Chairman's Statement

Hong Kong's economy grew at a healthy 5% during 2011. Strong capital liquidity coupled with limited new supply pushed residential property prices to a new high, which led the government to impose additional cooling measures. The subsequent increase in land supply will facilitate a stable and sustainable market development. On the other hand, the growing economy and buoyant business activities stimulate demand for quality commercial developments, in particular in non-central locations.

Singapore reported a 4.9% GDP growth rate in 2011, and the government also introduced measures to curb excessive liquidity from pushing up property prices further and to facilitate healthier long term growth.

China's economic development continued with a 9.2% GDP growth rate. Wealth creation and rapid urbanisation have spurred a growing middle class with demand for better and quality living. Real estate investments boomed and this led to tightening measures to instill a more orderly growth in the property sector for sustainable development. Nevertheless, solid demand for quality real estates remains as the high-speed rail network will accelerate urbanisation and spread economic activities.

Business Performance

Wheelock Properties Limited ("WPL") continued to spearhead the Group's property development in Hong Kong and delivered an exceptional performance in 2011, as earlier investments started to generate commercial realisation. One Island South in Aberdeen was completed and generated a net profit of HK$1.7 billion, or 19% of the Group's core profit in the year.

Taking advantage of a moderate recovery of sentiments since the turn of the year, 97% of the 104 units at Lexington Hill in Western District were promptly pre-sold in February 2012 for total proceeds of HK$1.1 billion, at an average price of HK$11,700 per square foot of GFA. Kadoorie Hill in Homantin, with a gross development value of HK$2 billion, is targeted for pre–sales launch in mid-2012.

The Group's land bank in Hong Kong was replenished to nearly six million square feet by year end, with the addition of commercial sites in Hung Hom and Kowloon Bay to capture the demand for quality commercial development as decentralisation continues. That includes 3.4 million square feet held by The Wharf (Holdings) Limited ("Wharf"). A residential site in Tseung Kwan O was acquired in early 2012. In the past 12 months, WPL invested HK$9.4 billion towards replenishment of its land bank.

Wheelock Properties (Singapore) Limited ("WPSL") completed its iconic development Scotts Square in August and generated an attributable net profit of HK$2.3 billion, or 25% of the Group's core profit, from the sale of 84% of the residential units. The retail podium of Scotts Square is 92% leased and will expand the Group's recurrent income base in Singapore.

The Board and I were deeply saddened when David Lawrence, CEO of WPSL and a close colleague since 1992, passed away peacefully in early March after prolonged illness. Under his leadership, WPSL has built a valuable brand for luxury residential developments in Singapore and a very capable management team. I am pleased that WPSL is in an excellent position to take advantage of new investment opportunities. The Company is very grateful for Mr Lawrence's invaluable contributions over the years.

Wharf reported record turnover and operating profit for 2011. Turnover for investment properties and hotels exceeded HK$10 billion, with Harbour City and Times Square commanding an unrivalled 9% share of total Hong Kong retail sales.

Mainland assets reached nearly 40% of Wharf's business assets at the end of 2011. Total contribution from these assets increased to 21% of Wharf's core profit in 2011, from 9% in 2010. The Mainland land bank stood at 12.2 million square metres at year end, spanning across 14 cities. The pipeline of five International Finance Centre developments will help establish a solid recurrent rental income base for Wharf in the Mainland.

Financial Results

Turnover increased by 43% to HK$34.6 billion with the recognition of strong property sales from Hong Kong, Singapore and the Mainland, together with solid recurrent rental income. Operating profit advanced by 56% to HK$17.7 billion.

Core profit, i.e. profit before net investment property revaluation surplus and exceptional items, increased by 97% to HK$9,038 million to set a new record. 45% of that was attributable to Wharf, 28% to WPL and 27% to WPSL. Core earnings per share were HK$4.45 (2010: HK$2.26). Including net revaluation surplus and exceptional items, profit attributable to Shareholders amounted to HK$22,866 million (2010: HK$20,194 million). Net asset value increased to HK$60.32 per share.

Compared to the financial year ended 31 March 2002, the Group's core earnings per share have increased by over 15 times and net asset value per share has increased by more than 3.6 times.

The Group's consolidated net debt stood at HK$53.0 billion at the end of 2011 for a healthy gearing of 22.5%. Excluding debts of non-wholly owned subsidiaries, net debt was HK$15.0 billion after subscribing HK$5.0 billion to Wharf's rights issue in March 2011, and the purchase of two commercial sites in Kowloon East in the second half of 2011.

In lieu of a final dividend, the Board has approved the payment of a second interim dividend of 21.0 cents per share. In addition, the Board has decided to pay a non-recurrent special dividend of 25.0 cents per share. Total distribution for the year 2011 will amount to 50.0 cents per share (2010: 12.5 cents).

Outlook

The Hong Kong and Singapore governments have both forecasted a GDP growth of 1%-3% in 2012, reflecting the uncertain global outlook triggered by the European debt crisis. The growing Chinese economy and the more buoyant intra-Asia trade, however, will benefit companies with business exposure in Asia, in particular China.

The various cooling measures imposed on the Hong Kong and Singapore real estate markets will develop more sustainable market outlook that will benefit WPL and WPSL respectively.

The Mainland's economic development remains vibrant with a 7.5% GDP growth target for 2012. The continued wealth creation and accumulation will generate solid demand for quality real estates, despite the short-term market cautiousness caused by tightening measures. Favourable policy initiatives from China's 12th Five-Year Plan towards Hong Kong offer more and better opportunities for local corporates.

The Group is well positioned to capitalise on the continued 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.

Mr B M Chang has been a Director of the Company since 1969. He has decided to retire at the forthcoming Annual General Meeting and not stand for re-election. Over the past 43 years, Mr Chang has given tremendous guidance and support to the Board and to me. I take this opportunity to thank him most sincerely for his many years of contribution.

Peter K C Woo
Chairman

22 March 2012