

# CHAIRMAN'S STATEMENT

**S**ynchronised recovery led by China, US and the EU propelled the world economy to its strongest since the start of the decade. Clouds of concerns from issues of quantitative easing, rate rises and delicate geopolitical tensions still linger. Trade wars on new tariffs taking a front stage is concerning to all.

In the United States, tax reforms and fiscal spending were keys to driving economic growth by improving business sentiment, boosting corporate earnings and dividend growth. Interest rate hikes by the Federal Reserve in 2017 had been steadily paced and digested.

China, the world's second largest economy, saw GDP growth in 2017 reach 6.9%, accelerating for the first time in seven years. The growth rate topped the official target of 6.5%. This outperformance was buoyed by strong domestic demand, fiscal spending, and economic rebalancing.

In Hong Kong, the SAR celebrated its 20th anniversary. The economy gathered pace in line with global economic recovery. Healthy fundamentals are in place with inflation below 3%. Investment sentiment has been sturdy. With the currency situation returning to more reasonable levels, retail sales have stabilised and tourism has been recovered. We still face a tight labour market. Hong Kong's GDP growth reached 3.8% as business outlook continues to improve. However, the city remains vigilant to externalities.

The Group ended the year with core profit increasing by 2% to HK\$12.0 billion, whilst profit attributable to shareholders increased by 26% to HK\$20.6 billion.

## PERFORMANCE

### Hong Kong Properties (“HKP”)

Hong Kong Properties recorded solid achievements in 2017, with total transactions increasing by 18% to a record high of HK\$26.1 billion.

The positive results were mainly driven by sustained market demand. MONTEREY and OASIS KAI TAK, the two residential projects that were launched in 2017, presold 963 units for HK\$8.9 billion. MOUNT NICHOLSON, our luxury residential joint venture project on the Peak, continued to redefine super luxury with record breaking valuation. The project sold another five houses and 14 apartments during the year and generated HK\$9.4 billion (translating to HK\$4.7 billion on an attributable basis). ONE HOMANTIN and NAPA, low density projects that were launched in 2016, also presold 299 units for HK\$2.8 billion.

Commercial project 8 Bay East, located in the heart of the new CBD – Kowloon East – was transacted en bloc for HK\$9.0 billion. Eight commercial projects by the Group has contributed to a total of HK\$37.0 billion in revenue for the Group. Further to 8 Bay East, the Group has no commercial project under construction.

The land bank under management stands at 7.9 million square feet as at 9 March 2018. The urban-focused nature of our land bank offers a diverse mix of products and the size is adequate to fulfill development needs for the next four to five years.

We have embarked on our digitisation journey for several years and using an incremental approach, we aim to execute digital transformation in our daily business, to enhance understanding of customer needs and improve operations.

## CHAIRMAN'S STATEMENT (CONTINUED)

### **The Wharf (Holdings) Limited (“WHL”)**

During the year, the Hong Kong investment properties (“IP”) unit of WHL was demerged and separately listed in November 2017 as Wharf REIC. Wheelock’s position after this spin-off is neutral. The shareholders and investors are supportive of this exercise, which enables a clearer strategic and investment profile within the Group while increasing operational and financial transparency.

Wharf achieved solid results in 2017. MOUNT NICHOLSON continued to cater to demands for luxury properties and setting new price records. The redevelopment of other Peak projects was progressing as planned. In the Mainland, following the successful opening of Chengdu IFS in 2014, the second IFS mall was opened in Chongqing to tap the huge retail potential in Southwestern China. The third IFS will open in 2018 in Changsha. The logistics segment continued with steady contribution.

WHL has additional capacity to build land bank, and projects are proceeding in accordance with plans.

### **Wharf Real Estate Investment Company Limited (“Wharf REIC”)**

Wharf REIC’s shares began trading on 23 November, 2017. The company focuses on Hong Kong IPs and holds a portfolio of six prime quality IPs in key business and shopping districts. It has been assigned a first-time A2 issuer rating by Moody’s, reflecting the new company’s size and quality of assets.

Wharf REIC enjoyed steady rental growth from Hong Kong IPs. In particular, Harbour City continued to outperform the market in 2017 as it benefitted from a recovery of retail sentiment and visitor arrivals. Wheelock House and Crawford House also performed well. In December, The Murray, an integral part of the Government’s Conserving Central initiative, was completed and marked by a ceremony officiated by the Chief Executive of the HKSAR. This marked the end of a four-year preservation journey for the iconic building and the beginning of its new lease of life as a contemporary luxury hotel.

### **Wheelock Properties (Singapore) Limited**

Our subsidiary in Singapore continued to deliver stable performance. Both the Wheelock Place office tower and Scotts Square retail mall maintained high occupancy, while residential projects drew favourable response.

## CORPORATE SOCIAL RESPONSIBILITY (“CSR”)

For Wheelock, CSR is about shaping our present and future by making the right decisions, so that our business can continue to progress and stay relevant for the long-term. Building for tomorrow, with a nod to the past.

In 2017, the Company was inducted into the Hang Seng Corporate Sustainability Benchmark Index as a constituent member, reflecting recognition of our CSR performance.

Our sustainability efforts continued to focus on green building and business-in-community initiatives. For green building, our commercial project 8 Bay East was awarded LEED Platinum Pre-certification by the US Green Building Council, representing the highest building rating from the certification body. Other awards received for sustainable building practices include “Sustainability Achievement of the Year – Certificate of Excellence” from RICS Hong Kong, and Gold Label from WWF-Hong Kong’s LOOP Labelling Scheme. Our CSR Report was published according to GRI G4 standard.

Business-in-Community continued to be a core element of our CSR, embodied in Project *WeCan* and Swim for Millions. As you will read from other sections of this Report, Project *WeCan* has expanded to 50,000 students in 53 secondary schools, and enlisted the support of 34 organisations. We look forward to even greater support from the business sector and general community as the initiative grows. For Swim for Millions, although the event was interrupted by weather conditions and had to be cancelled due to safety policies, it was able to raise HK\$3 million to benefit a range of youth services under the Community Chest, as the latter celebrated its 50th anniversary in 2017.

## OUTLOOK

2018 started with serious market volatility, reminding us that monetary tightening and rates hike remain as long-term challenges. The world remains mindful of movements in market liquidity, foreign exchange, geopolitical uncertainties and dangers from protectionist policies. Global growth forecasts of 3.9% for 2018 and 2019 have been predicted on the back of the first sustained expansion since the 2008 financial crisis. A stable macro environment is crucial to continual, synchronised global economic growth. However, the grey rhinos remain.

2018 marks the 40th anniversary of China's reform and opening up. The first wave (1978 – 2012) was about capacity building and urbanisation, which resulted in rapid economic growth for three decades. The second wave (from 2012) established a new normal for economic growth with the shifting towards the service sector and the growing of a middle class. Further, the recent 13th Five-Year Plan aims to propel the country forward by upgrading industrial manufacturing by 2025, and innovation and AI by 2030. At the conclusion of the 19th CPC National Congress, with full support President Xi will likely be at the helm for the foreseeable future as China continues on a challenging journey in this period of strategic opportunity.

In our home base of Hong Kong, efforts continue to build our core values and strengthen our position as an international financial hub. The new leadership team in Government is actively supporting innovation and digitisation as new growth drivers. In the near future, the completion of two major infrastructure projects will take Hong Kong's connectivity to another level: Hong Kong to Beijing in nine hours via the high-speed rail network connection, and less than an hour to the west bank of Pearl River Delta. Over the next decade, we also expect to see growing economic input from the Belt-and-Road and Greater Bay Area initiatives. The tale of two cities – Shenzhen and Hong Kong – will continue to be the big dynamic story coming out of this region.

Wheelock will build further on positive past achievements, and be proactive in keeping pace with emerging trends and changes.

## CLOSING

It is only with the full support of a dedicated team that we are able to achieve the results this year. I speak for the Board in expressing my gratitude to all our staff, and have confidence that together we are well positioned to continue to offer the products and services that meet our customers' needs.

I also wish to thank our Board of Directors for their continued support, valuable advice and contribution.

**Douglas C K Woo**  
*Chairman*

Hong Kong, 12 March 2018