

# BUSINESS REVIEW

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

**Contracted sales** increased by 71% to reach a new record of **HK\$22.1 billion**, of which residential contracted sales accounted for 76%. This solid growth was driven by contribution from the successful launch of a diverse mix of products, including the Peak luxury residence, O'South residence and Grade A office, demonstrating our all-rounded sales capabilities.

**Residential contracted sales** was the growth driver, increasing by 156% to **HK\$16.9 billion**, and ranking Wheelock among the top selling developers in 2016. Four new developments were launched during the year and achieved 92% average sell-through rate on all units launched. Not only has this encouraging result demonstrated an increasing recognition of our commitment to deliver customer-focused products and services, it has also affirmed our proven execution of a fast asset turnover business strategy.

At **Mount Nicholson**, an ultra-luxury residential project on the Peak which debuted in February 2016, six houses and 16 apartments were sold during the year for HK\$10.0 billion, of which HK\$5.0 billion is attributable to the Group. House No. 1, the largest house in the development which features 9,950 square feet of living space, spectacular harbour views, private gardens and an outdoor swimming pool, was sold for HK\$1.1 billion. Apartments 16A & B, the two adjoining units with a total of 8,702 square feet, were sold for a record of HK\$104,800 per square foot. The promising results once again reflect the continuous demand for prestigious and exclusive living on the Peak.





## MOUNT NICHOLSON

8 Mount Nicholson Road  
The Peak

RESIDENTIAL  
CONTRACTED SALES

**HK\$16.9 billion**



ONE HARBOURGATE

18 Hung Luen Road  
Hung Hom

**ONE HOMANTIN** has gained gradual momentum since its debut in March 2016, and presold 86% of 423 units launched for HK\$4.3 billion. The opening of Ho Man Tin MTR station in October further enhances its attractiveness and market demand. Following ONE HOMANTIN, **SAVANNAH** was launched in May and successfully presold 99% of 798 units launched for HK\$5.4 billion, following on the success of The Parkside and CAPRI in O'South. **NAPA**, a low-density development surrounded by lush green hills, was launched in October and presold 74% of 201 units launched for HK\$1.0 billion.

**Commercial contracted sales** during the year amounted to **HK\$5.2 billion**. The East Office Tower and East Retail Villa of One HarbourGate were sold en-bloc for HK\$4.5 billion in July, marking the fourth en-bloc office transaction in four consecutive years. One HarbourGate was handed over to China Life Insurance and Cheung Kei Group in 2016. Together with One Bay East, these two Grade A office developments successfully attracted major multinational corporations such as Manulife, Citigroup and China Life Insurance to set up their regional headquarters which could house more than 10,000 employees. The projects have also become important new landmarks in the new CBDs.

In terms of **project completion**, four developments were realised during the year, including One HarbourGate, Kensington Hill, Mount Nicholson and Peninsula East. Presold but not yet completed contracted sales, i.e. **net order book**, increased by 27% to **HK\$15.9 billion**, locking in future revenue stream.

The **land bank** under management was maintained at **8.2 million square feet**. The sizeable land bank not only fulfills our development requirement for the next five to six years; its urban-focused nature also encompasses some of Hong Kong's key strategic regions, including the Peak, CBDs, O'South and LOHAS. To replenish and strengthen this urban land bank, a residential site in Kwun Tong was acquired in November

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## CONTRACTED SALES REACHED A RECORD

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# HK\$22.1

billion

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for HK\$6.4 billion, or HK\$7,700 per square foot, via public tender. The site has a maximum total Gross Floor Area ("GFA") of 826,546 square feet and is well located in a mature residential district with well-developed transportation network to key CBDs.

## CORPORATE SOCIAL RESPONSIBILITY ("CSR") AND BUSINESS-IN-COMMUNITY

Wheelock strives to contribute to sustainable development and create a positive impact in society. Under the banner of "Business-in-Community", our CSR efforts aim to bring lasting value to people, the environment and the community.

**Project WeCan** is a youth development programme launched in 2011, with an aim to provide underprivileged secondary school students with opportunities and care to pursue higher studies and future career. The number of supporting partners reached 42 in 2016, comprising of 31 corporations, five local universities, three consulates and three Government organisations. With their immense dedication and contribution, 43,000 students from 51 secondary schools have benefited. In 2016, 73 students were awarded Project WeCan Scholarship to pursue further

## BUSINESS REVIEW (CONTINUED)



education in local universities. Together with the 58 awardees in 2015, a total of 131 students have received such support.

Riding on the successes of the previous three years, the Community Chest Wheelock **Swim for Millions** has become one of the most popular annual charity sport events in Hong Kong. The popularity of the event was marked by a jump in the number of relay teams to 123 in 2016, with participation from 15 families, 71 corporations, 25 schools and 12 disciplinary forces. Furthermore, the oldest swimmer was 74 while the youngest was only 5, underpinning our initiatives to promote healthy lifestyle. It has not only created unparalleled excitement for the competitors, but also a fun day for family with an array of game booths for children and cheering teams. During the year, the event raised over HK\$4 million to support local youth services under the Community Chest.

**Sustainable development, product and service excellence** are fully embedded in the Group's strategy throughout a project life cycle from planning, design, procurement, construction, sales and marketing to property management. We engage different partners within our value chain to achieve best practice. Nearly all of our projects follow the BEAM Plus guidelines, demonstrating our commitment to green building standards. Our efforts in this area have been recognised with international distinction: One HarbourGate has been awarded "Best Green Development" and "Best Office Development" by China Property Awards, while One Bay East won the "Sustainability Achievement of the Year" in RICS Hong Kong Awards 2016. On product and service excellence, Wheelock Properties Limited was named one of the "Top 10 Developers" by BCI Asia for the fifth consecutive year.

**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 year ended 31 December 2016.**

#### The Wharf (Holdings) Limited ("Wharf") 61.6% Equity Investment

Core profit from Hong Kong properties increased by 35% to exceed HK\$10.0 billion, while that from China properties, notwithstanding the devaluation of Renminbi, grew by 16% to exceed HK\$2.6 billion. As a result, properties' share of core profit surged to 92%, affirming its primary strategic focus. Investment Properties ("IP") core profit increased by 6% to HK\$8.8 billion, on the back of high occupancy and favourable rental reversion achieved. In Hong Kong, IP continued to underpin Wharf's solid performance with total revenue increasing by 6% to HK\$12.9 billion and operating profit by 7% to HK\$11.3 billion. Performance of Harbour City, Times Square and Plaza Hollywood remained solid with 3% to 6% increase in revenue. On office, steady demand continued to drive positive rental reversion and revenue.

In China, adverse impact of currency movements on translation to Hong Kong dollars slowed China IP growth in 2016. Revenue increased by 2% to HK\$2.4 billion and operating profit by 1% to HK\$1.3 billion. Chengdu International Finance Square ("IFS") continued to outshine the competition. The mega mall boasts an exquisite collection of nearly 300 global premium brands with over 100 debuts in western China, and has earned a host of reputable accolades including "VIVA Best-of-the-Best Design and Development Award" by the International Council of Shopping Centers in 2016, signifying China's first-ever commercial project winning this prestigious global title. Office demand from renowned tenants remained solid. Nearly 110,000 square metres (40% of total GFA) have been leased, with rental rates achieved among the highest in the city.

## BUSINESS REVIEW (CONTINUED)

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### CITY TRANSFORMATION WHELOCK PHOTOGRAPHY COMPETITION

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Open Category – Champion  
Yung Chi Wai Derek

A solid pipeline of IFS developments is progressing at full speed to strengthen the recurrent income base. Chongqing IFS, a 114,000-square-metre retail podium, and Niccolo Chongqing, are scheduled to open in the third quarter of 2017. Currently, over 90% of the retail floor plates were under offer to tenants or in serious discussion with key anchors. Changsha IFS, a massive 254,000-square-metre mall, is scheduled to open in late 2017, which will be the ultimate shopping, dining, lifestyle and leisure destination in Hunan province and the most coveted destination for a wide assortment of celebrated retailers. Over 85% of total retail areas were under offer to tenants or in discussion, a good testament to retailers' trust and confidence in the management's execution capabilities and the untapped potential of the city.

DP contracted sales and revenue in Hong Kong and China both soared to record highs at HK\$40 billion and HK\$37 billion respectively, while core profit nearly tripled to almost HK\$4 billion, inclusive of joint ventures and associates on an attributable basis. China DP's revenue increased by 12% to HK\$30.7 billion and operating profit by 22% to HK\$5.1 billion. Despite a new wave of cooling measures, favourable market sentiments drove up Wharf's attributable interest in contracted sales by 21% to RMB31.4 billion, which was 31% above target. The net order book increased to RMB27.4 billion for 1.2 million square metres at year-end.

The first Niccolo, which opened in Chengdu IFS in 2015 signalled the start of a new era of the group's brand extension. In Hong Kong, development of the former landmark Murray Building into The Murray is in full swing, and a new 336-room Niccolo hotel in Central is scheduled to open in late 2017.

Disposal of the entire equity interests in Wharf T&T recognised a gain on disposal of HK\$7.3 billion in 2016.

## Strategic Reviews

### *Communications, Media & Entertainment ("CME")*

A review on the CME segment started in early 2016 by Wharf with Goldman Sachs (Asia) L.L.C as financial advisor. Discussions with a variety of potential parties were conducted over an extended period. The conclusion was to exit the segment completely.

Wharf's entire equity interest in Wharf T&T was disposed in November 2016 for HK\$9.5 billion. A net gain on disposal of HK\$7.3 billion was recognized.

No disposal agreement has been entered into in respect of i-CABLE, the remaining interest in our CME segment, and all discussions with potential buyers have been terminated. Current funding commitments for i-CABLE will not be extended upon expiry.

### *Investment Properties*

Wharf has commenced a study to consider the possibility of separately listing some of the IP assets by way of introduction achieved by a distribution in specie to its shareholders. A simple segregation may provide investors with more and better choices. A proposal to evaluate all pros and cons will be provided for consideration as soon as practicable.

### *Wheelock Properties (Singapore) Limited ("WPSL") 76.2% Equity Investment*

WPSL continued to deliver stable performance. On DP, residential projects in Singapore and Hangzhou generated contracted sales of S\$435 million and RMB560 million respectively. On IP, Wheelock Place office tower and retail portion were near fully occupied as at 31 December 2016.