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**WHARF**

*Established 1886*

**WHARF REAL ESTATE INVESTMENT COMPANY LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 1997

**Interim Results Announcement  
for the half-year period ended 30 June 2024**

**Stalled Recovery Depressed Property Values**

**HIGHLIGHTS**

- Recovery in revenue and operating profit stalled
- That resulted in a 2% increase in Underlying Net Profit to HK\$3.1 billion
- Group loss resulted from HK\$4.4 billion non-cash Investment Properties revaluation deficit
- Group NAV (Net Asset Value) is 16% lower than 5 years ago
- Net debt reduction in line with plan

**GROUP RESULTS**

Unaudited underlying net profit increased by 2% to HK\$3,123 million (2023: HK\$3,059 million), equivalent to HK\$1.03 (2023: HK\$1.01) per share.

Including a net Investment Properties (“IP”) revaluation deficit of HK\$4,426 million (2023: HK\$1,133 million), Group loss attributable to equity shareholders amounted to HK\$1,052 million (2023: profit of HK\$1,805 million). Basic loss per share was HK\$0.35 (2023: earnings per share of HK\$0.59).

## INTERIM DIVIDEND

A first interim dividend of HK\$0.64 (2023: HK\$0.67) per share will be paid on 10 September 2024 to Shareholders on record as at 6:00 p.m. on 26 August 2024. The distribution will amount to HK\$1,943 million (2023: HK\$2,034 million), representing 65% of underlying net profit from IP and hotels in Hong Kong.

## BUSINESS REVIEW

The business environment in Hong Kong remained challenging, characterised by unfavourable currency movements, high interest rates and staffing shortage impacting business handling capacity.

Inbound tourism continued to fight an uphill battle, while the growing popularity of outbound travel has further dampened local consumption. March marked a watershed when overall retail sales turned from post-pandemic recovery to decline, after a mediocre increase on a much lower comparison base in the first two months of the year. Second quarter retail sales witnessed a steepening double-digit decline. Despite these near-term challenges, retail brands maintain confidence in Hong Kong's prospect, with premier malls continuing to attract top-tier tenants.

Meanwhile, the office market has been severely impacted by the weak economic backdrop and oversupply. Rent correction is expected to persist until the business environment improves. Similarly, hotel industry has yet to fully recover, with room rates retreating after the initial surge following the re-opening of borders early last year.

Group revenue and operating profit were virtually unchanged. Underlying net profit increased by 2%. Debt management has helped to mitigate interest rate impact, with borrowing costs stabilising. However, an unrealised revaluation deficit in the amount of HK\$4,450 million was reported for the Group's IP to reflect softer capital values.

### **Harbour City**

Overall revenue (including hotels) increased by 5% and operating profit by 3%.

#### ***Retail***

Constant tenant mix curation and effective promotional activities to drive foot traffic contribute to the performance of Harbour City. Retail revenue increased by 7% and operating profit by 6%. Occupancy was 97% at period-end.

The mall's unique critical mass, location advantage and retail management expertise have led to relatively steady leasing demand in the soft market. Notable additions include *Celine's* vertical expansion and *Fendi's* new flagship store. The 16 luxury brands on the contiguous 530-meter Canton Road frontage continue to attract customer interest.

#### ***Office***

The segment continues to face challenges, with leasing sentiment remaining soft. Occupancy stood at 88% at the end of June. Leasing activities were primarily driven by small to medium sized units. Revenue decreased by 2% and operating profit by 5%.

### ***Hotels***

Hotel industry is still struggling to return to pre-pandemic level of performance. Stiff competition is also putting pressure on room rates. Despite these challenges, the three Marco Polo Hotels have managed to achieve steady occupancies.

### **Times Square**

Overall revenue was stable, while operating profit increased by 1%.

### ***Retail***

Times Square is navigating the intense competitive landscape by continuously refining its tenant mix. The mall secured a commitment from *Louis Vuitton* for a duplex store and welcomed brands across various categories and dining offerings which hold a strong appeal to locals and tourists. The diverse cultural, artistic and pop-up activities further elevate experiences. Occupancy was 94% at period-end. Retail revenue increased by 4% and operating profit by 6%.

### ***Office***

Office continues to face challenges, with tenants seeking downsizing and cost-saving options. Sizable unit requests are rare in the market. Times Square keeps engaging proactively with tenants and remains flexible to specific business needs to strengthen competitiveness. Occupancy was 87% at the end of June. Revenue decreased by 8% and operating profit by 10%.

## **OUTLOOK**

Looking ahead, uncertainties from global economic slowdown and geopolitical tensions continue to impact Hong Kong's general economy. The retail and hotel sectors are bearing the brunt of shifting consumption patterns. Demand falls short of supply in all property sectors currently and will hopefully rebuild when cyclical factors including exchange rate and interest rate improve.

## FINANCIAL REVIEW

### (I) Review of 2024 Interim Results

Underlying net profit increased by 2% to HK\$3,123 million (2023: HK\$3,059 million) as the loss from Development Properties (“DP”) narrowed. Loss attributable to equity shareholders amounted to HK\$1,052 million (2023: profit of HK\$1,805 million), after including the revaluation deficits of IP.

#### Revenue and Operating Profit

Group revenue was stable at HK\$6,501 million (2023: HK\$6,473 million). Operating profit decreased by 1% to HK\$4,915 million (2023: HK\$4,940 million).

IP revenue increased by 2% to HK\$5,542 million (2023: HK\$5,455 million). Operating profit increased by 1% to HK\$4,718 million (2023: HK\$4,677 million).

Hotel revenue increased by 7% to HK\$748 million (2023: HK\$697 million). Operating profit decreased by 64% to HK\$24 million (2023: HK\$67 million).

DP revenue decreased by 64% to HK\$8 million (2023: HK\$22 million). Operating profit of HK\$74 million (2023: loss of HK\$13 million) was reported, mainly due to prior year adjustments.

Investment operating profit, primarily from dividend income, decreased by 43% to HK\$140 million (2023: HK\$244 million).

#### Fair Value Change of IP

IP assets were stated at HK\$223.0 billion based on independent valuation, giving rise to a revaluation deficit of 2%. Unrealised valuation loss attributable to equity shareholders, net of non-controlling interests, was HK\$4,426 million (2023: HK\$1,133 million).

#### Other Net Income/(Loss)

Other net income amounted to HK\$70 million, which mainly comprised net foreign exchange gain, including the impact arising from forward foreign exchange contracts (2023: Other net loss of HK\$282 million, which included write-downs of HK\$88 million of DP by listed subsidiary, Harbour Centre Development Limited (“HCDL”)).

#### Finance Costs

Finance costs amounted to HK\$882 million (2023: HK\$990 million) after including an unrealised mark-to-market gain of HK\$189 million (2023: HK\$71 million) on cross currency and interest rate swaps in accordance with the applicable accounting standards.

Effective borrowing rate rose to 5.7% (2023: 4.7%) primarily due to higher HIBOR.

## Income Tax

Taxation charge for the period decreased by 3% to HK\$607 million (2023: HK\$627 million).

## Loss Attributable to Equity Shareholders

Group loss attributable to equity shareholders amounted to HK\$1,052 million (2023: profit of HK\$1,805 million). Basic loss per share was HK\$0.35 (2023: earnings per share of HK\$0.59), based on 3,036 million ordinary shares in issue.

Underlying net profit (excluding the impact of IP revaluation and mark-to-market of certain financial instruments) increased by 2% to HK\$3,123 million (2023: HK\$3,059 million). Underlying earnings per share were HK\$1.03 (2023: HK\$1.01).

## **(II) Liquidity, Financial Resources and Capital Commitments**

### Shareholders' and Total Equity

Shareholders' equity decreased by HK\$3.9 billion to HK\$187.5 billion as at 30 June 2024 (31 December 2023: HK\$191.4 billion), equivalent to HK\$61.76 per share (31 December 2023: HK\$63.05 per share). Total equity including non-controlling interests decreased by HK\$4.0 billion to HK\$191.6 billion (31 December 2023: HK\$195.6 billion).

### Assets

Total assets amounted to HK\$238.9 billion (31 December 2023: HK\$245.3 billion), 95% (31 December 2023: 95%) of which in Hong Kong. Total business assets, excluding bank deposits and cash, derivative financial assets and deferred tax assets, were HK\$237.5 billion (31 December 2023: HK\$243.4 billion).

### IP

IP assets totalled HK\$223.0 billion (31 December 2023: HK\$227.6 billion), representing 94% (31 December 2023: 93%) of business assets. Harbour City (excluding the three hotels) was valued at HK\$151.6 billion and Times Square at HK\$46.0 billion.

### Hotels

Hotel properties were stated at cost less accumulated depreciation and impairment (if any) at HK\$6.9 billion (31 December 2023: HK\$7.2 billion).

### DP

DP assets, all held by HCDL, including interests in an associate and a joint venture, amounted to HK\$1.5 billion (31 December 2023: HK\$1.7 billion).

### Other Long Term Investments

Other long term investments were stated at market value of HK\$4.8 billion (31 December 2023: HK\$5.8 billion). An attributable mark-to-market deficit of HK\$795 million (2023: surplus of HK\$308 million) was reflected in other comprehensive income and a gain on disposal of HK\$7 million (2023: HK\$1,285 million) was recorded as a transfer to revenue reserves in the statement of changes in equity. The portfolio included blue chips held for long term capital appreciation and reasonable dividend return and each portfolio holding is individually not material to the Group's total assets.

The Group's investment portfolio analysed by industry sector and by geographical location as below:

	<b>30 June 2024</b>	31 December 2023
	<b>HK\$ Million</b>	HK\$ Million
Analysed by industry sector:		
- Properties	<b>4,503</b>	5,356
- Others	<b>315</b>	404
Total	<b>4,818</b>	5,760
Analysed by geographical location:		
- Hong Kong	<b>2,656</b>	3,384
- Outside of Hong Kong	<b>2,162</b>	2,376
Total	<b>4,818</b>	5,760

### Debts and Gearing

Net debt decreased by HK\$1.2 billion to HK\$35.1 billion as at 30 June 2024 (31 December 2023: HK\$36.3 billion). It comprised debts of HK\$36.0 billion and bank deposits and cash of HK\$0.9 billion.

An analysis of net debt is depicted below:

	<b>30 June 2024</b>	31 December 2023
	<b>HK\$ Billion</b>	HK\$ Billion
<b><u>Net debt</u></b>		
Group (excluding HCDL)	<b>35.0</b>	36.1
HCDL	<b>0.1</b>	0.2
Total	<b>35.1</b>	36.3

The ratio of net debt to total equity dropped to 18.3% (31 December 2023: 18.6%).

Listed HCDL is an independent credit entity and the Group (excluding HCDL) is not contractually exposed to HCDL's debts. HCDL's ratio of net debt to total equity as at 30 June 2024 was 0.9% (31 December 2023: 1.0%).

## Finance and Availability of Facilities

Total available loan facilities and issued debt securities as at 30 June 2024 amounted to HK\$50.0 billion, of which HK\$36.0 billion was utilised. The breakdown is depicted below:

	<b>30 June 2024</b>		
	<b>Available Facility HK\$ Billion</b>	<b>Total Debt HK\$ Billion</b>	<b>Undrawn Facility HK\$ Billion</b>
Committed and uncommitted Group (excluding HCDL)	48.6	35.6	13.0
HCDL	1.4	0.4	1.0
Total	<u>50.0</u>	<u>36.0</u>	<u>14.0</u>

Certain banking facilities extended to HCDL were secured by hotel and DP in the Mainland of RMB1.2 billion (equivalent to HK\$1.3 billion) (31 December 2023: RMB1.3 billion (equivalent to HK\$1.4 billion)).

The debt portfolio was principally denominated in United States dollar, Hong Kong dollar, Singapore dollar and Renminbi (“RMB”). The respective funds were mainly used to finance the Group’s IP.

The use of derivative financial instruments is strictly monitored and controlled. The majority of the derivative financial instruments entered into are used for mitigating interest rate and currency exposures.

The Group continued to adhere to a high level of financial discipline with a strong financial position. Financial resources are well prepared to support business and investment activities. In addition, the Group also maintained a portfolio of liquid listed investments with an aggregate market value of HK\$4.8 billion (31 December 2023: HK\$5.8 billion).

## Cash Flows for the Group’s Operating and Investing Activities

For the period under review, the Group recorded operating cash inflow of HK\$4.9 billion (2023: HK\$4.8 billion) primarily generated from rental income. Together with the changes in working capital and others of HK\$1.6 billion (2023: HK\$1.6 billion), the net cash inflow from operating activities amounted to HK\$3.3 billion (2023: HK\$3.2 billion). For investing activities, the Group recorded a net cash outflow of HK\$66 million (2023: inflow of HK\$4.7 billion).

## Capital Commitments

As at 30 June 2024, major planned expenditures for the coming years were estimated at HK\$1.1 billion, of which HK\$0.2 billion was committed. A breakdown (by segment) is as follows:

	As at 30 June 2024		
	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million
<b>IP</b>			
Hong Kong	54	529	583
<b>DP</b>			
Mainland China	163	363	526
	217	892	1,109
<b>Hotels</b>			
Hong Kong	14	-	14
<b>Total</b>	231	892	1,123

These expenditures will be funded by internal financial resources, including existing cash and surplus from operations, as well as bank loans and other borrowings. Other available resources include monetisation of the Group's equity investments.

Included in the above are HCDL's expenditures totaling HK\$0.5 billion, which will be funded by its own financial resources.

### **(III) Human Resources**

The Group had approximately 2,900 employees as at 30 June 2024. Employees are remunerated according to job responsibilities and market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the Group's achievement and results.



**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**For the six months ended 30 June 2024 - Unaudited**

		<b>Six months ended 30 June</b>	
		<b>2024</b>	<b>2023</b>
	Note	<b>HK\$ Million</b>	HK\$ Million
<b>Revenue</b>	2	<b>6,501</b>	6,473
Direct costs and operating expenses		<b>(1,202)</b>	(1,161)
Selling and marketing expenses		<b>(119)</b>	(125)
Administrative and corporate expenses		<b>(145)</b>	(122)
Operating profit before depreciation, amortisation, interest and tax		<b>5,035</b>	5,065
Depreciation and amortisation		<b>(120)</b>	(125)
<b>Operating profit</b>	2 & 3	<b>4,915</b>	4,940
Decrease in fair value of investment properties		<b>(4,450)</b>	(1,115)
Other net income/(loss)	4	<b>70</b>	(282)
Finance costs	5	<b>(882)</b>	(990)
Share of results after tax of an associate		<b>(113)</b>	(146)
(Loss)/profit before taxation		<b>(460)</b>	2,407
Income tax	6	<b>(607)</b>	(627)
<b>(Loss)/profit for the period</b>		<b>(1,067)</b>	1,780
<b>(Loss)/profit attributable to:</b>			
Shareholders of the Company		<b>(1,052)</b>	1,805
Non-controlling interests		<b>(15)</b>	(25)
		<b>(1,067)</b>	1,780
<b>(Loss)/earnings per share</b>	7		
Basic		<b>(HK\$0.35)</b>	HK\$0.59
Diluted		<b>(HK\$0.35)</b>	HK\$0.59

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the six months ended 30 June 2024 - Unaudited**

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$ Million</b>	<b>HK\$ Million</b>
<b>(Loss)/profit for the period</b>	<b>(1,067)</b>	<b>1,780</b>
<b>Other comprehensive income</b>		
<b>Item that will not be reclassified to profit or loss:</b>		
Fair value changes on equity investments at fair value through other comprehensive income	(915)	209
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange difference on translation of subsidiaries outside Hong Kong	(205)	(62)
Share of other comprehensive income of an associate and joint ventures	(4)	(20)
Others	1	(5)
<b>Other comprehensive income for the period</b>	<b>(1,123)</b>	<b>122</b>
<b>Total comprehensive income for the period</b>	<b>(2,190)</b>	<b>1,902</b>
<b>Total comprehensive income attributable to:</b>		
Shareholders of the Company	(2,052)	2,047
Non-controlling interests	(138)	(145)
	<b>(2,190)</b>	<b>1,902</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024 – Unaudited

	Note	30 June 2024 HK\$ Million	31 December 2023 HK\$ Million
<b>Non-current assets</b>			
Investment properties		223,009	227,586
Hotel and club properties, plant and equipment		7,233	7,406
Interest in an associate		475	591
Interest in a joint venture		10	10
Other long term investments		4,818	5,760
Deferred tax assets		-	225
Derivative financial assets		245	202
Other non-current assets		60	60
		<b>235,850</b>	241,840
<b>Current assets</b>			
Properties for sale		1,061	1,118
Inventories		18	17
Trade and other receivables	9	1,032	1,221
Prepaid tax		3	2
Derivative financial assets		6	-
Bank deposits and cash		972	1,124
		<b>3,092</b>	3,482
<b>Total assets</b>		<b>238,942</b>	245,322
<b>Non-current liabilities</b>			
Derivative financial liabilities		(2,017)	(2,188)
Deferred tax liabilities		(2,552)	(2,666)
Other deferred liabilities		(356)	(352)
Bank loans and other borrowings		(24,447)	(29,832)
		<b>(29,372)</b>	(35,038)
<b>Current liabilities</b>			
Trade and other payables	10	(5,586)	(6,256)
Pre-sale deposits and proceeds		(72)	(78)
Derivative financial liabilities		(215)	(364)
Taxation payable		(539)	(386)
Bank loans and other borrowings		(11,586)	(7,593)
		<b>(17,998)</b>	(14,677)
<b>Total liabilities</b>		<b>(47,370)</b>	(49,715)
<b>NET ASSETS</b>		<b>191,572</b>	195,607
<b>Capital and reserves</b>			
Share capital		304	304
Reserves		187,211	191,108
<b>Shareholders' equity</b>		<b>187,515</b>	191,412
<b>Non-controlling interests</b>		<b>4,057</b>	4,195
<b>TOTAL EQUITY</b>		<b>191,572</b>	195,607

## NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

### 1. MATERIAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

This unaudited interim financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting (“HKAS 34”), issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The preparation of the unaudited interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

The unaudited interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2023. The unaudited interim financial information and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies and methods of computation used in the preparation of the unaudited interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2023 except for the changes mentioned below.

The HKICPA has issued a number of amended HKFRSs that are first effective starting from 1 January 2024. Of these, the following developments are relevant to the Group’s consolidated financial statements:

Amendments to HKAS 1	Presentation of financial statements: Classification of liabilities as current or non-current (2020 amendments)
	Presentation of financial statements: Non-current liabilities with covenants (2022 amendments)
Amendments to HKFRS 16	Leases: Lease liability in a sale and leaseback
Amendments to HKAS 7	Statement of cash flows and HKFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements

The Group has assessed the impact of the adoption of the above amendments and considered that there was no significant impact on the Group’s results and financial position.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 2. SEGMENT INFORMATION

The Group manages its diversified businesses according to the nature of services and products provided. Management has determined four reportable operating segments for measuring performance and allocating resources. The segments are investment properties, development properties, hotel and investment. No operating segments have been aggregated to form the reportable segments.

Investment properties segment primarily entails property leasing and management operations. Currently, the Group's investment properties portfolio, which mainly consists of retail, office and serviced apartments, is primarily located in Hong Kong.

Development properties segment encompasses activities relating to the acquisition of land, development, construction and sales of trading properties, mainly in Mainland China.

Hotel segment includes hotel operations in Hong Kong and Mainland China.

Investment segment represents equity investments in global capital markets.

Management evaluates performance primarily based on operating profit as well as the equity share of results of an associate and a joint venture of each segment. Inter-segment pricing is generally determined on an arm's length basis.

Segment business assets principally comprise all tangible assets and current assets directly attributable to each segment with the exception of bank deposits and cash, derivative financial assets and deferred tax assets.

Revenue and expenses are allocated with reference to revenue generated by those segments and expenses incurred by those segments or which arise from the depreciation and amortisation of assets attributable to those segments.

## 2. SEGMENT INFORMATION

### a. Analysis of segment revenue and results

Six months ended	Revenue HK\$ Million	Operating profit/ (loss) HK\$ Million	Decrease in fair value of investment properties HK\$ Million	Other net income/ (loss) HK\$ Million	Finance costs HK\$ Million	Share of results after tax of an associate HK\$ Million	Profit/ (loss) before taxation HK\$ Million
<b>30 June 2024</b>							
Investment properties	5,542	4,718	(4,450)	-	(1,034)	-	(766)
Development properties	8	74	-	(1)	(6)	(113)	(46)
Hotel	748	24	-	-	(1)	-	23
Investment	140	140	-	-	(28)	-	112
Inter-segment revenue	(23)	-	-	-	-	-	-
Segment total	6,415	4,956	(4,450)	(1)	(1,069)	(113)	(677)
Others	86	8	-	71	187	-	266
Corporate expenses	-	(49)	-	-	-	-	(49)
Group total	6,501	4,915	(4,450)	70	(882)	(113)	(460)
<b>30 June 2023</b>							
Investment properties	5,455	4,677	(1,115)	-	(932)	-	2,630
Development properties	22	(13)	-	(88)	(7)	(146)	(254)
Hotel	697	67	-	-	(5)	-	62
Investment	244	244	-	-	(115)	-	129
Inter-segment revenue	(16)	-	-	-	-	-	-
Segment total	6,402	4,975	(1,115)	(88)	(1,059)	(146)	2,567
Others	71	(2)	-	(194)	69	-	(127)
Corporate expenses	-	(33)	-	-	-	-	(33)
Group total	6,473	4,940	(1,115)	(282)	(990)	(146)	2,407

## b. Disaggregation of revenue

	Six months ended 30 June	
	2024 HK\$ Million	2023 HK\$ Million
<b>Revenue recognised under HKFRS 15</b>		
Management and services income	607	586
Other rental related income	106	93
Hotel and club operations	748	697
Sale of development properties	8	22
	<u>1,469</u>	<u>1,398</u>
<b>Revenue recognised under other accounting standards</b>		
Rental income		
– Fixed	4,352	4,218
– Variable	454	542
	<u>4,806</u>	<u>4,760</u>
Investment income	140	244
Others	86	71
	<u>5,032</u>	<u>5,075</u>
Total revenue	<u>6,501</u>	<u>6,473</u>

## c. Analysis of inter-segment revenue

	Six months ended 30 June					
	2024			2023		
	Total revenue HK\$ Million	Inter- segment revenue HK\$ Million	Group revenue HK\$ Million	Total revenue HK\$ Million	Inter- segment revenue HK\$ Million	Group revenue HK\$ Million
Investment properties	5,542	(23)	5,519	5,455	(16)	5,439
Development properties	8	-	8	22	-	22
Hotel	748	-	748	697	-	697
Investment	140	-	140	244	-	244
Others	90	(4)	86	75	(4)	71
Group total	<u>6,528</u>	<u>(27)</u>	<u>6,501</u>	<u>6,493</u>	<u>(20)</u>	<u>6,473</u>

#### d. Geographical information

	Six months ended 30 June			
	Revenue		Operating profit	
	2024	2023	2024	2023
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	6,194	6,050	4,673	4,671
Outside Hong Kong	307	423	242	269
Group total	<u>6,501</u>	<u>6,473</u>	<u>4,915</u>	<u>4,940</u>

### 3. OPERATING PROFIT

Operating profit is arrived at:

	Six months ended 30 June	
	2024	2023
	HK\$ Million	HK\$ Million
<b>After charging/(crediting):</b>		
Depreciation and amortisation on		
- hotel and club properties, plant and equipment	112	117
- leasehold land	8	8
Total depreciation and amortisation	<u>120</u>	<u>125</u>
Staff cost (Note)	533	476
Cost of trading properties for recognised sales	(70)	17
Direct operating expenses of investment properties	<u>793</u>	<u>751</u>
<b>After crediting:</b>		
Gross rental revenue from investment properties	5,519	5,439
Interest income	14	19
Dividend income from other long-term investments	<u>140</u>	<u>244</u>

Note: Staff costs included defined contribution pension schemes costs of HK\$27 million (2023: HK\$24 million) and equity settled share-based payment expenses of HK\$7 million (2023: Nil).



#### 4. OTHER NET INCOME/(LOSS)

Other net income for the period amounted to HK\$70 million (2023: loss of HK\$282 million) mainly comprising:

- (a) Net foreign exchange gain of HK\$62 million (2023: loss of HK\$194 million) which included the impact arising from forward foreign exchange contracts.
- (b) Write-down of HK\$88 million in 2023 in relation to development property projects in Mainland China.

#### 5. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	HK\$ Million	HK\$ Million
<b>Interest charged on:</b>		
- Bank loans	284	328
- Other borrowings	758	703
Total interest charge	1,042	1,031
Other finance costs	29	30
	1,071	1,061
<b>Fair value gain:</b>		
- Cross currency interest rate swaps	(134)	(65)
- Interest rate swaps	(55)	(6)
	(189)	(71)
Total	882	990

## 6. INCOME TAX

Taxation charged to the consolidated statement of profit or loss includes:

	Six months ended 30 June	
	2024	2023
	HK\$ Million	HK\$ Million
<b>Current income tax</b>		
Hong Kong		
- Provision for the period	585	640
Outside Hong Kong		
- Provision for the period	19	19
- over-provision in respect of prior years	(110)	-
	<u>494</u>	<u>659</u>
<b>Land appreciation tax (“LAT”) (Note (c))</b>	<u>-</u>	<u>1</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>113</u>	<u>(33)</u>
Total	<u>607</u>	<u>627</u>

- (a) The provision for Hong Kong Profits tax is based on the profit for the period as adjusted for tax purposes at a rate of 16.5% (2023: 16.5%).
- (b) Income tax on assessable profits outside Hong Kong is mainly Mainland China corporate income tax calculated at a rate of 25% (2023: 25%), Mainland China withholding tax on dividend at a rate of up to 10% (2023: 10%) and Singapore income tax at a rate of 17% (2023: 17%).
- (c) Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds on sales of properties less deductible expenditures including cost of land use rights, borrowings costs and all property development expenditure.
- (d) Tax credit attributable to an associate for the six months ended 30 June 2024 of HK\$3 million (2023: expense of HK\$126 million) is included in the share of results of an associate.

## 7. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders for the period of HK\$1,052 million (2023: profit of HK\$1,805 million) and 3,036 million ordinary shares in issue during the period (2023: 3,036 million ordinary shares in issue).

There were no dilutive potential ordinary shares in issue during the six months ended 30 June 2024 and 2023.

## 8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	Six months ended 30 June			
	2024 HK\$ per share	2024 HK\$ Million	2023 HK\$ per share	2023 HK\$ Million
First interim dividend declared after the end of the reporting period	<b>0.64</b>	<b>1,943</b>	0.67	2,034

(a) The first interim dividend based on 3,036 million ordinary shares in issue (2023: 3,036 million ordinary shares in issue) declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) The second interim dividend of HK\$1,852 million for 2023 was approved and paid during the six months ended 30 June 2024.

## 9. TRADE AND OTHER RECEIVABLES

Included in this item are trade receivables (net of allowance) with an ageing analysis based on the invoice date as follows:

	30 June 2024 HK\$ Million	31 December 2023 HK\$ Million
Trade receivables		
0 - 30 days	221	229
31 - 60 days	12	9
61 - 90 days	6	4
Over 90 days	18	16
	<b>257</b>	258
Other receivables and prepayments	775	963
	<b>1,032</b>	1,221

The Group has established credit policies for each of its core businesses. The general credit terms allowed range from 0 to 60 days, except for sale of properties from which the proceeds are receivable pursuant to the terms of the agreements. All the trade and other receivables are expected to be recoverable within one year, except for other receivables of HK\$224 million (31 December 2023: HK\$266 million), which is expected to be utilised after more than one year.

## 10. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis based on the invoice date as follows:

	<b>30 June 2024</b>	31 December 2023
	<b>HK\$ Million</b>	HK\$ Million
Trade payables		
0 - 30 days	<b>53</b>	75
31 - 60 days	<b>9</b>	19
61 - 90 days	<b>4</b>	7
Over 90 days	<b>13</b>	9
	<b>79</b>	110
Rental and customer deposits	<b>3,059</b>	3,067
Construction costs payable	<b>824</b>	1,158
Amount due to an associate	<b>14</b>	14
Other payables	<b>1,610</b>	1,907
	<b>5,586</b>	6,256

## 11. REVIEW OF UNAUDITED INTERIM FINANCIAL INFORMATION

The unaudited interim financial information for the six months ended 30 June 2024 has been reviewed with no disagreement by the Audit Committee of the Company.

## CORPORATE GOVERNANCE CODE

During the financial period under review, the Company has applied the principles and complied with all the applicable code provisions of the Corporate Governance Code contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, with one exception as regards Code Provision C.2.1 providing for the roles of the chairman and chief executive to be performed by different individuals.

Such deviation is deemed appropriate as it is considered to be more efficient to have one single person to be Chairman of the Company as well as to discharge the executive functions of a chief executive under the Group's corporate structure thereby enabling more effective planning and better execution of long-term strategies. The Board of Directors of the Company (the "Board") believes that the balance of power and authority is adequately ensured by the operations and governance of the Board which comprises experienced and high calibre individuals, with more than half of them being Independent Non-executive Directors.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial period under review.

## RELEVANT DATES FOR INTERIM DIVIDEND

Ex-entitlement date	23 August 2024 (Fri)
Latest time to lodge share transfer	4:30 p.m., 26 August 2024 (Mon)
Record date and time	6:00 p.m., 26 August 2024 (Mon)
Payment date	10 September 2024 (Tue)

In order to qualify for the above-mentioned interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Monday, 26 August 2024.

By Order of the Board  
**Wharf Real Estate Investment Company Limited**  
**Kevin C. Y. Hui**  
*Company Secretary*

Hong Kong, 6 August 2024

*As at the date of this announcement, the Board comprises Mr. Stephen T. H. Ng, Mr. Paul Y. C. Tsui, Ms. Y. T. Leng and Mr. Horace W. C. Lee, together with eight Independent Non-executive Directors, namely Mr. Alexander S. K. Au, Mr. Tak Hay Chau, Ms. Lai Yuen Chiang, Hon. Andrew K. Y. Leung, Mr. Desmond L. P. Liu, Mr R. Gareth Williams, Dr. Glenn S. Yee and Professor E. K. Yeoh.*