CHAIRMAN'S STATEMENT

2019 was a disruptive year globally and for Hong Kong as well. Geopolitical tensions remain front and centre as the pendulum continues to swing.

A new paradigm is evolving between China and the US, with trade talks dominating headlines. Currencies and supply chains are adapting. Then, at the tail of 2019, the World Health Organization reported the emergence of the Covid-19 coronavirus. Monetary stimulus continues.

Hong Kong entered a technical recession mid-year. The first recession in a decade. The economy contracted 1.2% and unemployment rate rose to 3.1%. Small and medium enterprises, retail, catering and hotel businesses have been hit the hardest. The Government introduced several rounds of substantial relief measures, increasing spending of more than HK$26 billion, to assist the business sectors and people that have been worst hit.

Elsewhere in the world, other factors at play weighed on global economic growth. China's economy grew at the lowest rate since 1990, at 6.1%. The US economy grew by 2.3%, after the Federal Reserve lowered interest rates thrice to counteract the effects of trade tensions and a global slowdown. Brexit is still unfolding and political tensions remain high in the Middle East.

PERFORMANCE

Hong Kong Properties

Against this backdrop, the Company, supported by successful launches of MONTARA and GRAND MONTARA in the first half, delivered stable results. Total contracted sales reached HK$23.6 billion. A total of 2,080 units were transacted during the year, including all 1,120 launched units of MONTARA and GRAND MONTARA, which were presold in less than three days. Sales take-up in the second half of 2019 moderated when we launched MARINI and GRAND MARINI, selling 82% or 786 units of total launched units. Together with sales of previously launched developments, net order book rose to HK$32.5 billion.

During the reporting year, we continued to actively replenish our land bank, acquiring one solo and four joint venture sites with attributable GFA of 1.6 million square feet. The Group's land bank, with a focus on urban areas, stood at 6.6 million square feet as at the end of 2019.

FINANCIAL PERFORMANCE

The Group's underlying net profit for the year was HK$12.4 billion, slightly down by 6% against last year. The results reflect a tough operating environment throughout the period. There were higher contributions from Hong Kong Development Properties and Mainland China Investment Properties, which were partly offset by impairment provisions of HK$4.9 billion for certain Development Properties in Hong Kong and Mainland China.

Wheelock's own gearing improved from 13.0% to 9.9% as a result of higher sales proceeds and prudent financial management.

A second interim dividend of HK$1.050 per share has been declared, making total dividends for the full year HK$1.575 per share.

The Wharf (Holdings) Limited ("Wharf")

Wharf's underlying profit for the year fell by 58% to HK$2.7 billion. Mount Nicholson, a key contributor to Hong Kong Development Properties' contracted sales in Wharf's Peak Portfolio, recorded the sale of four houses and three apartments, amounting to HK$4.2 billion.

In Mainland China, Development Properties' operating profit fell by 38% to HK$4.9 billion, while attributable contracted sales fell by 13% to RMB19.9 billion for 4,500 units. Net order book increased to RMB27.4 billion. By the end of 2019, its land bank stood at 3.5 million square metres.

For Mainland Investment Properties, the revenue and operating profit increased by 14% and 23% to HK$3,924 million and HK$2,311 million respectively.

CHAIRMAN'S STATEMENT

Wharf Real Estate Investment Company Limited ("Wharf REIC")

Wharf REIC's underlying net profit eased to HK$9.8 billion during the year, as prolonged uncertainties and challenging market conditions weighed on the retail portfolio performance. Revenue from Harbour City fell to HK$11.6 billion for the year, while Times Square and Plaza Hollywood recorded revenues of HK$2.8 billion and HK$552 million respectively.

Revenue and operating profit from Investment Properties fell slightly to HK$14.3 billion and HK$12.5 billion respectively. Revenue and operating profit from the Central Portfolio – comprising Wheelock House and Crawford House – rose to HK$495 million and HK$431 million respectively.

Total revenue for the Marco Polo hotels in Harbour City fell by 22% to HK$1.2 billion and operating profit dropped by 47% to HK$250 million.

Privatization of Wheelock Properties (Singapore) Pte. Ltd. (formerly known as Wheelock Properties (Singapore) Limited) was completed in November 2019, following a scheme of Selective Capital Reduction Exercise.

SUSTAINABILITY

As a new member of the Hang Seng Corporate Sustainability Index, Wheelock continued its sustainability journey. We are committed to long-term progress by making decisions that shape our present and future.

In 2019, the Company announced the signing of the first sustainability-linked loan in Hong Kong. Furthermore, all Hong Kong development projects are now green-certified and our corporate headquarters was awarded LOOP Platinum by WWF-Hong Kong.

Our endeavours in the community extend through Project WeCan, Wheelock Interior Design Internship Program, Swim for Millions with Community Chest of Hong Kong and National Geographic Wheelock Hong Kong Photo Contest.

In December, Wheelock Properties announced two peppercorn leases to NGOs with the intention to provide approximately 2,000 units of transitional housing for a term of eight years. This initiative will be subject to the approvals of regulatory and consultative bodies.

ANNOUNCEMENT – A SCHEME OF ARRANGEMENT

On 27 February 2020, a joint announcement in relation to a proposal for the privatization of Wheelock and Company Limited by Admiral Power Holdings Limited by way of a scheme of arrangement was issued. The Proposal comprises the distribution to Shareholders of one Wharf REIC share and one Wharf share in respect of each share of Wheelock and Company held as at the record date, and the subsequent privatization of the remaining Wheelock and Company after the making of the distribution in consideration of the Scheme consideration of HK$12.00 per Scheme Share, less Dividend Adjustment (if any), which will be payable by the Offeror to Scheme Shareholders in cash. Please refer to the announcement dated 27 February, 2020 on the Company's corporate website for details.

OUTLOOK

In the near-term, the world remains in a state of profound transformation. Politics, climate, social media, labour and trade are evolving. The oil market is in upheaval. Covid-19 is serious and has become a pandemic. The world is in shock.

Confirmed cases continue to rise. Borders are under lock down with unprecedented travel bans. Widespread fear of contagion growth and economic stoppages reverberate. Global recession expectations rise and stock markets are in meltdown.

In this sea of change, important anchors remain. China's economic momentum will continue in the long-term, supported by domestic consumption growth. From the Pearl River Delta, a dynamic engine of production and innovation, comes the new national Greater Bay Area policy initiative.

At the heart of this story are the twin cities of Hong Kong and Shenzhen. A 20 million population cluster marrying a technology hub with a free port and a fair and robust financial market. This would be a big economic story in the coming two decades.

Despite a challenging 2019 and 2020 to date, we have confidence in Hong Kong as a city with the DNA and experiences to steer through these choppy waters with the strength of spirit and pragmatism.

CLOSING

The current adversities are severe and far reaching, crossing continents and industries. When infected cases drop, restarting and recovering will be hard work.

The Company is focused on our core business. Financial prudence and resilience are the utmost priorities as the world braces through this pandemic.

Last but not least, I would like to thank our employees, especially front line staff, for their dedication and spirit in what has been a difficult year. I would also like to thank our customers and partners for their support, and members of the Board for their wise counsel and guidance.

Douglas C.K. Woo
11 March 2020