



WHARF

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*Established 1886*

# 2006 Interim Results

**23 August 2006**  
**HONG KONG**

# Results Highlights



- ❖ Turnover HK\$6,449M, up 4%
- ❖ Operating profit HK\$3,018M, up 4%
- ❖ Before property revaluation, net profit HK\$1,900M, down 1%
- ❖ Profit attributable to shareholders HK\$6,259M, down 31%
- ❖ Interim DPS 36 cents
- ❖ Debt to equity ratio 23%

# Results Highlights



- ❖ Solid growth in Property Investment rentals continues.
- ❖ Lower performance by Modern Terminals as Hong Kong handles more transshipment cargos.
- ❖ i-Cable's performance distorted by revenue and expense timing mismatch relating to FIFA World Cup 2006 and notional deferred tax
- ❖ New investments across all core sectors will start to contribute to new growth.
- ❖ The Group will continue to look for more investment opportunities.

# Results Highlights



	1H 06 (HK\$)	1H 05 (HK\$)	% Changes
❖ Net profit excluding revaluation surplus	1,900M	1,923M	-1%
❖ Revaluation surplus (net of tax & MI)	4,359M	7,112M	-39%
❖ Profit attributable to shareholders	6,259M	9,035M	-31%
❖ Earnings per share	2.56	3.69	-31%
❖ EPS (excl. revaluation surplus)	0.78	0.79	---
❖ Interim dividend per share	¢ 36.00	¢ 36.00	---

# Results Highlights



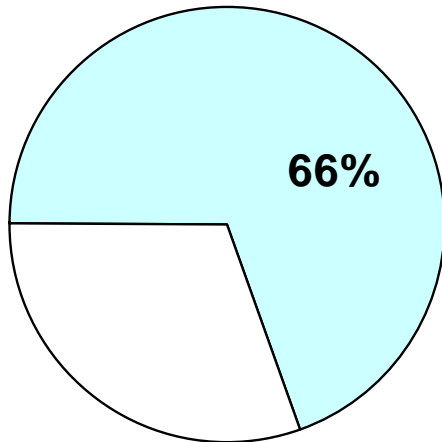
	1H 06	1H 05	% Changes
❖ Borrowing Costs	\$412M	\$180M	+129%
❖ Average Interest Rate	4.7%	2.6%	+2.1% pts
❖ Interest Cover	5.5	17.3	

	Jun 06	Dec 05	% Changes
❖ Net Debt	\$16.4B	\$16.1B	+2%
❖ Debt to Shareholders' Equity	23.2%	24.6%	

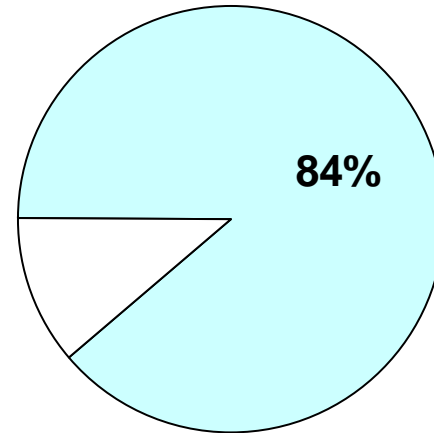
# Business Performance



	<i>Revenue</i>			<i>Segment Profit</i>		
	1H 06 (HK\$M)	1H 05 (HK\$M)	% Changes	1H 06 (HK\$M)	1H 05 (HK\$M)	% Changes
Property Investment	2,718	2,475	+10%	1,915	1,728	+11%



**Segment Profit Allocation**



**Share of Group NAV**

# Property Investment Harbour City



*Revenue*

*Occupancy*

	1H 06 (HK\$M)	1H 05 (HK\$M)	% Changes	%
Retail	709	637	+11%	99%
Office	526	493	+7%	95%
Serviced Apartments	103	107	-4%	75%
Hotel	451	385	+17%	90%
Total	1,789	1,622	+10%	

# Property Investment Harbour City



## Retail

- ❖ Average occupancy : 99% (2005 : 99%)
- ❖ Continual improvement in local sentiment and tourist arrivals boosted retail revenue
- ❖ Tenant's average sales psf +18% YoY.
- ❖ Over 95% of new space from OC carpark conversion (GFA: 45,000 s.f.) pre-leased to up market fashion brands



# Property Investment Harbour City



## Office

- ❖ Average occupancy : 95% (2005 : 96.5%)
- ❖ Retention rate : 74%
- ❖ New lettings : 170,000 sq.ft.
- ❖ Recent transaction at Gateway of HK\$42 psf – record high

## Serviced Apartments

- ❖ Average occupancy : 75% (2005 : 85%)
- ❖ Strong competition from new / newly renovated serviced apartments
- ❖ Upgrading works in place to increase competitiveness

# Property Investment Times Square



*Revenue*

*Occupancy*

	1H 06 (HK\$M)	1H 05 (HK\$M)	% Changes	%
Retail	334	308	+8%	100%
Office	139	129	+8%	93%
Total	473	437	+8%	

# Property Investment Times Square



## Retail

- ❖ Average occupancy : ~ 100% (2005 : 99.6%)
- ❖ Favourable rental growth on new leases and renewals
- ❖ Cultural and Lifestyle Hub on 9/F well received
- ❖ Trade-mix revamp on B2/F continuing

## Office

- ❖ Average occupancy : 93% (2005 : 94%)
- ❖ Significant rental reversion
- ❖ New lettings : 63,000 sq.ft.

# Property Investments China



- ❖ 1H06 Revenue: HK\$157M, +9%
- ❖ Average occupancy: 92% (2005: 94%)
- ❖ 1717, Nanjing Xi Road, Shanghai
  - 1.6M sq.ft. GFA office development
  - Completion: Mid 2009

# Property Developments Hong Kong



- ❖ Revenue – HK\$178 million
  - mainly from sales of 45 units at 60 Victoria Road dev.
  
- ❖ Remaining stock – to be sold in 2H06 / 1H07
  - Bellagio – about 540 units
  - 60 Victoria Road – 28 units
  - Gough Hill Path – 4 houses

# Property Developments

## China



### ❖ Wuhan Times Square

- Mix complex, completion: 3Q2007
- Towers 3 and 4 residential: 63% of units launched pre-sold

### ❖ Dalian Times Square

- Retail & residential complex, completion: mid 2008

### ❖ Wellington Garden

- Residential, completion: end 2006
- 74% of units launched pre-sold

### ❖ Others

- 2 commercial / residential sites in Chengdu (GFA: 9.1M s.f.)
- Shanghai - No. 1 Xin Hua Road and Jingan Garden

# Marco Polo Hotel Group

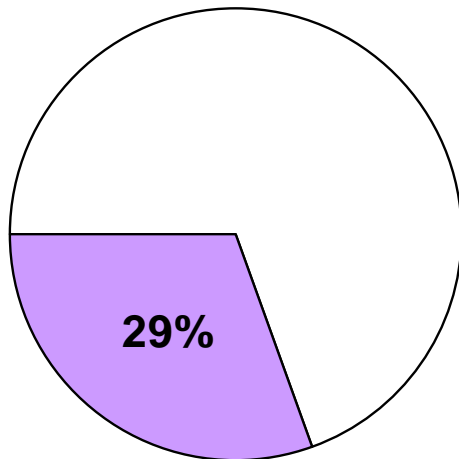


- ❖ Current profile
  - 10 hotels (8 in operation, 2 to be opened)
  - 2 new hotels planned for Chengdu and Wuhan
  
- ❖ Hong Kong
  - Hotel & club revenue: HK\$451M, +17%
  - Double-digit growth in average room rates
  
- ❖ Marco Polo Plaza, Cebu opened in 2Q06
  
- ❖ To be opened
  - The Marco Polo Shenzhen (9/06)
  - The Marco Polo Parkside, Beijing (1/07)

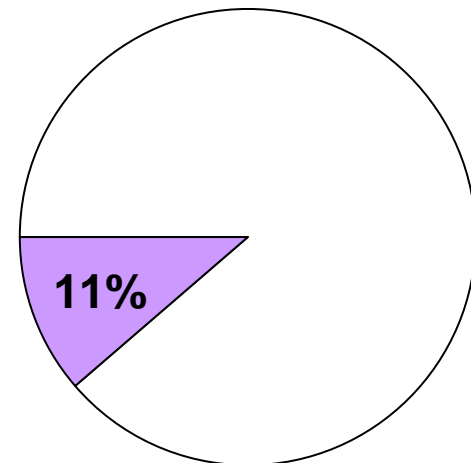
# Business Performance



	<i>Revenue</i>			<i>Segment Profit</i>		
	1H 06 (HK\$M)	1H 05 (HK\$M)	% Changes	1H 06 (HK\$M)	1H 05 (HK\$M)	% Changes
Logistics	1,609	1,736	-7%	830	949	-13%



**Segment Profit Allocation**



**Share of Group NAV**



# Logistics



	<i>Revenue</i>			<i>Throughput</i>		
	1H 06 (HK\$M)	1H 05 (HK\$M)	% Changes	1H 06 TEUs(M)	1H 05 TEUs(M)	% Changes
MTL	1,407	1,555	-10%	2.51	2.48	+0.7%
				1H 06 (HK\$M)	1H 05 (HK\$M)	% Changes
MTL's Associates & jointly controlled entity (post-tax)				42	48	-13%

# MTL Hong Kong



- ❖ Throughput: 2.51M TEUs, +0.7%
  
- ❖ Market share: 33.9% (2005: 36.3%)
  
- ❖ 16% drop in operating profit
  - More competition at Kwai Chung since July 2005
  - Box mix shift with more transshipment / feeder cargos
  - Slight downward rate adjustment on contract renewals

# MTL China

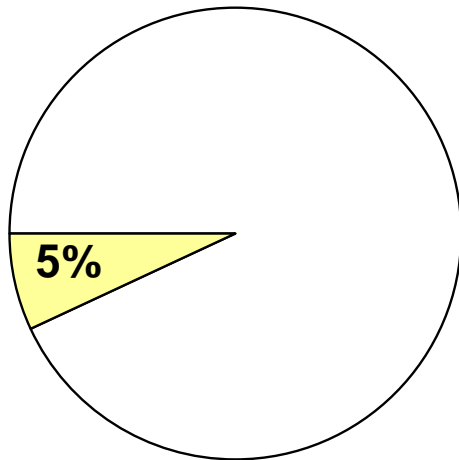


- ❖ Chiwan (8% holding) – 1H06 throughput: 1.6M TEUs
- ❖ Shekou (10%) – 1H06 throughput: 875,000 TEUs
- ❖ Taicang Phase I (51%) – 1H06: 225,000 TEUs, +121%
- ❖ New Investments:
  - Dachan Bay Phase I (65%)
    - 5 berths, 2.5M TEUs
    - Completion on schedule from 2H2007 to end 2008
  - Taicang Phase II (70%)
    - 4 berths, 2M TEUs
    - 1<sup>st</sup> berth started operation in July

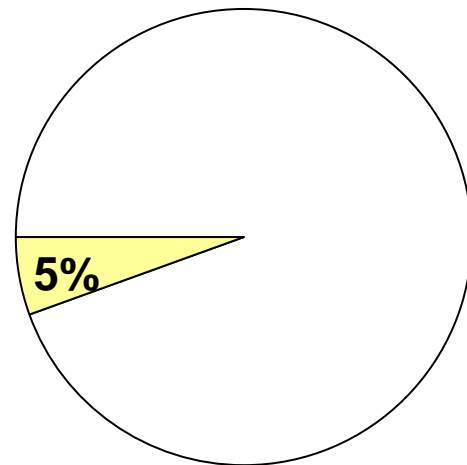
# Business Performance



	<i>Revenue</i>			<i>Segment Profit</i>		
	1H 06 (HK\$M)	1H 05 (HK\$M)	% Changes	1H 06 (HK\$M)	1H 05 (HK\$M)	% Changes
CME	1,959	1,948	+1%	141	258	-45%



**Segment Profit Allocation**



**Share of Group NAV**



	<i>Revenue</i>			<i>No. of Subscribers/ fixed lines</i>		
	1H 06 (HK\$M)	1H 05 (HK\$M)	% Changes	Jun 06	Dec 05	% Changes
Pay TV	966	948	+2%	770,000	738,000	+4%
Internet & Multimedia	296	279	+6%	321,000	320,000	--
Wharf T&T	681	719	-5%	539,000	523,000	+3%



- ❖ Pay TV – steady growth in subscriber base; 1H06 performance distorted by revenue and expense timing mismatch relating to FIFA World Cup 2006 and notional deferred tax
- ❖ Internet and Multimedia – strong profit growth; continued enhancement of multimedia content and value-added services
- ❖ Integration of Wharf T&T and COL IT to focus on the business sector ongoing

# Summary of Profit & Loss A/C



	1H 06 (HK\$M)	1H 05 (HK\$M)	% Change
Turnover	6,449	6,179	+4%
Operating Profit	3,018	2,908	+4%
Revaluation Surplus	5,328	8,691	-39%
Profit Before Taxation	7,971	11,514	-31%
Taxation (Incl. deferred taxation on revaluation)	(1,414)	(2,027)	-30%
Profit After Taxation	6,557	9,487	-31%
Net Profit Attributable to Shareholders	6,259	9,035	-31%

# Debt Profile at 30 June, 2006



	Total Debt		Un-drawn Facility
	(HK\$B)		(HK\$B)
<b><u>Company and wholly owned subsidiaries</u></b>			
Committed facilities	13.4	69%	3.8
Uncommitted facilities	<u>1.0</u>	<u>5%</u>	<u>1.3</u>
<b>Total:</b>	<b>14.4</b>	<b>74%</b>	<b>5.1</b>
<b><u>Non-wholly owned subsidiaries</u></b>			
(non-recourse to Wharf)			
Modern Terminals Limited	4.6	24%	2.7
i-CABLE	---	---	0.7
Others	<u>0.5</u>	<u>2%</u>	<u>0.1</u>
<b>Subtotal:</b>	<b>5.1</b>	<b>26%</b>	<b>3.5</b>
<b>Overall:</b>	<b>19.5</b>	<b>100%</b>	<b>8.6</b>



# NAV Adjustment at 30 June 2006



	Per Share (HK\$)
<u>For Supplemental Information Only:</u>	
NAV per Balance Sheet	28.96
Subjective adjustments:-	
❖ Modern Terminals (on latest transacted price)	3.33
❖ Hotel Properties (on independent valuation)	1.50
❖ i-CABLE (on market value)	0.38
Deferred tax on revaluation surplus of Inv. Prop.	4.18
Adjusted NAV	<hr/> HK\$38.35 <hr/> <hr/>

+7.3% vs. HK\$35.74 as at 12/05



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**End of Presentation**