In 2007, the economy of Hong Kong sustained a robust growth momentum, with real GDP increasing by 6.3%. Underpinned by robust domestic consumption, strong financial activities and exports, the domestic economy showed another year of vibrant performance. The labour market continued to see notable improvement, with unemployment rate reaching a 10-year low of 3.4%. Escalating household wealth, coupled with improving job security and better asset market performance bolstered consumption spending. This, along with upbeat tourists' spending, rendered support to the retail sector. The Group's retail properties, leveraging on its excellent quality and retail management, achieved strong performance in 2007. The local office sector was also propelled by the sustained economic upturn. Grade A office demand continued to be fuelled by expansion and upgrading requirements. This is beneficial to the Group's office portfolio. The property market improved further, with a considerable pick-up in both sales prices and transactions, amidst a favourable interest rate environment and soaring inflationary pressures.

In Singapore, the economy grew by 7.7% year-on-year in 2007, on the back of strong construction, healthy services and manufacturing. Wheelock Properties (Singapore) Limited ("WPSL") performed in line with the real estate market where private residential prices increased by some 33% and office rents by 56% based on the latest figures released by Singapore Urban Redevelopment Authority. Demand for high-end residential homes is expected to be maintained but at a moderate rate.

The Company has changed its financial year end date from 31 March to 31 December to get in line with that of The Wharf (Holdings) Limited ("Wharf"), the major subsidiary of the Company. Accordingly, the financial period under review covers a period of nine months from 1 April 2007 to 31 December 2007 (2006/07: 12 months from 1 April 2006 to 31 March 2007). The Group's financial statements for the nine months ended 31 December 2007 have consolidated Wharf's financial statements for the twelve months ended 31 December 2007 (2006/07: twelve months ended 31 December 2006).

Including the net investment property revaluation surplus, Group profit for the nine-month period grew by 21% to HK$7,615 million (2006/07: HK$6,310 million). Earnings per share increased to HK$3.75 (2006/07: HK$3.11). Excluding the revaluation surplus, Group profit for the nine-month period ended 31 December 2007 rose by 12% to HK$3,361 million (2006/07: HK$3,008 million). The increase was mainly driven by an increase in Wharf's profit from the Property Investment segment, sales of China residential properties and the Investment segment, partially mitigated by the lack of non-recurring profits from the disposals of Hamptons Group Limited and Oakwood Residence Azabujuban by WPSL group.

Consolidated net asset value per share rose by 15% to HK$27.88 as at 31 December 2007. The financial position of the Group remained healthy, with net debt amounting to HK$21.9 billion.

A final dividend of 10.0 cents per share has been recommended to bring the total dividend for the nine-month period ended 31 December 2007 to 12.5 cents per share (2006/07: 12.5 cents per share for 12 months). Total dividend received in cash from the publicly-listed subsidiaries Wharf and Wheelock Properties Limited amounted to HK$1,132 million during the financial period (2006/07: HK$1,116 million).

BUSINESS PERFORMANCE

Properties

98% of the total units of Bellagio have been sold by December 2007. The office portion of Crawford House was 90% leased at satisfactory rental rates. Hennes & Mauritz AB (H&M), a reputable international retailer, leased the majority of the retail podium.

Wheelock Properties Limited

All owned and joint-venture residential projects, including Bellagio and Parc Palais, contributed favourably during the financial period but fewer units were sold by comparison to the preceding year. Wheelock House and Fitfort were 92% and 95% leased respectively at satisfactory rental rates at the end of December 2007. The group has during the period successfully sold off the office units in South Seas Centre and some units in Wing On Plaza, various industrial units at My Loft and Metro Loft as well as some carparking spaces.

In 2007, the group, together with the China Merchants Property ("CMP") group, acquired two pieces of residential land in Foshan of Guangdong Province at public auctions. The group has formed two 50:50 joint venture companies with the CMP group for the purpose of developing the two pieces of land. The first site in Xincheng District (新城區) was acquired in January 2007 for RMB950 million, and the second site in Chancheng (禪城) was acquired in October 2007 for RMB1,505 million.

Wheelock Properties (Singapore) Limited

During the period the company acquired a 12% interest in SC Global Developments Ltd ("SC Global") which is listed in Singapore. The principal activities of SC Global are property development, investment holding and provision of project management and marketing services. Wheelock Place was 100% committed at satisfactory rental rates at the end of December 2007. All units of The Cosmopolitan, The Sea View and Ardmore II as well as 67% of units at Scotts Square have been pre-sold by the end of December 2007. Orchard View, a luxury 36-storey residential development, and Ardmore 3, planned for redevelopment, are expected for pre-selling in 2009. Turnover and profits, however, will not be recognised by the Group until project completion, in accordance with the current accounting standard. The Sea View and The Cosmopolitan are scheduled for completion in 2008, while profits from Ardmore II and Scotts Square would be recognised at a later stage.

The Wharf (Holdings) Limited

Harbour City and Times Square, the core assets of the group representing close to 52% of total assets, registered solid double-digit growth in both turnover and operating profit. The group's commitments towards expanding the property sector in the Mainland continued, with the acquisition of 12 sites for development in the cities of Chengdu, Hangzhou, Suzhou, Chongqing, Nanjing, Changzhou and Wuxi during 2007 and early 2008. Accordingly, the group's attributable landbank and investment properties in the Mainland in terms of plot ratio GFA currently exceed 90 million square feet. Modern Terminals' expansion into the Mainland also continued. The first two berths of its Dachan Bay project in Western Shenzhen have commenced services in December 2007 and the remaining 3 berths will be commissioned in 2008. Together with its other quality projects including Taicang terminal and Mega Shekou terminal, Modern Terminals will significantly increase its presence in the region of Pearl River Delta and Yangtze River Delta on completion of these new projects.

A full report on each business unit's performance is included in the Segment Review section on pages 8 to 15.

OUTLOOK

It is expected that Asia will continue to outperform the global economy in 2008, underpinned by the thriving Mainland economy and sustained robust growth momentum in other Asian markets. With its close economic and financial links with the still fast-growing Mainland economy, Hong Kong is well positioned to weather the global economic problems. The CEPA framework and Pan-PRD cooperation will further deepen and broaden Hong Kong's integration with the Mainland, resulting in abundant business opportunities and benefits to both sides.

Underpinned by numerous investment opportunities in Hong Kong and China, the Group is poised for further growth and set to display its dynamism in 2008.

On behalf of Shareholders and my fellow Directors, I wish to express our heartfelt gratitude to all staff for their dedication and contribution throughout the fiscal period.

Peter K C Woo
Chairman

Hong Kong, 26 March 2008