

CHAIRMAN'S STATEMENT

It was another challenging 12 months as volatility in currency, equity and credit markets persisted and concerns over oil prices and immigration added to geopolitical uncertainty.

Major economies are working to build momentum as global demand consolidates while the US economy hints at optimism. Though, all eyes remain on interest rates.

China's deep reform will last several years and the "Second Wave" of economic growth begins following a boom growth period from 1978 to 2013.

Hong Kong continues to hold its position with a stable, open and growing economy with virtual full employment.

Multinationals such as Manulife, Citi and China Life showed their commitment to Hong Kong by acquiring buildings for their regional headquarters at Wheelock's developments, One Bay East and One HarbourGate.

The Group has a diverse land bank that stands at 8.7 million square feet with an average cost of HK\$3,420 per square foot (excluding Wharf's Peak portfolio). O'South and Office portfolios have generated HK\$8.6 billion and HK\$16.0 billion in revenues respectively, having sold two of four O'South projects and three of four commercial towers. This land bank will be adequate for coming years.

Despite the challenging business environment, the Group's core profit increased by 31% to reach HK\$10.6 billion

in 2015. Advanced to a historic high due to project timing, this growth was mainly driven by the positive momentum of our core business.

Performance

Our HK Development Properties – In 2015, a total of HK\$12.9 billion contracted sales in Hong Kong; half from residential and half from commercial portfolios. New residential projects launched during the year were well received while secondary market's sentiment was weak. Peninsula East, CAPRI, Island Residence, The Parkside and Kensington Hill together generated HK\$6.5 billion. On commercial, the West Tower of One HarbourGate was presold en-bloc to China Life for HK\$5.9 billion. The three en-bloc office transactions over the last three years amounted to HK\$16 billion. Pursuing product excellence with a fast asset turnover focus will continue to be the core of our business strategy.

Investment Properties under Wharf – Hong Kong's retail environment has slowed with consumers affected by currency fluctuation and a global price imbalance. Through our major subsidiary, The Wharf (Holdings) Limited, the sizeable portfolio in Hong Kong delivered stable growth in 2015 and again demonstrated resilience against market adversities. In China, revenue and operating profit reported positive growth, mainly driven by Chengdu IFS's solid performance. Opening of Chongqing and Changsha IFS in phases in coming years will add new catalysts to future growth.

Corporate Social Responsibility and Business-in-Community

The Group's CSR focuses on four key areas: corporate governance, sustainable development, Project *WeCan* and community service.

On corporate governance, Wheelock published its first independent Environment, Social and Governance Report in October. On the other hand, Wheelock Properties Limited ("WPL") also published its fourth and independently audited Corporate Social Responsibility Report in August.

On sustainable development, 90% of projects sold have been BEAM PLUS or LEED certified since 2013, demonstrating our commitment to green building standard.

Project *WeCan* is an open platform for business sponsors to work closely with schools through financial commitment and volunteer support for the benefit of students who lack support and resources. The total number of participating secondary schools has increased to 50, benefitting more than 42,000 students. *WeCan* Scholarship was launched to financially support outstanding *WeCan* students to pursue university education. These milestones could not be achieved without the strong support from more than 35 organisations, and our volunteers.

On community service, Wheelock co-hosted the "Swim For Millions" with Community Chest for the third consecutive year. Over

HK\$4 million was raised to support local youth services. Last year, Wheelock's staff volunteers devoted more than 900 hours of their time participating in 69 CSR events. To recognise this commitment, WPL was granted the Social Responsibility Award of the Year by the Royal Institution of Chartered Surveyors for the second consecutive year.

Closing

The core business is HK Development Properties. Our strategy is based on active management and turnover of a customer centric portfolio of quality assets. Seasoned management, prudent financial management and a learning mindset remain central to the Group. We will continue to strengthen our capability as we face challenges and opportunities ahead in a constantly changing world.

On behalf of the Board, I would like to express my sincere gratitude to our Directors, and the team for their hard work, commitment and contributions.

Douglas C K Woo

Chairman

Hong Kong, 10 March 2016