

2006 Annual Results • 21 March 2007



WHARF

Established 1886

Key Recaps for 2006

- ❖ **Core properties Harbour City and Times Square represent close to 60% of Group's total assets. Combined turnover: \$4,722M (+12%), operating profit: \$3,414M (+14%).**
- ❖ **Total China landbank and investment properties over 50M s.f. (1/1/06: 17M s.f.). New site acquired in Chengdu, Suzhou and Wuxi in 2006 and 2007. Some of the earlier projects will start to contribute in 2007.**
- ❖ **Modern Terminals' China investments accelerate, with 1st berths of Dachan Bay opening for business by end 07. Framework Agreement for the development of Dayaowan Terminal in Dalian signed in 3/07.**

Results Highlights

	FY 06 (HK\$)	FY 05 (HK\$)	% Change
❖ Turnover	13,364M	12,543M	+7%
❖ Operating profit	6,471M	6,003M	+8%
❖ Borrowing costs	(824M)	(562M)	-47%
❖ Taxation	(1,065M)	*(538M)	-98%
❖ Net profit before property revaluation	4,285M	4,499M	-5%

* includes i-CABLE deferred tax credit (\$305M) in 2005

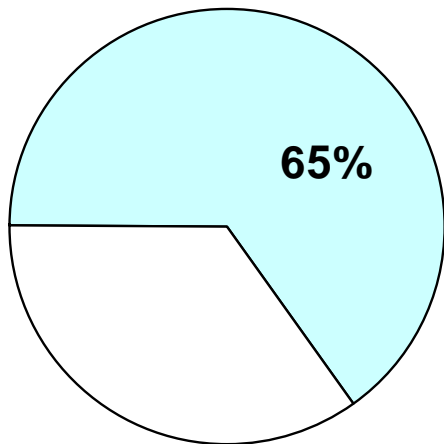
Results Highlights

	FY 06	FY 05	%
	(HK\$)	(HK\$)	Change
❖ Net profit excluding revaluation surplus	4,285M	4,499M	-5%
❖ Revaluation surplus (net of Tax & MI)	6,472M	9,389M	-31%
❖ Profit attributable to shareholders	10,757M	13,888M	-23%
❖ Earnings per share	4.39	5.67	-23%
❖ EPS (excluding revaluation surplus)	1.75	1.84	-5%
❖ DPS	¢ 80.00	¢ 80.00	—

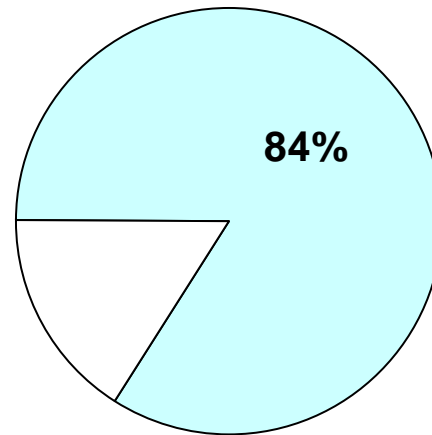
Results Highlights

	FY 06	FY 05	% Change
❖ Borrowing Cost	824M	562M	+47%
❖ Average Interest Rate	4.7%	3.6%	1.1pts
❖ Interest Cover	5.8	11.5	
❖ Net Debt	16.9B	16.1B	+5%
❖ Debt to Shareholders' Equity	22.5%	24.6%	-2.1pts

	<i>Revenue</i>			<i>Segment Profit</i>		
	FY 06 (HK\$M)	FY 05 (HK\$M)	% Change	FY 06 (HK\$M)	FY 05 (HK\$M)	% Change
Property Investment	5,677	5,073	+12%	3,973	3,465	+15%



Segment Profit Allocation



Share of Group NAV

SEGMENT PERFORMANCE	<i>Revenue</i>			<i>Occupancy</i>
	FY 06 (HK\$M)	FY 05 (HK\$M)	% Change	%
Retail	1,472	1,287	+14%	96%
Office	1,104	1,002	+10%	95%
Serviced Apartment	202	220	-8%	75%
Hotel	944	823	+15%	90%
Total	3,722	3,332	+12%	

Retail

- ❖ **Average occupancy: 96% (2005: 99%)**
- ❖ **Positive local sentiment and tourist arrivals fuelled retail sales**
- ❖ **Average tenant's sales psf +16% YoY in 2006; record 12/06 sales of over HK\$1,400 psf**
- ❖ **Retail area on level I of OC opened in 6/06**
- ❖ **Conversion of Level 4 of OC: into 37,000 s.f. lettable space well underway, completion: 3Q 2007**
- ❖ **Powerful promotions create customary must-visit events for locals and tourists**

Office

- ❖ **Average occupancy: 95% (2005: 95%)**
- ❖ **Expansion & upgrading requirements, growing trend of decentralization sustained demand for office space**
- ❖ **Spot rental growth slowed down in 2H06**
- ❖ **Positive rental reversion**
- ❖ **2006 Retention rate: 72%**

Serviced Apartments

- ❖ **Occupancy: 75% (2005: 84%)**
- ❖ **Sharp rise in supply of new serviced apartments reduced occupancy**
- ❖ **Upgrading works & powerful marketing campaign launched to strengthen GA's branding**

SEGMENT PERFORMANCE	<i>Revenue</i>			<i>Occupancy</i>
	FY 06 (HK\$M)	FY 05 (HK\$M)	% Change	%
Retail	706	630	+12%	100%
Office	294	256	+15%	93%
Total	1,000	886	+13%	

Retail

- ❖ **Average occupancy: ~100% (2005: 99%)**
- ❖ **Favourable rental growth on new leases and renewals**
- ❖ **Trade-mix refinement continued**
- ❖ **Strong branding & marketing programs underpin success, e.g. Apple Countdown captivates experience for HK**

Office

- ❖ **Occupancy: 93% (2005: 96%)**
- ❖ **rental rates increased steadily; strong rental reversion**
- ❖ **New lettings included relocations & in-house expansions**
- ❖ **2006 Retention rate: 63%**



Property Investment

- ❖ 3 Times Squares (Shanghai, Beijing, & Chongqing) performed satisfactorily
- ❖ FY06 Revenue: HK\$343M, +15%, Operating profit: HK\$130M, +53%
- ❖ 1717, Nanjing Xi Road, Shanghai
 - 1.6M s.f. GFA top quality Grade A office tower
 - Completion: Mid 2009
- ❖ More Times Squares will be rolled out in Wuhan, Dalian, and Chengdu



Property Development

- ❖ Development landbank in China – approaching 50M s.f., including Chengdu (3 sites), Suzhou & Wuxi.

- ❖ Acquired 4 new prime sites in 2006 / early 2007
 - Chengdu – No. 10 Gaoxin District (4/06)
 - High-end residential + retail, 6.1M s.f.

 - Suzhou (12/06)
 - Premier deluxe low density residences, 3.1M s.f.

 - Wuxi (12/06)
 - Upscale residential & super commercial dev., 14.3M s.f.

 - Chengdu – Shuangliu development area (1/07)
 - Mixed-use, 10.2M s.f.



Property Development

❖ Other on-going projects

■ Wellington Garden

- Residential, completion: 1H2007
- 57% of units launched pre-sold

■ Wuhan Times Square

- Mix complex, completion: late 2007
- Towers 3 & 4 residential: 72% of units launched pre-sold

■ Dalian Times Square

- Retail & residential complex, completion: mid 2008

■ Chengdu No. 11 Dong Da Jie

- mixed use (retail, office, hotel, residential), 6.1M s.f, completion: 2010

■ No.1 Xin Hua Road (late 2008) and Jingan Garden (mid 2010) in Shanghai



Hong Kong Property Developments

- ❖ Revenue: HK\$293M, +453%
 - Sales of 72 units at 60 Victoria Road development
- ❖ Two houses at Gough Hill Path sold in 2006 @HK\$28,000 psf. Profit recorded in “Investment & Others”; sold 3rd house in 3/07 at HK\$30,000 psf.
- ❖ Remaining stock to be sold in 2007
 - Bellagio: about 230 units
 - Gough Hill Path: 2 houses
- ❖ Policy to dispose of other non-core properties

❖ Current profile

- **11 hotels (8 in operation, 3 under construction) in the Asia Pacific Region**
- **3 hotels under construction – Beijing, Wuhan, & Chengdu**

❖ Hong Kong

- **Hotel and club revenue: HK\$944M, +15%**
- **20% growth in average room rates and higher occupancy (90%)**

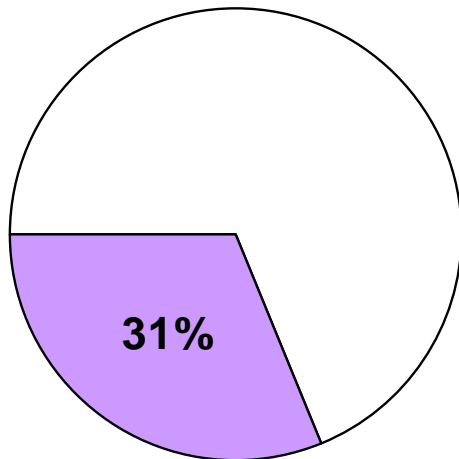
❖ Hotels opened in 2006

- **The Marco Polo Plaza, Cebu (4/06)**
- **The Marco Polo Shenzhen (9/06)**

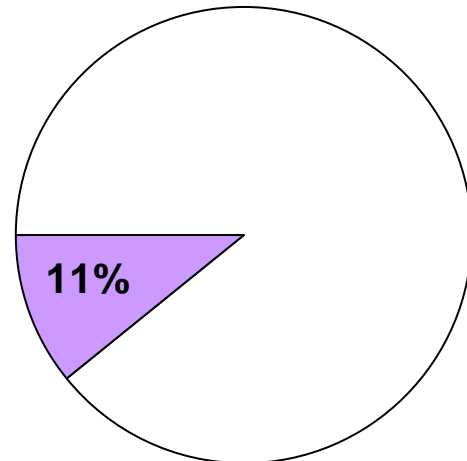
❖ Hotels to be opened

- **The Marco Polo Parkside, Beijing (6/07)**
- **2 deluxe hotels in Wuhan (Early 2008) and Chengdu (2010)**

	<i>Revenue</i>			<i>Segment Profit</i>		
	FY 06 (HK\$M)	FY 05 (HK\$M)	% Change	FY 06 (HK\$M)	FY 05 (HK\$M)	% Change
Logistics	3,506	3,534	-0.8%	1,887	1,935	-2.5%



Segment Profit Allocation



Share of Group NAV

	<i>Revenue</i>			<i>Throughput</i>		
	FY 06 (HK\$M)	FY 05 (HK\$M)	% Change	FY 06 TEUs(M)	FY 05 TEUs(M)	% Change
Modern Terminals	3,096	3,149	-1.7%	5.42	5.04	+7%
				FY 06 (HK\$M)	FY 05 (HK\$M)	% Change
MTL's Associates & jointly controlled entity (post-tax)				112	105	+7%



Hong Kong

- ❖ **Throughput: 5.42M TEUs, +7%**
- ❖ **Market share: 33.8% (2005: 35.3%)**
- ❖ **4% drop in operating profit**
 - **Operating profit 2H06 (+8%) vs 1H06 (-16%)**
 - **Box mix shift with more transshipment / feeder cargos**
 - **Increasing competition in HK & South China**

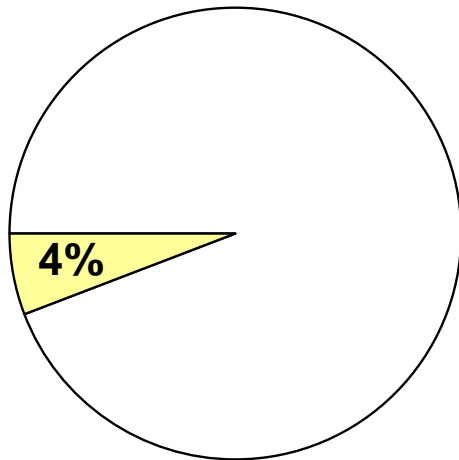


China

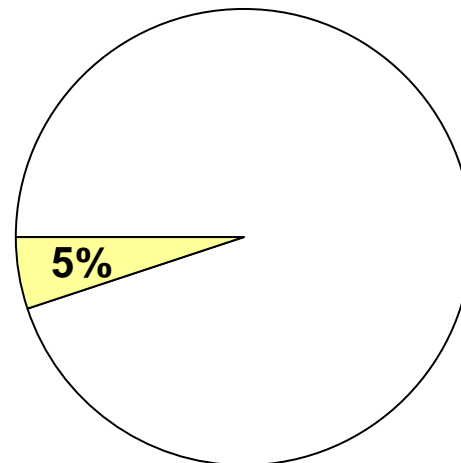
- ❖ **Dachan Bay Phase I (65%) – 5 berths, 2.5M TEUs, 1st berth will commence operation towards end 2007, it will increase MTL’s own operating capacity in Pearl River Delta from 7.5 to 12.5 berths**
- ❖ **Taicang**
 - **Phase I (51%) – FY06 throughput: 467,000 TEUs, +86%**
 - **Phase II (70%) – 4 berths, 2M TEUs; 1st berth commenced operation in 9/06, completion: End 2007**
- ❖ **Shekou – In 12/06, MTL entered into an agreement to acquire 30% in Mega SCT (owns 100% of SCT I, II & III) for \$3,168M and injection of its interests in SCT Phases I & II into Mega SCT.**
- ❖ **Others**
 - **Chiwan (8% holding) – FY06 throughput: 3.9M TEUs**
 - **Shekou (10%) – FY06 throughput: 2.0M TEUs**

Communication, Media & Entertainment (CME)

	<i>Revenue</i>			<i>Segment Profit</i>		
	FY 06 (HK\$M)	FY 05 (HK\$M)	% Change	FY 06 (HK\$M)	FY 05 (HK\$M)	% Change
CME	3,947	3,937	+0.3%	270	486	-44.3%



Segment Profit Allocation



Share of Group NAV

	<i>Revenue</i>			<i>No. of Subscribers/fixed lines</i>		
	FY 06 (HK\$M)	FY 05 (HK\$M)	% Change	FY 06	FY 05	% Change
Pay TV	1,895	1,884	+1%	786,000	738,000	+7%
Internet & Multimedia	596	558	+7%	328,000	320,000	+3%
Wharf T&T	1,384	1,478	-6%	562,000	523,000	+7%

❖ Pay TV

- Steady growth in subscribers base with only marginal erosion of ARPU
- Promptly responded to adjust its subscription acquisition and customer retention strategies
- Quickly took control of the situation re. churn and customer acquisition upon lost of EPL

❖ Internet & Multimedia

- Steady profit growth
- Continued enhancement through network upgrade, bundling strategies, and value-added services

❖ Wharf T&T

- Steady growth in fixed line installed base, integration of Wharf T&T and COL IT made good progress

Profit & Loss Summary

	FY 06	FY 05	%
	(HK\$M)	(HK\$M)	Change
Turnover	13,364	12,543	+7%
Operating Profit	6,471	6,003	+8%
Revaluation Surplus	7,868	11,513	-32%
Profit Before Taxation	13,823	17,413	-21%
Taxation (Incl. deferred taxation on revaluation)	(2,429)	(2,583)	-6%
Profit After Taxation	11,394	14,830	-23%
Net Profit Attributable to Shareholders	10,757	13,888	-22.5%

Debt Profile

At 31 December 2006

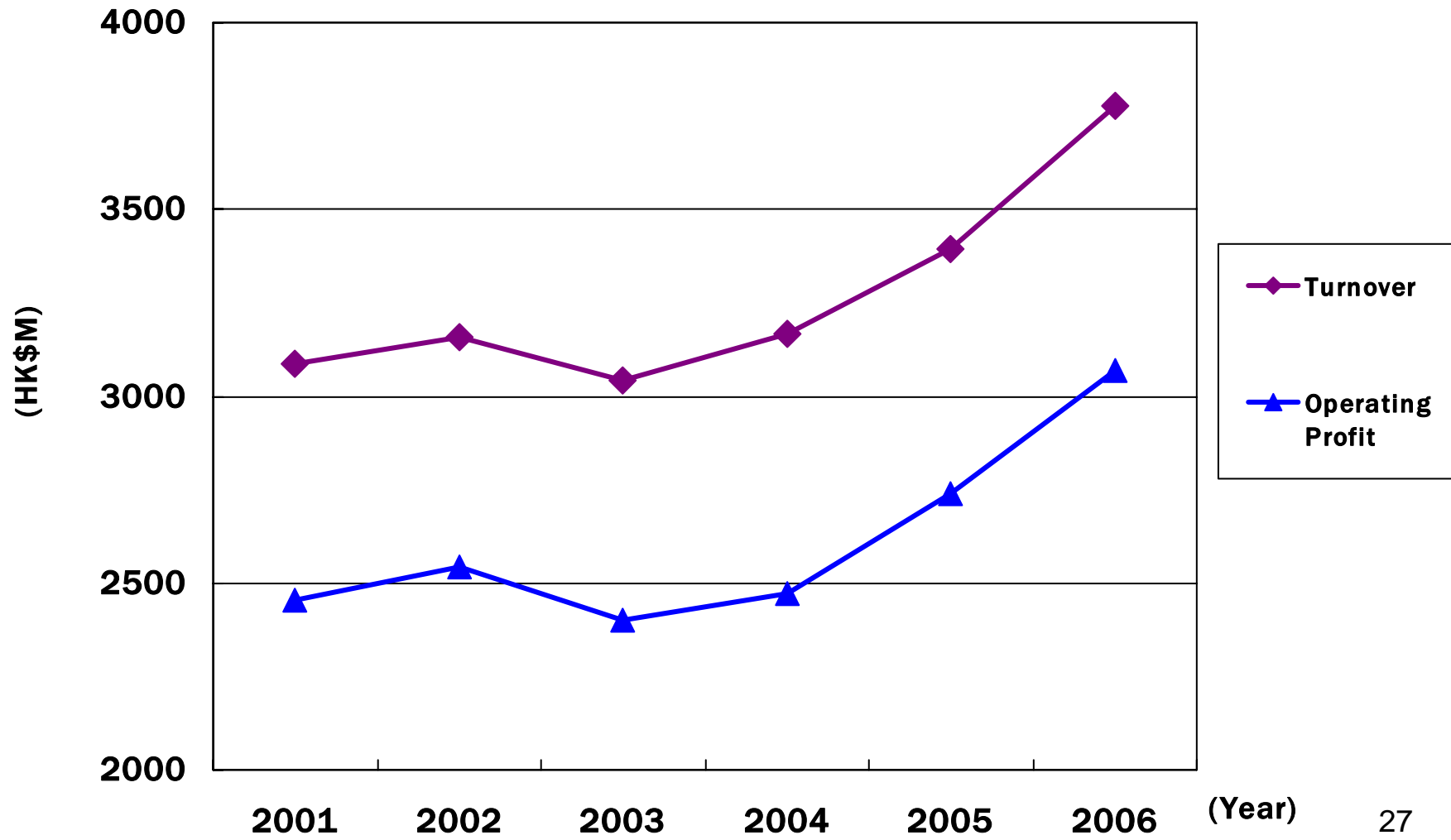
	Total Debt		Un-drawn Facility
<u>Company and wholly owned subsidiaries</u>	(HK\$B)		(HK\$B)
Committed facilities	14.0	68%	3.7
Uncommitted facilities	0.8	4%	1.4
Total:	14.8	72%	5.1
<u>Non-wholly owned subsidiaries</u>			
(non-recourse to Wharf)			
Modern Terminals Limited	5.5	26%	8.5
i-CABLE	-	-	0.7
Others	0.4	2%	-
Subtotal:	5.9	28%	9.2
Overall:	20.7	100%	14.3

At 31 December 2006

	Per Share (HK\$)
<u>For Supplemental Information Only:</u>	
NAV per Balance Sheet	30.70
Subjective adjustments:-	
❖ Modern Terminals (on latest transacted price)	3.13
❖ Hotel Properties (on independent valuation)	1.50
❖ i-CABLE (on market value)	0.43
Deferred tax on revaluation surplus of Investment Property	4.35
Adjusted NAV	<u>40.11</u>

+12.2% vs. HK\$35.74 as at 12/05

Combined Turnover and Operating Profit



<u>Projects</u>	<u>Total Floor Area (s.f.) in 'M</u>
Investment Properties – BCTS, STS, CTS	3.2
Lot 1717, Nan Jing Xi Road, Shanghai	1.6
Wellington Garden, Shanghai	0.6
No. 1 Xin Hua Road, Shanghai	0.3
Jingan Garden, Shanghai	1.0
Dalian Times Square, Dalian	1.9
Wuhan Times Square, Wuhan	2.4
No. 11 Dong Da Jie, Chengdu	6.1
No. 10 Gaoxin District, Chengdu	6.1
Chengdu Shuangliu	10.2
Suzhou	3.1
Wuxi	14.3
Total:	50.8

<u>Berth Capacity</u>	<u>Effective Berth Capacity</u>
<u>Hong Kong</u>	7.5
<u>Pearl River Delta</u>	
❖ Dachan Bay I (65%) [5 berths]	3.3
❖ Shekou* (20%) [9 berths]	1.8
❖ Chiwan (8%) [5 berths]	0.4
<u>Yangtze River Delta</u>	
❖ Taicang I (51%) [2 berths]	1.0
❖ Taicang II (70%) [4 berths]	2.8
Total:	16.8

* *Figures represent MTL's ultimate shares in Mega SCT when full 9 berths completed.*

End of Presentation



WHARF

Established 1886