

CHAIRMAN'S STATEMENT

OPENING

The world is in a state of rather profound change. We have a new White House and Europe's future is hard to read. Huge clouds of uncertainty loom over the strategic and policy changes they face and need to steer.

In 2016, world economic growth was sluggish. China's economy rebalanced to a more sustainable 6.7%. The US economy grew at 1.6% which was its slowest pace of growth since 2012.

Stern property market policy measures remain in Hong Kong, Singapore and China due to global currency issues, excess capital driven by quantitative easing and low interest rates.

Hong Kong, with almost full employment, saw a modest 1.9% GDP growth in a year marked by outside currency volatility and a decline in tourism. Linked to the US dollar, this level of growth compares well with the US.

The Group ended the year with a record high core profit of HK\$11.8 billion whilst profit attributable to shareholders increased by 14% to HK\$16.3 billion.

PERFORMANCE

Hong Kong Development Properties ("DP")

Our core business saw record sales this year of HK\$22.1 billion in a buoyant H2 market. Over the year, five newly launched projects achieved over 90% blended sell-through rate from a variety of products, ranging from the *Peak Collection* to *Grade A Offices*, to *Low-Density Suburban* and *Bespoke Urban Residences*. Residential sales was once again the key contributor with HK\$16.9 billion. Mount Nicholson, the ultra-luxury residence on the Peak and a joint venture with Nan Fung Group, achieved HK\$11.6 billion of sales as of February 2017. There, two adjoining apartments were sold for a new record of HK\$104,800 per square foot.

In Commercial DP, One HarbourGate East Tower and East Retail Villa were sold en-bloc for HK\$4.5 billion, marking the fourth en-bloc office sales in four consecutive years. Contributing to the growth of Hong Kong's CBD critical mass, these projects have attracted multi-national corporations such as Manulife, Citigroup and China Life Insurance to commit long term to Hong Kong by setting up their regional offices. Today, approximately 8,000 people work at One Bay East alone.

It is not unknown that over the last 18 months, the land market has witnessed an increase in competitors and pricing levels, presenting new challenges. Our HKDP land bank stands at 8.2 million square feet at an average cost of \$3,480 per square foot (excluding the Peak portfolio), including the acquisition of a 826,546 square feet site in Kwun Tong for \$6.4 billion. Our land reserve comprises of 97% urban sites and 75% harbourfront sites, which is adequate for five to six years of development.

The Wharf (Holdings) Limited

Steady growth has been sustained on the back of high occupancy and favourable rental reversion. Through constant asset enhancement and value-accretive initiatives, HKIP continued to underpin the solid performance. In China, despite currency shifts, IP reported a pleasant revenue growth that was driven by Chengdu International Finance Square ("IFS"). The opening of Ocean Terminal extension and Chongqing and Changsha IFS's retail malls in the second half of 2017 will add new momentum to future growth in IP contribution.

The Murray, a new 336-room urban chic hotel located in Central, Hong Kong, is scheduled to open in late 2017. It is a conservation project; an integral part of the "Conserving Central" initiative. It will breathe new life into the historic building.

CHAIRMAN'S STATEMENT (CONTINUED)

A year-long strategic review on the Communications, Media & Entertainment ("CME") led Wharf to decide to exit this segment completely. Wharf T&T was disposed in November 2016 for HK\$9.5 billion. Secondly, no new funding support will be extended by Wharf to i-CABLE, a separately listed company.

Wheelock Properties (Singapore) Limited

Wheelock Place continued to maintain high occupancy and residential projects drew favourable response.

CORPORATE SOCIAL RESPONSIBILITY AND BUSINESS-IN-COMMUNITY

In 2016, Project *WeCan* continues to earn recognition with the number of supporting partners increasing to 42. They comprise of 31 corporations, five local universities, three consulates and three Government organisations. With their immense dedication and contribution, 43,000 students from 51 secondary schools have benefited. The vision is to inspire the next generation for a brighter future. Last year, 73 students were awarded Project *WeCan* Scholarship to continue their education in local universities.

Wheelock co-hosted the "Swim for Millions" with Community Chest for the fourth consecutive year to promote healthy lifestyle while raising funds for local youth services. This event has not only become one of the popular annual charity sport events but also a fun day for family with an array of children activities and cheering teams. Last year, the

number of teams involved increased to 123, with participants from 15 families, 71 corporations, 25 schools and 12 disciplinary forces. Over HK\$4 million was successfully raised in 2016.

As a property developer, sustainable development is fully embedded in our strategy. To create green living for our customers, nearly all of our DP projects in Hong Kong follow the BEAM Plus guidelines. In recognition of our achievements, One Bay East and One HarbourGate have been awarded the "Sustainability Achievement of the Year" by RICS Hong Kong and the "Best Green Development" by China Property. WPL was granted the "Social Responsibilities Award of the Year" by RICS Hong Kong for the third consecutive year.

OUTLOOK

There will be huge challenges and uncertainties in 2017. At the forefront are China-US relations and developments in the Korean Peninsula.

On the other hand, there seems to be some positive signals. IMF forecasts global growth will improve year-on-year by 0.3% to 3.4% in 2017. And despite a lack of full clarity on US policy directions on tax and spending, a new surge of optimism has been seeping into the American economy and markets. China's "Second Wave" is progressing at the "New Normal" GDP growth rate of 6.5%. The economy is rebalancing to be services-led and the urbanization story is on-going. Maintaining stability is core.

Hong Kong's GDP growth in 2017 is expected to be in the range of 2% to 3%. Relaxation of cooling measures on the property market is unlikely in the near term. Hong Kong's critical mass of being the financial centre of our time zone continues to grow with the debut of Shenzhen-Hong Kong Stock Connect and the coming completion of the Hong Kong-Zhuhai-Macao Bridge. They would bring new dimensions to the linkages with the Pearl River Delta.

We remain cautiously optimistic on both the region's and Hong Kong's future.

CLOSING

Our core business is Hong Kong Development Properties. We will continue to actively manage a customer centric portfolio of quality products with a learning mindset. Prudent financial management and strengthening capabilities will remain central to the Group. We are well positioned to deal with challenges and capture the opportunities ahead in this changing world.

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

Douglas C K Woo
Chairman

Hong Kong, 10 March 2017