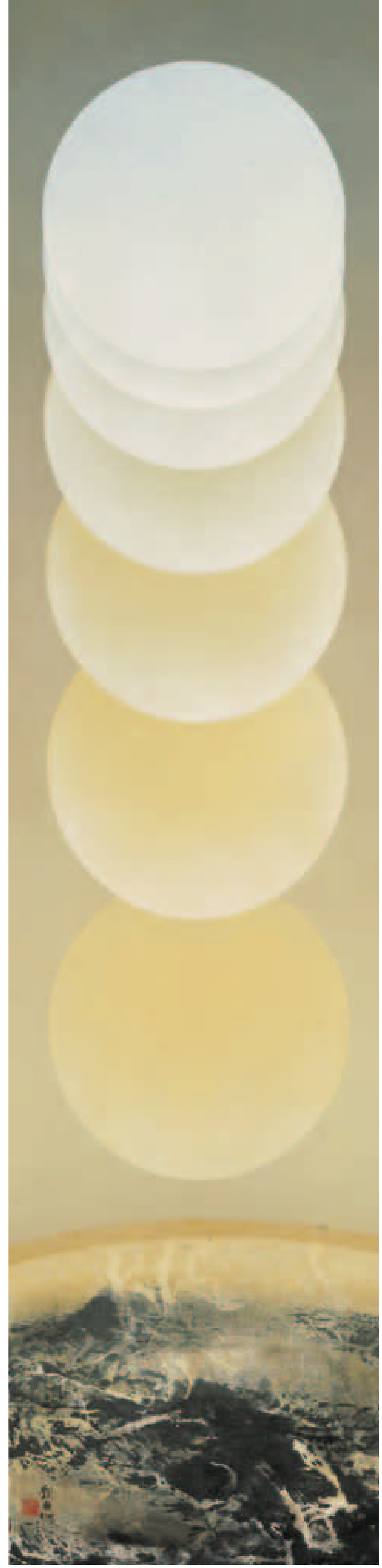
Chairman's Statement



"Record turnover and operating profit.
Mainland contribution increased to 21% of core profit."

Hong Kong's economic growth continued with a 5% GDP expansion in 2011. Visitor arrivals rose by over 16% to another record of 41.9 million, two-thirds of whom from the Mainland. Total Hong Kong retail sales grew by 25%, the highest rate in the past decade, to exceed HK$400 billion for the first time. Businesses in the retail and servicing sectors experienced vibrant activities.

The development of Hong Kong as an offshore centre for Renminbi benefits the financial and trade sectors. The capital funneling process will help cultivate Hong Kong into an international asset management centre. Nevertheless, external trade faced challenges in 2011, as demand from the western economies remained weak and the European debt crisis created global financial uncertainties.

China's economic development continued with a solid 9.2% growth. The wealth creation momentum is increasing with the fast-expanding middle class aspiring to quality living and prosperity. This is an important component for China's shift towards a consumption driven economy. Restraining measures to cool the real estate market took effect with activities moderation during the year. This helps foster a healthier and more sustainable growth path for the market.

The process of rapid urbanisation continues, and the high-speed rail network will facilitate the spread of economic activities and capital. Metropolitan regions will emerge across the country, and quality commercial developments will transpire to serve the growing business demand, as China enters its next phase of economic development.

Increasingly, Hong Kong businesses are shifting their focus toward the Mainland's economic needs.

Business Performance

The Group reported record turnover and operating profit in 2011.

The investment properties and hotels segment posted over HK$10 billion of revenue for the first time, with an operating profit of HK$7.7 billion that represented over two-thirds of the Group's operating profit.

Business Performance (Cont'd)

Harbour City and Times Square commanded an unrivalled 9% share of total Hong Kong retail sales, up from 8.5% a year ago. The two assets were valued at a combined HK$131 billion at year end, representing 47% of the Group's business assets.

Total contribution from the Mainland increased to 21% of core profit, up from 9% in 2010. The Mainland land bank stood at 12.2 million square metres at year end. Property sales in 2011 increased to 854,000 square metres to generate attributable proceeds of RMB12.7 billion, 44% higher than 2010. The net order book at year end increased to RMB13.5 billion for 903,000 square metres. A cautious RMB10 billion sales target is set for 2012 to reflect near-term market sentiments. Total rental income from the Mainland increased by 69% to almost HK$800 million. Shanghai Wheelock Square made its first full year contribution. This premier development has attracted multinationals and major corporations at top market rates given its build quality and world-class management.

The pipeline of International Finance Centres under development will multiply the recurrent income base from the Mainland on completion. Retail pre-leasing for Chengdu IFC has progressed well ahead of plan. This 200,000-square-metre mall, similar in size to Harbour City, will be completed in the second half of 2013. The Changsha IFC will provide an even bigger mall at 240,000 square metres by 2016 to capture the growing consumption in the region. The quality of the IFC offices will attract international and local financial services tenants. Some of these towers may be monetised for value accretion.

The development of a sustainable organisation in the Mainland continues. Human resources remain one of the vital ingredients for business success.

Financial Results

Group turnover increased by 24% to HK$24 billion with strong recurrent rental income and Mainland property completions. Operating profit grew by 22% to HK$11.4 billion.

Profit attributable to Shareholders excluding net investment property revaluation surplus and exceptional items increased by 14% to HK$8.1 billion. Exceptional items declined by HK$2.2 billion due to one-off profits in 2010 and a larger mark-to-market charge of HK$1.4 billion. Including the net surplus from revaluation of investment properties and exceptional items, profit attributable to Shareholders was HK$30.6 billion. Earnings per share were HK$10.22.

The total valuation of the Group's investment property portfolio increased by 18% to HK$184 billion at the end of 2011. Book net asset value increased to HK$67.1 per share.

The Group continues to practise prudent financial management, with net debt stabilising at HK$43.5 billion at year end. Gearing stabilised at 20.6%. Funding sources were expanded to lengthen maturity and reduce over-reliance on any single financing platform.

In lieu of a final dividend, the Board has approved the payment of a second interim dividend of 70 cents per share to bring the total dividend for the year to HK$1.06 per share.

Business-in-Community

The Group's "Building for Tomorrow" extends to community service, with a particular focus on youth development.

In addition to on-going sponsorships, the Group launched Project *WeCan*, a 6-year pioneer, 360º school improvement programme in May in collaboration with The Chinese University of Hong

Kong, 10 participating secondary schools, business partners, and the Group's business units to offer support to more than 10,000 students in Hong Kong through their secondary education. In addition to financial support, activities supported by over 400 volunteers from the Group's business units and designed to widen perspectives and exposure are organised to inspire and stimulate confidence among students during their critical stage of life development. Through social volunteering, our staff participate in and learn through community services to strike a balanced lifestyle that will inspire their kinship.

Separately, two talented architecture graduates from The Chinese University of Hong Kong are undertaking a 12-month internship in Switzerland through the Wharf Architectural Design Internship programme that aims at broadening their international outlook.

The care-for-others spirit extends into the Mainland. In August, we supported Wu Zhi Qiao with the building of a bridge in rural Yunnan for underprivileged villagers by volunteer students from The University of Hong Kong and Tsinghua University and our staff volunteers to commemorate the centennial anniversary of these two acclaimed universities, and the 125th anniversary of the Company.

Outlook

The Hong Kong government is forecasting a 1-3% GDP growth in 2012, reflecting the uncertain global outlook that might affect the local economy. Nevertheless, economic fundamentals remain strong. While the export services platform may be exposed to the challenge of soft global trade, the financial services platform continues to gain pace with the vast capital flow from China. Tourism and the associated retail services platform will continue to experience solid growth in supporting the local economy.

Integration with the Mainland economy deepens as Hong Kong businesses increasingly look inland. Policy initiatives from China's 12th Five-Year Plan, including the stimulation of domestic demand, development of the service industries and acceleration of urbanisation, provide better and further opportunities for local companies. China's economic expansion continues with a growth target of 7.5% for 2012. However, analysts will probably not be too surprised if actual growth would eventually exceed 8%. While there remain external and internal challenges, the Mainland will continue to raise the quality and efficiency of its economic fundamentals. The rising middle class with high spending power will expand markets for consumer goods and spark demand for quality living over the next decades.

2011 marked the 125th anniversary of Wharf. Throughout our history, Wharf has evolved with the changing economies with success, captured opportunities and achieved many 'firsts'. Harbour City, now capturing a 6.7% share of Hong Kong retail sales and envy of others, was previously docks and warehouses. The old tram depot was redeveloped into today's Times Square that is the largest and most successful vertical mall in Hong Kong.

When the target to expand Mainland assets to 50% of Group's assets was set in 2007, the Group's total business assets stood at HK$135 billion. As at the end of 2011, total assets in the Mainland already exceeded HK$110 billion. However, the Group's total business assets had more than doubled to $281 billion, with Hong Kong assets also appreciating significantly in value in the intervening years. With the Mainland asset ratio close to 40% at year end, this benchmark is the solid foundation of capital for future growth in China. Mainland will become another significant earnings base of the Group going forward.

On behalf of Shareholders and my fellow Directors, I wish to express our heartfelt appreciation to all Staff for their dedication and contribution throughout the year.

Peter K C Woo
Chairman
22 March 2012