus terminus. With its prominent location and efficient transport infrastructure, Plaza Hollywood is well-positioned to attract high volumes to double foot traffic.

Shanghai Wheelock Square continued to be the preferred office location for multinational firms and major corporations for its prestigious location, distinctive design and premium-quality management services. Dalian Times Square, a premier luxury shopping landmark and jewel in the heart of the city, houses a spate of luxury brands. Chongqing Times Square, located at ground zero Liberation Statue Square, the commercial and financial hub of Chongqing, is a renewed shopping mall with world-class facilities and services. Chengdu Times Outlets has become one of the most-visited outlet destinations in Chengdu, thanks to its convenient location in close proximity to the Chengdu Shuangliu International Airport. Shanghai Times Square, strategically located on Huaihai Zhong Road, re-opened in late 2013 providing a true "one-stop-shopping" experience. The new Shanghai Times Square, along with the new cluster on Huaihai Zhong Road and the new Lane Crawford will seamlessly complement one another and create significant value.

Wharf is developing a series of five International Finance Square ("IFS") projects in China, with a scale comparable to or surpassing that of Harbour City and Times Square in Hong Kong. Upon completion of these IFSs by 2017, the recurrent income base in China will be significantly strengthened.

Chengdu IFS is Wharf's flagship development modelled on Harbour City. The development comprises a mega shopping mall, two premium Grade A office towers, a luxurious residential tower and a five-star international hotel. As a new city landmark in Western China, retail leasing continued to exceed plan with 95% of total 210,000-square-metre retail space committed at year end at well-above-budget rental rates. The mall officially opened on 14 January 2014 and attracted wide attention from the public, as well as local and international media. Chengdu IFS has a retail shop street frontage of more than 530 metres, on par with Harbour City's Canton Road frontage. The launch also featured the world's largest giant panda art piece and marked the recruitment of nearly 300 of the world's most coveted brands. Full completion is scheduled for 2015.

Changsha IFS features an iconic 452-metre tower and a 315-metre tower above a mega-sized mall, offering upscale retail, Grade A offices and a five-star sky hotel. Full completion is scheduled for 2016.

Chongqing IFS comprises an iconic 300-metre landmark tower and four other towers offering retail with diverse trade-mix, Grade A offices and a five-star sky hotel. Retail pre-leasing activities have commenced. The office towers are slated for completion by the end of 2014. Full completion of the complex is scheduled for 2015.

Wuxi IFS's full completion is scheduled for 2014. The development of Suzhou IFS is in progress.

China Development Properties

In 2013, contracted sales continued to gain pace bolstered by Wharf's reputation for quality residences in sought-after locations. A total of 41 development projects spanning 14 cities were launched for sale or pre-sale. Wharf also acquired seven DP sites in the cities of Shanghai, Ningbo, Tianjin, Foshan and Hangzhou with an attributable GFA of 0.67 million square metres for RMB6.8 billion. Inclusive of China IP, the current land bank maintains at 11.7 million square metres spanning 15 cities.

Wharf holds approximately 24.3% of the equity interest in Greentown China Holdings Limited, a leading high-end real estate developer in China with strong brand recognition. The investment in Greentown complements the Group's business strategy for China DP.

Other Investments / Businesses

In November, Wharf, through listed subsidiary Harbour Centre Development Limited, acquired the 27-storey Murray Building in Central for HK\$4.4 billion. Wharf will convert this iconic building into a unique, fashionable lifestyle hotel for a total investment of over HK\$7 billion. Opening is scheduled for 2017.

Marco Polo Hotels currently operates 13 owned or managed hotels in the Asia Pacific region. A solid portfolio of Wharf's 10 owned hotels serves as a core platform of an expanding hotel network in five years' time. These hotels, destined to offer superior levels of design and impeccable quality of services, will take the hotel group to the next level of hospitality.

Modern Terminals gained in market share and increased consolidated revenue, with the global trade flows staging a muted recovery given the US and European economies showing signs of stabilising.

i-CABLE maintained a healthy financial position. Its affiliate Fantastic Television was granted in-principle approval in October to start a free TV service.

Wharf T&T's revenue and operating profit reached an "All Time High" in 2013, driven by the thriving data business.

TSEUNG KWAN O SOUTH PORTFOLIO



TSEUNG KWAN O
LOT NO. 119