

# Wheelock and Company Limited The Wharf (Holdings) Limited

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2010 Interim Results  
30 August 2010



WHEELOCK

*Founded 1857*





WHARF

*Established 1886*



# Results Highlights

	 <b>WHEELOCK</b> <small>Founded 1857</small>		 <b>WHARF</b> <small>Established 1886</small>	
	1H2010 (HK\$M)	% Change	1H2010 (HK\$M)	% Change
Turnover	12,516	+38%	8,622	+0.1%
Operating Profit	6,020	+31%	4,516	+7%
Finance costs	(569)	-2,745%	(544)	-5,045%
Taxation*	(416)	+61%	(197)	+81%
Net other income	537	+166%	522	+220%
Profit before net IP surplus	2,826	+61%	4,204	+28%
IP revaluation surplus (net of Tax & NCI)	3,143	+70%	5,684	+54%
Profit attributable to shareholders	5,969	+66%	9,888	+42%
EPS	\$2.94	+66%	\$3.59	+42%
DPS	2.50¢	-	36.00¢	-

\* - deferred tax on IP revaluation surplus excluded



# WHEELLOCK

## 2010 Interim Results Highlights

*Focus on Development Projects in HK  
as Core Business sharpened after  
WPL privatization*



# Wheelock

## Highlights

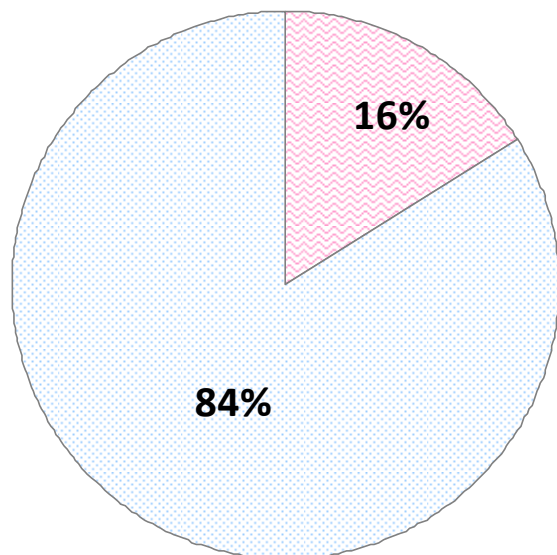
- ❖ WPL privatization enabled Wharf (50.02%) to be consolidated in one block
- ❖ WPL, now wholly-owned, will spearhead the group's development projects in HK with the full backing of the Group's capital base, starting with a current attributable landbank of 1.6M s.f.
- ❖ WPSL contributed HK\$3.4B turnover and HK\$1.2B OP on completion of Ardmore II and Orchard View
- ❖ Subject to legal compliances, suitable consideration may be given to consolidating under Wharf the non-Wharf China projects
- ❖ Funding for WPL privatization in 2010 and Wharf's rights issue in 2008 have raised net Group debt (excl. non-wholly owned subsidiaries) from HK\$0.9B in 2008 to HK\$8.2B



# Wheelock

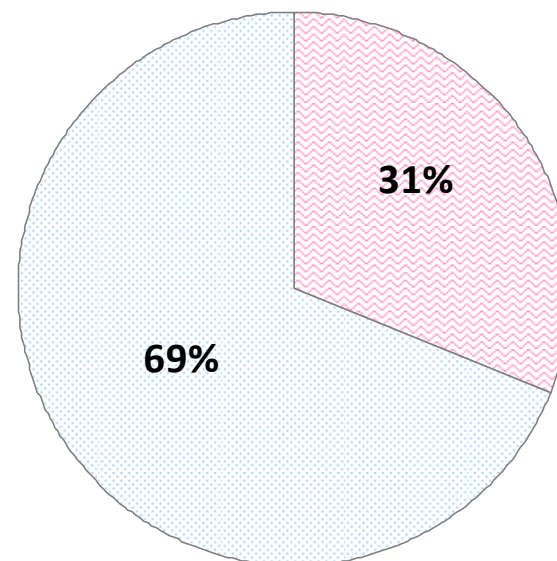
## Assets and Profit Split

Attributable Business Assets  
as at 30 June 2010

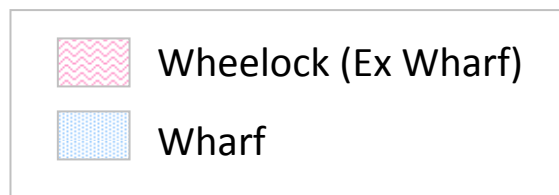


HK\$104.3B

Attributable Profit\* before net IP surplus  
as at 30 June 2010



HK\$2.6B



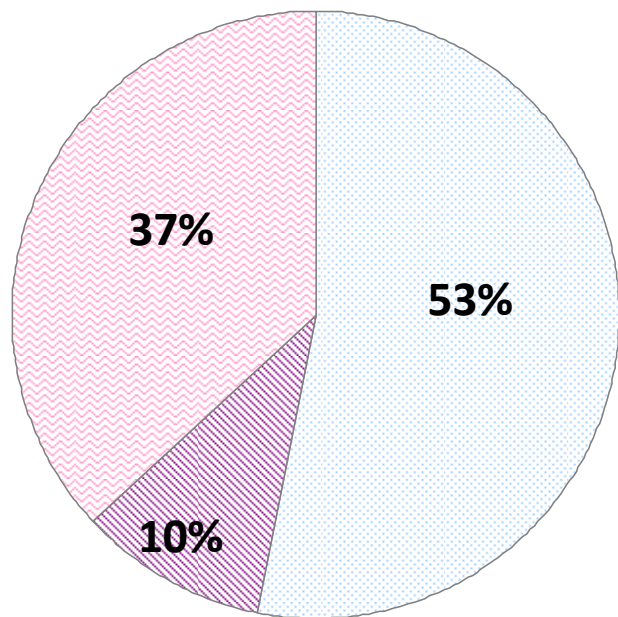
\*- one-off deemed profit on Hactl excluded



# Wheelock

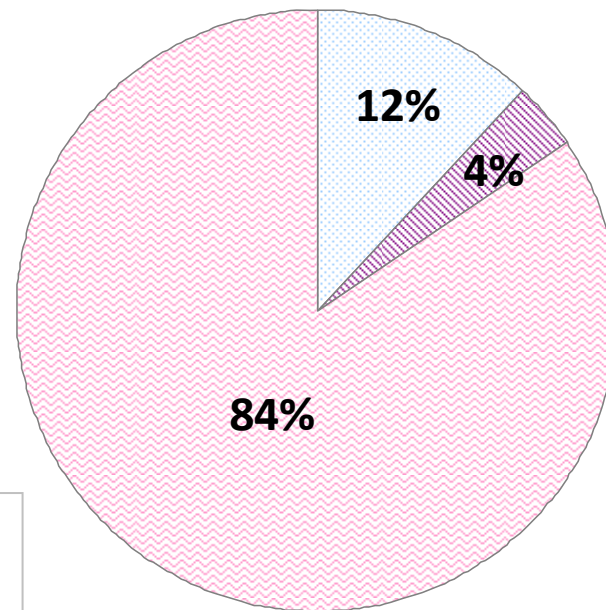
## Assets and Profit Split (Ex Wharf)

Attributable Business Assets  
as at 30 June 2010

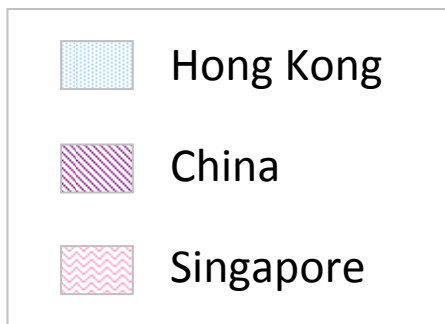


HK\$16.3B

Attributable Profit before net IP surplus  
as at 30 June 2010



HK\$799M



# Property Development

## Hong Kong

### 1. MTR Austin Station

- ❖ Close proximity to Airport Express Line and future terminus for High-Speed Rail to Guangzhou, and easy accessibility to the future West Kowloon Cultural District
- ❖ Total site area: 295,000 s.f.; GFA: 1,282,000 s.f.
- ❖ Land premium: HK\$11.7B (AV: ~HK\$9,100 psf GFA)
- ❖ 50/50 JV with New World Development bears 66.7% of land cost and 100% of construction cost
- ❖ MTRC bears 33.3% of land cost and takes a share of development profit
- ❖ Master layout plan underway, scheduled completion in 2014



# Property Development

## Hong Kong

### 2. Heung Yip Road, Aberdeen

- ❖ Commercial development: GFA of 737,200 s.f. (of which 224,900 s.f. pre-sold)
- ❖ AV: HK\$1,050 psf
- ❖ Completion: 4Q2010; to be launched in 2011

### 3. Other development projects

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46 Belcher's Street,  
Western District

- Residential development of 91,400 s.f. GFA  
- Property title fully acquired

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211-215C Prince Edward  
Rd West, Ho Man Tin

- Residential development of 91,700 s.f. GFA

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### 4. Sales Update

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The Babington, Mid-Levels

- ❖ 87% of 47 luxury apartments sold for HK\$570M
- ❖ 17% profit booked in 1H2010, 83% pre 2010

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# Wheelock

## Outlook

- ❖ Committed to spearhead HK development projects, capitalizing on its extensive experience in large-scale projects (e.g. Bellagio, Sorrento etc.)



# Property Development

## Singapore

### Sales Update

Project	No. of Units	Sold / Pre-sold (as at 30.6.2010)	ASP (SGD psf)	Completion
<b>Ardmore II</b> (condominium at 1&2 Ardmore Park)	118	100%	~2,300+	6/2010
<b>Orchard View</b> (36-storey residential project in Anguilla Park)	30	20%	3,200+	5/2010
<b>Scotts Square</b> (Residential & retail project at 6 & 8 Scotts Rd.)	338	77%	~4,000	2011

### Property Development

#### **Ardmore Three**

- ❖ An international-standard luxury residential development in the prestigious Ardmore Park, next to Ardmore II
- ❖ Piling works scheduled to commence in 3Q2010



# Property Development

## China

❖ All Foshan projects through 50:50 JV with China Merchants

Project	Project Nature	Attributable GFA (s.m.)	AV (RMB psm)	Completion
Evian Town	Residential	229,000	~2,000	2014
Evian Uptown	Residential	133,000	~5,600	2013

## New Acquisition

Shishan Town (1/2010)	Residential	155,000	~2,200	2015
First Ring Rd, Nanhai (7/2010)	Residential	112,000	~4,900	2014
<b>Total:</b>		<b>629,000</b>		



# Property Development

## China

### Sales Update

Project	Launched in 1H2010	Sold up to 12.8.2010	Sales proceeds (RMB'M)	Average Price (RMB psm)
Evian Town	4 high-rise towers (360 units)	86%	580	12,200+
Evian Uptown	3 high-rise towers (340 units)	76%	206	~9,000

Note: All units launched prior to 2010 were fully sold



# Property Investment

## Hong Kong

- 
- Crawford House
- ❖ GFA: 191,300 s.f.; valuation: HK\$3.2B
  - ❖ 96% (office) & 100% (retail) leased at satisfactory rental rates
  - ❖ H&M, the anchor retail tenant, performed solidly
- 

- Wheelock House
- ❖ GFA: 197,900 s.f.; valuation: HK\$2.9B
  - ❖ 97% leased at satisfactory rental rates
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## Singapore

- 
- Wheelock Place
- ❖ GFA: 464,900 s.f.; valuation: SGD795M
  - ❖ A commercial development at Orchard Road
  - ❖ 100% leased, average rentals: SGD10 psf (office); SGD14 psf (retail)
- 



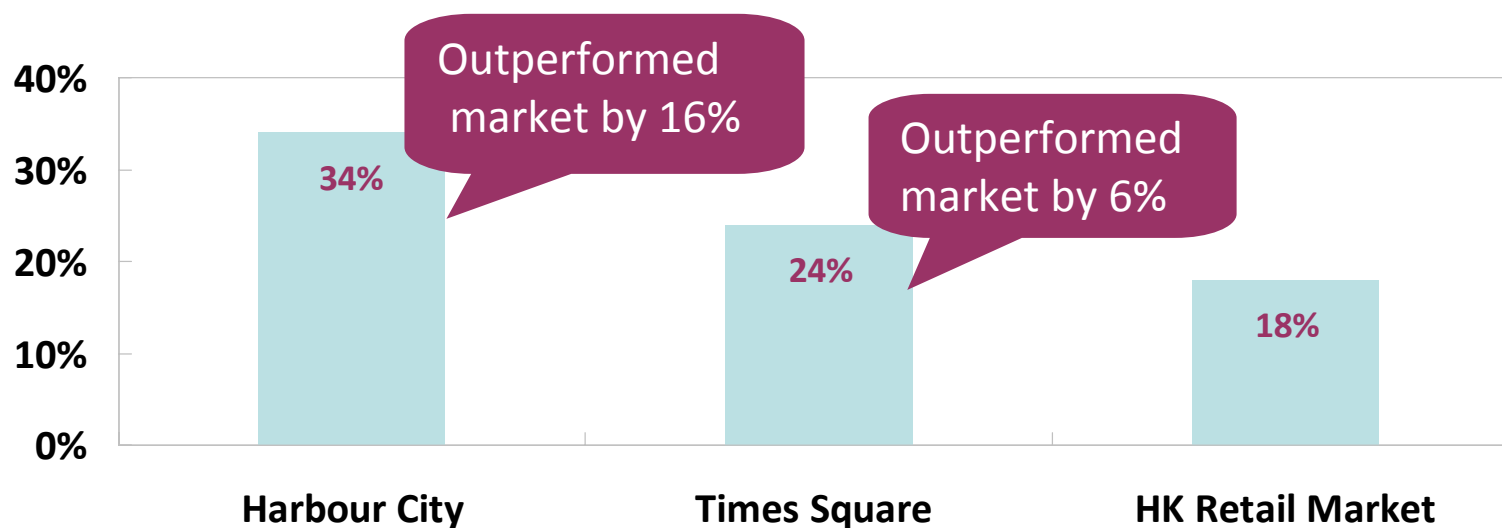
**WHARF**

**2010 Interim Results Highlights**

*Full Steam Ahead for Properties  
in Hong Kong and China*



1. Retail sales growth well exceeded the market and all expectations



2. Strong retail rental more than compensated for the weak rental from offices

HC & TS	Revenue Growth	Operating Profit Growth
Retail	+18%	+21%
Office	-7%	-7%

### 3. Property sales in China maintained despite control measures but recognition in the period declined

- ❖ 161,000 s.m. sold/pre-sold in 1H2010, for proceeds of over RMB1.7B
- ❖ Further sales since 1H10 met with favorable responses
- ❖ Sales target for 2010 was revised downward to RMB6-7B
- ❖ 1H2010 profit mainly from Shanghai Xin Hua Rd and Dalian Times No. 1 & 8
- ❖ Over 70% of the budgeted turnover for 2010 has been locked in



### 4. Logistics and Hotel reported vibrant recovery

- ❖ Logistics: OP +30%
- ❖ Hotels: OP +80%

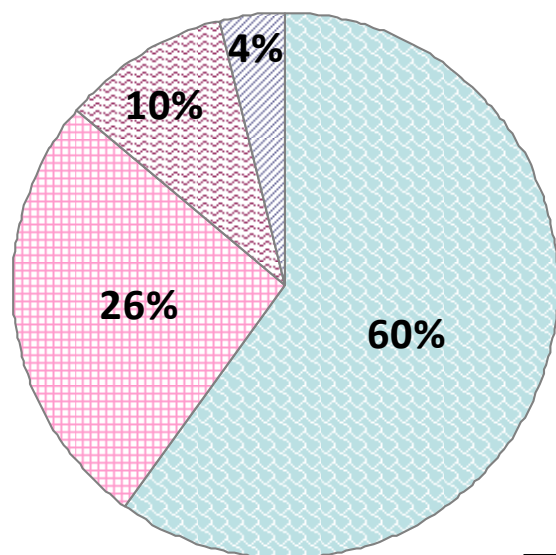
### 5. CME results distorted by a major revenue and cost timing mismatch

- ❖ i-CABLE's revenue & cost timing mismatch on World Cup 2010
- ❖ Wharf T&T reported sustainable earning and cashflow

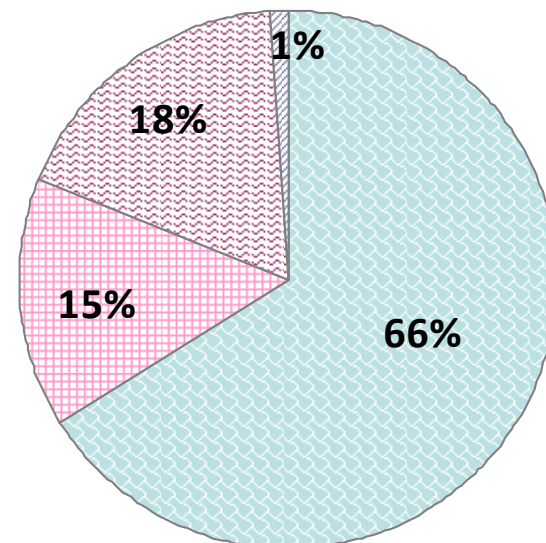
### 6. Non-recurrent items inflated finance costs and other net income but deflated taxation

## 2010 Interim Results

% of Group Total Business Assets



% of Group Operating Profit



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

\* China assets (Properties + Logistics): 33% as at 30.6.2010



## Analysis of Operating Profit

	1H10 (HK\$'M)	YoY Growth
❖ Property Investment	3,258	+9%
❖ Property Development	561	-5% (Note)
❖ CME	(15)	-112%
❖ Logistics	811	+30%
❖ Investment & Others	90	+260%
❖ Corporate Expenses	(189)	-29%
<b>Total Operating Profit</b>	<b>4,516</b>	<b>+7.2%</b>

*Note: Lower property sales due to fewer projects completed during 1H2010 vs. 1H2009*



- ❖ *HC and TS accounts for an exceptional 8% share of HK Retail Sales for 1H2010, beating the market by over 16% points and 6% points respectively*
- ❖ *Shanghai Wheelock Square, the Group's new landmark office tower in Puxi, was completed in May. 65% of the leasing area launched committed at satisfactory rates*

## Segment Performance

	Revenue		
	1H2010 (HK\$M)	1H2009 (HK\$M)	% Change
Retail	1,437	1,197	+20%
Office	774	842	-8%
Serviced Apartments	132	134	-1%
Hotel	488	410	+19%
<b>Total:</b>	<b>2,831</b>	<b>2,583</b>	<b>+10%</b>



## Retail

- ❖ Retail Sales +34% to \$9B, a record; growth rate outperformed market by 16% points
- ❖ Accounts for close to 6% of total HK retail sales – unmatched by any other mall
- ❖ Turnover: +20%; Operating profit: +22%
- ❖ Success factors – premium location, diversified trade-mix, well-rounded ancillary services & innovative marketing campaigns



## Office

- ❖ Turnover dropped by 8% reflecting the softness in the market since 2H08, which has started to firm again
- ❖ Occupancy at 92%
- ❖ Trend of decentralization continued with tenants relocating from Central
- ❖ Lease renewal retention rate: 67%



## Serviced Apartments

- ❖ Occupancy at 90%

## Segment Performance

	Revenue		
	1H2010 (HK\$M)	1H2009 (HK\$M)	% Change
Retail	512	455	+13%
Office	226	231	-2%
<b>Total:</b>	<b>738</b>	<b>686</b>	<b>+8%</b>





## Retail

- ❖ 24% growth in retail sales, outperforming the market by over 6% points
- ❖ Turnover: +13%; Operating profit: +17%
- ❖ First vertical mall in Hong Kong with \$1 billion of rental income p.a.
- ❖ New sky escalators in the atrium have significantly improved vertical circulation



## Office

- ❖ Turnover dropped by 2% to reflect the earlier softness in the market
- ❖ Occupancy at 93%
- ❖ Lease renewal retention rate: 72%

## *Future Recurrent Income Base*

- ❖ Excluding BCTS being disposed, Revenue +11%; Operating Profit +18%
- ❖ Shanghai Wheelock Square
  - ✧ New landmark for Wharf; tallest building in Puxi commercial hub
  - ✧ 100% office, completed in 5/2010
  - ✧ Low zones (54% of area) launched for lease; 65% committed at satisfactory rates
  - ✧ Over 90% of committed tenants are MNCs in various industries
- ❖ Chengdu IFC
  - ✧ Next flagship and single largest commercial complex across China for the Group
  - ✧ Comprise mega retail complex, offices, hotel and residences
  - ✧ Construction started; phase 1 completion in 1H2013
- ❖ Chongqing IFC
  - ✧ New landmark for Chongqing – “Chicago on the Yangtze”
  - ✧ Comprise retail, office, hotel and serviced apartment
  - ✧ 50:50 JV with COLI; construction started



# Property Development

## China Property Sales

	Launched in 1H2010	Sold / Pre-sold (as at 30.6.2010)	GFA Sold (s.m.)	Sales Proceeds (RMB'M)	Average Price (RMB psm)
Times Palace (Changzhou)	56 villas High-rise (656 units)	92%	71,400	586	8,200
Crystal Park (Chengdu)	High-rise (344 units)	68%	31,100	299	9,600
Times Residences (Chengdu)	High-rise (158 units)	37%	10,700	187	17,500
Wuxi Times City	Medium-rise (174 units)	60%	16,800	220	13,100
CBD Int'l Community (Chongqing) (40% owned)	High-rise (251 units)	76%	9,400 (Attributable)	85 (Attributable)	9,000
	Launched & Sold post 1H10 (up to 12.8.2010)				
Shanghai Xiyuan	Medium-rise(145 units)	74%	21,100	920	44,000
Wuxi Times City	High-rise (338 units)	63%	23,200	224	9,600
Times Residences (Chengdu)	Office (40 units)	92%	8,100	127	15,800



# Property Development

## New China Acquisitions

*PRC assets on course to meet target of 50% of group assets,  
~33% of total business assets as at 30.6.10*

	<u>Ownership</u>	<u>Project Nature</u>	<u>Attributable GFA</u> (s.m.)	<u>Attributable Land</u> Cost (RMB'M)	<u>AV</u> (RMB psm)
<b>2010</b>					
Chuan Mian Project 川棉廠 (Chengdu)	100%	Res, Comm	321,000	1,558.2	4,900
Tie Dong Lu 鐵東路 (Tianjin)	50% (w/COLI)	Res, Comm	244,000	1,350	5,500
Xiacheng District 下城區 (Hangzhou)	100%	Res	82,000	2,020	24,600
Nanchang District 南長區 (Wuxi)	40% (w/ SH Forte / Greenland)	Res	98,000	351	3,600
		TOTAL:	745,000		



# Property Development

## Hong Kong

- ❖ Mount Nicholson (Attributable GFA: 162,000 s.f.)
  - ✧ 50:50 JV with Nan Fung
  - ✧ Mount Nicholson is itself a 'location brand name', with breathless panoramic view
  - ✧ Private half-mile access road offers ultimate privacy
  - ✧ Super deluxe residences with exclusivity unmatched among the Peak Properties
  
- ❖ Cable TV Tower South (GFA: 585,000 s.f.)
  - ✧ Being redeveloped into a high-rise industrial / loft building
  
- ❖ Kowloon Godown (Site area: 166,000 s.f.)
  - ✧ Currently zoned as commercial; application for residential use submitted
  
- ❖ Yau Tong Godown (GFA: 256,000 s.f.)
  - ✧ A residential / commercial development, premium negotiation underway



# Other Businesses

## MTL

- ❖ Revenue +13%; Operating Profit +36%

## HK

- ❖ HK throughput +8% to 2.65M TEUs
- ❖ Growth pace was slightly impacted by dredging work at CT5 since 4/2010

## China

- ❖ Taicang (Suzhou) – throughput +57% to 630,000 TEUs
- ❖ Da Chan Bay (Shenzhen) – throughput +465% to 288,000 TEUs.

## HK Air Cargo Terminals (Hactl)

- ❖ Group's interest in Hactl increased from 12.5% to 20.83% in 6/2010 valuing the company at HK\$6.4B
- ❖ Throughput +39% to 1.4M tonnes in 1H2010, a record for Hactl



## Other Non-recurrent / non-operating Items

	1H2010 (HK\$'M)	1H2009 (HK\$'M)
Revaluation surplus on Wharf's interests in Hactl	437	-
Net tax write-back upon reaching a tax settlement	809	-
Mark-to-mkt (loss) / gain on cross currency/interest rate swap	(319)	196
Total:	927	196



## Highlights

- ❖ The five property development projects in China (GFA: 2.4M s.m.) account for 62% of HCDL's business assets; 1st phases will not be completed until end 2011 at the earliest
- ❖ Pre-sales commenced for 2 projects in 2010 & achieved significant & profitable results
  - ✧ Changzhou Times Palace: 96% of 712 units launched sold for over RMB600M  
ASP for villas: RMB18,000+ psm ; overall ASP: RMB8,000+ psm  
Total GFA sold <10% of project total of 800,000 sm
  - ✧ Shanghai Xiyuan: 70% of 145 units launched sold for over RMB830M  
ASP: RMB44,000 psm; total GFA sold ~20% of project total of 100,000 sm
- ❖ Other operating units recorded steady growth; Turnover: +17%; Operating Profit: +35%
- ❖ Profit before IP surplus: -42% to HK\$97.3M; Profit after IP surplus: +6% to HK\$244M



# Outlook

## Wheelock

- ❖ *To spearhead HK development projects*

## Wharf

- ❖ *Enhance HK recurrent rentals from Harbour City & Times Square*
- ❖ *Leverage on China's economic growth*
  - ✧ *China Times Squares / IFCs to be another recurrent income base*
  - ✧ *China property development as additional growth cylinder*



# 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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