Chairman's Statement

Asian economies displayed a broad-based rebound in 2010 as the world recovered from the global financial crisis. Hong Kong GDP grew by a robust 6.8% in 2010, while the Singapore economy expanded by 14.5%.

China continued its vibrant economic development with a 10.3% GDP growth rate in 2010 and is now the second largest economy in the world. The Mainland economy is shifting its growth focus to the stimulation of domestic consumption, offering new opportunities to local and foreign corporations.

BUSINESS PERFORMANCE

Wheelock Properties Limited ("WPL"), previously a listed subsidiary, became wholly owned in July 2010 by way of a scheme of arrangement. WPL will continue to spearhead the Group's property development in Hong Kong, building from its currently modest attributable land bank of 1.7 million square feet. This includes the 50:50 joint venture with New World Development for a 1.3 million-square-foot luxury residential project atop MTR Austin Station, in the heart of the West Kowloon transportation hub.

Wheelock Properties (Singapore) Limited ("WPSL"), a 75.8%-owned listed subsidiary, has been spearheading the Group's property development in Singapore. In 2010, WPSL contributed HK$3.6 billion of turnover and HK$1.3 billion of operating profit on completion of Ardmore II and Orchard View. Expanding from its Singapore base, WPSL has recently acquired five sites for the development of a residential project in Hangzhou, China, for RMB1.4 billion.

The Wharf (Holdings) Limited ("Wharf") celebrates its 125th anniversary in 2011 with a record performance in 2010, reporting new highs in turnover and net profit. Retail performance at Harbour City and Times Square continued to outperform the general market and in aggregate, they accounted for an unmatched 8.5% share of Hong Kong's total retail sales in 2010.

Wharf's strategy to increase its Mainland assets to 50% of Group assets is progressing well, with 34% of the business assets on its balance sheet based in China as at year end. The Mainland land bank increased to 12 million square metres in early 2011, moving closer to the interim target of 15 million square metres.

Wharf's recurrent income base in China expanded with the completion of Shanghai Wheelock Square, the tallest office development in Puxi. This recurrent base will be multiplied when the pipeline of five International Finance Centre developments rolls out between 2013 and 2016 to add about two million square metres. China property sales increased to RMB8.8 billion in 2010, 91% higher than 2009. 2011 sales is budgeted to increase over 2010.

To enhance its capital base for the rising business activities, Wharf raised HK$10 billion through a rights issue in March 2011, which the Company fully supported.

FINANCIAL RESULTS

Group turnover increased by 28% to HK$24,186 million with all businesses performing strongly.

Profit before attributable net investment properties revaluation surplus increased by 13% to HK$4,974 million. Including the net revaluation surplus, profit attributable to Shareholders reached HK$20,194 million, for an increase of 93%. Earnings per share were HK$9.94. Net asset value per share rose by 31% to HK$49.40.

Following the WPL privatisation, the Group's net debt, excluding debts of non wholly-owned subsidiaries, increased to HK$10 billion as at the end of 2010. This was increased by HK$5 billion when the Company subscribed to Wharf's rights issue in March but net operating cash inflow (including in particular the successful sales of One Island South) increased significantly. The net debt level is well within comfort given the asset base of the Group.

The Board recommends a final dividend of 10 cents per share to bring the total dividend for the year to 12.5 cents per share.

OUTLOOK

Hong Kong government is projecting a 4% to 5% economic growth rate in 2011, with the backing of external trade growth, rising domestic demand and tourism spending. This benefits the local property market. Favourable policies rolled out by the Central Government will cushion Hong Kong against global uncertainties. Indeed, the various policy initiatives of the 12^{th} Five-Year Plan will provide advantageous opportunities for Hong Kong companies.

In Singapore, WPSL will benefit from the strong economy and solid property market. Its diversification into Mainland properties is part of the capital reinvestment process to tap into one of the fastest growing economies in the world.

China is moving into the next phase of economic development, and the high-speed rail network being rolled out will increase the pace of urbanisation, create new jobs, and spread the wealth across the country, generating continual economic maturity. The fundamentals of the Mainland real estate market remain strong given the strong urban housing demand.

All businesses of the Group in Hong Kong, China and Singapore are well positioned to benefit from the dynamic growth in the region.

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 year.

Peter K C Woo
Chairman

Hong Kong, 23 March 2011