

# BUSINESS REVIEW

## CORE BUSINESS – HONG KONG DEVELOPMENT PROPERTIES (“DP”)

On **contracted sales, HK\$5.8 billion** was achieved, of which Savannah, ONE HOMANTIN and Mount Nicholson were the main contributors.

Following the O'South successes of The Parkside and CAPRI, Savannah was launched for presale in May 2016 and attracted positive response. A total of 550 residential units or 82% of launched units were presold in six weeks for HK\$3.0 billion (632 units or 90% of launched units for HK\$3.7 billion as at 14 August 2016). This encouraging result once again demonstrated that O'South's low living density, south-facing harbour view, green lifestyle and MTR connectivity have been well received by potential buyers. The Group's three residential developments in O'South have already generated HK\$12 billion of sales in just under two years. The fourth development in O'South, TKOTL126, is planned for presale within the next 12 months.

Located in Kowloon's traditional high-end residential community with future MTR connectivity, ONE HOMANTIN was launched in March 2016. Despite the long presale period, 88 residential units were presold for HK\$1.0 billion (130 units for HK\$1.6 billion as at 14 August 2016). On the Peak, Mount Nicholson's Houses No. 5 and No. 6 were sold via tender for HK\$1.6 billion, translating to HK\$0.8 billion on attributable basis. The average price achieved was HK\$84,000 per square foot. Designed by Robert A. M. Stern Architects, each of the two villas features over 9,000 square feet of living space, spectacular harbour view, private gardens and an outdoor swimming pool.

Subsequent to 30 June 2016, the East Office Tower and Retail Villa of One HarbourGate were sold for HK\$4.5 billion. Together with the West Office Tower and Retail Villa which were sold in November 2015, this development is fully sold and achieved total sales of HK\$10.4 billion. Total office sales since 2011 amounted to HK\$28 billion, demonstrating the Group's successful office development strategy. Mount Nicholson's House No. 8 was sold, representing the third house sold since the project was launched in February 2016. To date, it has generated HK\$2.2 billion of sales, translating to HK\$1.1 billion on attributable basis.

On **property disposal**, the sale of Wheelock House to Wharf for HK\$5.1 billion was completed in March 2016.

On **sales recognition, HK\$6.7 billion** was recognised during the period, mainly contributed by One HarbourGate's West Office Tower and Retail Villa (HK\$5.9 billion). One HarbourGate was completed on schedule in June 2016, and the West Office Tower and Retail Villa were successfully handed over to China Life. **Net order book** was **HK\$11.6 billion** as at 30 June 2016, locking in future revenue stream.

On **land bank**, the total land bank under management amounted to **8.3 million square feet** at the end of June 2016. This portfolio is adequate for development in the coming years and is competitive in terms of both location and cost. 95% of the land bank is located in urban area and close to 80% is located along Victoria Harbour. Average land cost is also competitive, at HK\$3,400 per square foot (excluding the Peak portfolio).

## **CORPORATE SOCIAL RESPONSIBILITY (“CSR”) AND BUSINESS-IN-COMMUNITY**

On **Project WeCan**, the 4th annual Young Innovators Bazaar was successfully held in January 2016. Through starting their small businesses for a weekend, students were coached by staff volunteers who helped them develop multiple skills, ranging from business planning, marketing and product development to budgeting and execution. The number of participating students has grown from 200 to more than 1,000 in four years.

On **corporate governance**, Wheelock and its Hong Kong DP anchor Wheelock Properties Limited (“WPL”) will jointly publish their 2015 Corporate Social Responsibility Report for the first time. This Report, consistent with previous years, will be prepared in accordance with Global Reporting Initiative (GRI G4) standard and independently verified.

On **CSR**, our approach of doing well by doing good is based on the idea where businesses interact and also contribute to communities. To recognise our commitment, WPL was once again the winner of the ‘*CSR Project of the Year*’ award by RICS Hong Kong for the third consecutive year. With its environmentally-friendly and energy-saving design, One Bay East was the winner of the ‘*Sustainability Achievement of the Year*’ award by RICS.

On **quality and innovation**, WPL was named one of the ‘*Top 10 Developers*’ by BCI Asia for the fifth consecutive year, in recognition of our achievement in product quality. In addition, three web marketing awards were received for WPL’s new website, which was re-launched in January 2016. These awards included a Silver Winner by W<sup>3</sup> Awards, ‘*Best Real Estate Mobile Website*’ by MobileWebAwards and ‘*Award of Distinction in Website*’ by Communicator Awards.

**Wheelock and Company Limited is the majority shareholder of The Wharf (Holdings) Limited and Wheelock Properties (Singapore) Limited. Below is a report on their operations and achievements during the six months ended 30 June 2016.**

### **The Wharf (Holdings) Limited (“Wharf”) 60.2% Equity Investment**

Revenue and operating profit of Wharf’s **Hong Kong Investment Properties (“IP”)** recorded a 7% growth to HK\$6.4 billion and HK\$5.7 billion respectively. The group’s superior assets and proven management continued to drive IP performance through constant enhancement of the portfolio and value creation. On **retail**, Harbour City and Times Square reported 4% to 10% growth in revenue. On **offices**, positive office rental reversions continued to provide growth momentum.

**China IP** produced a solid performance although currency movements impacted the growth pace on translation to HK dollars. Revenue increased by 7% to HK\$1.2 billion and operating profit by 17% to HK\$0.7 billion. In particular, Chengdu International Finance Square (“IFS”) is firmly positioned to stand above the competition. Its retail revenue increased by 9% to RMB0.3 billion while tenants’ sales increased by 13% to RMB1.8 billion. Included in a series of its accolades received is ‘2016 VIVA Best-of-the-Best Design and Development Award’ presented by International Council of Shopping Centers in May 2016, signifying the first Hong Kong developer and China’s first-ever commercial project winning this prestigious global title. Demand for the three top-notch Grade A office towers remains positive. Nearly 100,000 square metres (36% of total GFA) have been leased. Achieved rental rates were among the highest in the city.

A pipeline of **IFS and Times Outlet** developments are progressing at full speed to become significant earnings and value drivers in the future. The Chongqing and Changsha IFS retail malls are scheduled to open in 2017 and 2018 respectively, which will capitalise on the untapped potential of the experience-driven consumption markets in the Western and Central China metropolis. Currently, over 80% of the retail floor plates are under offer to tenants. Both IFS will feature the second and third Niccolo hotel, mirroring the success of Chengdu Niccolo at IFS. Changsha Times Outlet in northwestern area of the city is scheduled to open in September 2016. Pre-leasing is progressing well, with 88% of total retail area under offer or in discussion with tenants.

The easing environment boosted housing demand in Mainland China and spurred a 58% increase in the group’s attributable interest in contracted sales in the first half to RMB16.3 billion, representing 68% of the full-year target. Inclusive of joint ventures and associates on an attributable basis, **China DP** revenue increased by 33% to HK\$13.0 billion and operating profit by 54% to HK\$2.3 billion. The net order book increased to RMB29 billion at the end of June 2016.

### Wheelock Properties (Singapore) Limited (“WPSL”) 75.8% Equity Investment

WPSL gave a stable performance in the first half. On DP, 382 residential units were sold for S\$337 million. On IP, Wheelock Place office tower enjoys full occupancy whilst the retail portion was 98% occupied as at 30 June 2016.