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WHARF

Established 1886

THE WHARF (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 4

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

Capital Values Fall in Lethargic Market

HIGHLIGHTS

- Consumption and investment in property sector stalled as markets lost vibrancy
- Underlying Net Profit stable at HK\$2.0 billion with most segments weaker
- HK\$2.6 billion Group loss resulted after non-cash Investment Properties revaluation deficit
- Net debt management in line with plan and gearing remains low

GROUP RESULTS

Group underlying net profit increased by 9% to HK\$1,979 million (2023: HK\$1,811 million) mainly due to lower provision of HK\$564 million (2023: HK\$1,033 million) on Development Properties (“DP”).

After the inclusion of Investment Properties (“IP”) revaluation deficit and other unrealised accounting losses, Group profit attributable to shareholders turned to a loss of HK\$2,637 million (2023: profit of HK\$696 million).

INTERIM DIVIDEND

A first interim dividend of HK\$0.20 (2023: HK\$0.20) per share will be paid on 12 September 2024 to Shareholders on record as at 6:00 p.m. on 28 August 2024. This will absorb a total amount of HK\$611 million (2023: HK\$611 million).

BUSINESS REVIEW

Recovery across different sectors has been uneven, hindered by the slowing global economic growth, geopolitical tensions, and persistently high US interest rates.

In Hong Kong, the removal of stamp duty measures in February boosted primary residential transactions. Although residential price is stabilising, it remained below pre-COVID level due to high interest rate and subdued economic activities. Port business was affected by the restructuring of supply chains, Red Sea disruptions, and heightened regional competition, reducing throughput volume.

In Mainland China, the retail market stayed weak. Consumers remained cautious about spending, especially on discretionary items, due to concerns over deflationary risks, job security and property market turmoil. The retail and hospitality sectors faced additional challenges from spending leakage due to the resurgence of outbound tourism. Despite the Central Government's supportive policies, the impact on DP varied by city and developer with overall activity remained timid.

Amid this volatile business climate, the Group upheld prudent treasury policy and maintained a very healthy gearing ratio at 6.2% with majority of exposure in Renminbi, mitigating the impact from high US interest rates and navigating future challenges.

HONG KONG PROPERTIES

Removal of “cooling measures” in February induced the release of latent demand and an increase in transactions. However, that proved to be short-lived. In a quiet market, an apartment was sold by the 50%-owned Mount Nicholson for HK\$600 million, equivalent to HK\$131,000 per square foot.

On an attributable basis, DP revenue decreased by 2% to HK\$305 million and operating profit up by 113% to HK\$179 million. All existing residential properties in Hong Kong land bank are progressing on track.

MAINLAND CHINA INVESTMENT PROPERTIES

Slowdown in domestic consumption, partly due to leakage overseas, resulted in lacklustre trading performance for mall tenants and thereby putting pressure on occupancy and rent. The smaller and older Times Squares face greater pressure.

On the other hand, deteriorating supply and demand imbalance cast a long shadow on the office sector. Occupancy is depressed by defection to lower grade properties as well as business downsizing and/or closure. Rents are also soft.

Overall segment revenue declined by 4% to HK\$2,326 million and operating profit by 6% to HK\$1,551 million.

MAINLAND CHINA DEVELOPMENT PROPERTIES

The housing market continued to struggle as the supportive policies take time to rebuild market confidence. Office sales remained muted due to consistently high inventory and weak demand recovery. The Group has not replenished land bank since 2019, resulting in less saleable inventory. Attributable contracted sales decreased to RMB 0.7 billion (2023: RMB 1.4 billion), mainly from projects in Suzhou. Net order book at period-end was RMB 0.6 billion (31 December 2023: RMB 2.3 billion). Stock, including both developed and undeveloped, amounted to 1.3 million square metres (31 December 2023: 1.4 million square metres).

On an attributable basis, revenue recognised decreased by 25% to HK\$2,504 million yet operating profit increased by HK\$409 million to HK\$485 million. Lower attributable impairment provision of HK\$564 million (2023: HK\$1,033 million) was made for the Group's unsold stock.

HOTELS

In line with market trend, overall performance in 2024 declined from 2023, particularly in room rates. Segment revenue decreased by 2% to HK\$291 million and operating profit by 73% to HK\$12 million.

After opening its second hotel at Changsha IFS in last November under a new premium lifestyle brand Maqo, Wharf Hotels currently operates 16 hotels in Hong Kong, Mainland China and the Philippines across three brands – Niccolo, Marco Polo and Maqo. Four of them are 100% owned by the Group and a fifth is 50%-owned.

Separately, a third hotel at Changsha IFS owned by the Group was opened in June under the Park Hyatt brand. This represents the first owned hotel not also operated by the Group since the mid-1980s.

LOGISTICS INFRASTRUCTURE

Segment revenue decreased by 12% to HK\$1,073 million and operating profit by 39% to HK\$123 million, due to lower throughput in Hong Kong and unfavourable business mix in Mainland China.

Modern Terminals' throughput in Hong Kong decreased by 7% to 1.7 million TEUs. In Shenzhen, subsidiary DaChan Bay Terminals' throughput increased by 12% to 1.0 million TEUs, while throughput at associated company Shekou Container Terminals increased by 10% to 3.1 million TEUs.

Cargo volume handled by the 21%-owned Hong Kong Air Cargo Terminals increased by 28% to 0.9 million tonnes.

OUTLOOK

The business outlook remains clouded by economic uncertainties and volatility. The global economy is highly sensitive to the US interest rate pivot, trade tensions and geopolitical risks. Mainland China faces challenges including high leverage and inventory in the property sector, subdued consumer sentiment and the elevated saving rate. In Hong Kong, the strong local currency and tight financial conditions are hindering the economic recovery. The Group will remain prudent in financial management and seize opportunities to drive business performance amid economic headwinds.

FINANCIAL REVIEW

(I) Review of 2024 Interim Results

Group underlying net profit (“UNP”) increased by 9% to HK\$1,979 million (2023: HK\$1,811 million) mainly due to lower impairment provision made for DP. IP profit decreased by 5% to HK\$1,207 million (2023: HK\$1,275 million) while DP loss narrowed to HK\$462 million (2023: HK\$727 million) after an attributable impairment provision of HK\$564 million (2023: HK\$1,033 million). Logistics and Investment profit decreased by 5% and 13% respectively.

Group profit attributable to equity shareholders turned into a loss of HK\$2,637 million (2023: profit of HK\$696 million) after attributable net IP revaluation deficit of HK\$4,481 million (2023: HK\$356 million).

Revenue and Operating Profit (“OP”)

Group revenue decreased by 14% to HK\$7,032 million (2023: HK\$8,130 million) and OP by 2% to HK\$3,085 million (2023: HK\$3,139 million).

IP revenue decreased by 5% to HK\$2,364 million (2023: HK\$2,480 million) and OP by 6% to HK\$1,573 million (2023: HK\$1,679 million) mainly due to softer retail and office rental in the Mainland.

DP revenue dropped by 25% to HK\$2,028 million (2023: HK\$2,688 million) while OP improved to HK\$387 million (2023: HK\$54 million), achieving a better overall operating margin of 19% (2023: 2%), mainly due to completion of a Hangzhou project.

Hotels revenue decreased by 2% to HK\$291 million (2023: HK\$296 million) and OP by 73% to HK\$12 million (2023: HK\$44 million) primarily suffering from decline in room rates in a soft market.

Logistics revenue decreased by 12% to HK\$1,073 million (2023: HK\$1,221 million) and OP by 39% to HK\$123 million (2023: HK\$203 million) mainly due to lower throughput volume and unfavourable business mix for Modern Terminals.

Investments OP decreased by 12% to HK\$1,023 million (2023: HK\$1,160 million) due to decrease in dividend income.

IP Revaluation Deficit

Including IP held by joint ventures, independent valuation as at 30 June 2024 gave rise to an attributable but unrealised net revaluation deficit (after related deferred tax and non-controlling interests) of HK\$4,481 million (2023: HK\$356 million), which was charged to the consolidated income statement.

Other Net Charge

Other net charge of HK\$864 million (2023: HK\$997 million) mainly represented impairment provisions of HK\$322 million (2023: HK\$293 million) for Mainland DP held by subsidiaries, net exchange loss of HK\$304 million (2023: HK\$39 million) and a fair value loss of HK\$116 million (2023: HK\$769 million) on long term fund investment assets.

Finance Costs

Finance costs decreased to HK\$33 million (2023: HK\$333 million) after unrealised mark-to-market gains of HK\$218 million (2023: HK\$66 million) on cross currency and interest rate swaps.

Effective borrowing rate fell to 3.9% (2023: 4.9%) for the period, mainly benefitting from higher exposure to Renminbi borrowings at lower rate. Excluding the mark-to-market gains, finance costs before capitalisation of HK\$149 million (2023: HK\$184 million) decreased by 31% to HK\$400 million (2023: HK\$583 million).

Share of Results (after taxes) of Joint Ventures and Associates

Associates' attributable profit amounted to HK\$130 million (2023: HK\$66 million) while joint ventures' attributable loss amounted to HK\$233 million (2023: HK\$507 million), mainly due to impairment provisions of HK\$242 million (2023: HK\$740 million) made for Mainland DP projects and higher profit recognition for a Hong Kong DP project.

Taxation

The Group recorded a net tax credit of HK\$2,985 million (2023: charge of HK\$676 million) mainly due to reversal of deferred tax provision of HK\$3,527 million (2023: charge of HK\$242 million) previously made against revaluation surpluses of Mainland IP, resulting from IP revaluation deficits recorded for the period. This was partly offset by an increase in tax provisions for higher trading profits of Mainland DP.

Profit/(Loss) to Shareholders

Group underlying net profit (a performance indicator of the Group's major business segments) increased by 9% to HK\$1,979 million (2023: HK\$1,811 million). By segment, DP loss narrowed by 36% to HK\$462 million (2023: HK\$727 million), while IP profit decreased by 5% to HK\$1,207 million (2023: HK\$1,275 million), Investments decreased by 13% to HK\$999 million (2023: HK\$1,153 million), and Logistics decreased by 5% to HK\$165 million (2023: HK\$174 million).

Including attributable net IP valuation deficits of HK\$4,481 million (2023: HK\$356 million) and investment revaluation deficits of HK\$116 million (2023: HK\$769 million), Group loss attributable to equity shareholders amounted to HK\$2,637 million (2023: profit of HK\$696 million). Basic loss per share was HK\$0.86 based on weighted average of 3,056 million shares (2023: basic earnings per share was HK\$0.23 based on 3,056 million shares).

(II) DP Sales and Net Order Book (Inclusive of Joint Venture Projects on an Attributable Basis)

Total contracted sales fell by 41% to HK\$1,066 million (2023: HK\$1,808 million). Hong Kong decreased by 13% to HK\$300 million (2023: HK\$343 million) and Mainland by 48% to RMB699 million (2023: RMB1,351 million).

Net order book decreased by 74% to RMB575 million (December 2023: RMB2,275 million).

(III) Liquidity, Financial Resources and Capital Commitments

Shareholders' and Total Equity

As at 30 June 2024, shareholders' equity decreased by 6% to HK\$134.7 billion (December 2023: HK\$143.0 billion), equivalent to HK\$44.07 (December 2023: HK\$46.79) per share, as a result from the investment revaluation deficit on listed equities of HK\$4.9 billion during the period.

Total equity including non-controlling interests decreased by 6% to HK\$139.9 billion (December 2023: HK\$148.2 billion).

Assets

Total business assets, excluding bank deposits and cash, certain financial and deferred tax assets, dropped by 7% to HK\$178.7 billion (December 2023: HK\$192.8 billion). Properties, Logistics and Investments assets accounted for 69%, 10%, 21% (December 2023: 69%, 9%, 22%) of the Group total, respectively.

Geographically, Hong Kong business assets decreased by 4% to HK\$91.3 billion (December 2023: HK\$94.9 billion), Mainland decreased by 12% to HK\$78.6 billion (December 2023: HK\$89.1 billion); and Overseas (mainly Investments) kept at HK\$8.8 billion (December 2023: HK\$8.8 billion), representing 51%, 44% and 5% (December 2023: 49%, 46% and 5%) of the Group total, respectively.

Investment Properties

IP portfolio was stated at HK\$63.3 billion (December 2023: HK\$71.2 billion), representing 35% (December 2023: 37%) of total business assets. This portfolio comprised Hong Kong IP of HK\$18.0 billion (December 2023: HK\$18.0 billion) and Mainland IP of HK\$45.3 billion (December 2023: HK\$53.2 billion).

Net of deferred taxes and non-controlling interests, IP value (including IPs held by joint ventures) attributable to the Group was HK\$55.7 billion (December 2023: HK\$60.6 billion), comprising Hong Kong IP of HK\$16.8 billion (December 2023: HK\$16.9 billion) and Mainland IP of HK\$38.9 billion (December 2023: HK\$43.7 billion).

Properties for Sale

DP assets descended by 4% to HK\$35.8 billion (December 2023: HK\$37.2 billion), comprising Hong Kong DP of HK\$29.9 billion (December 2023: HK\$29.3 billion) and Mainland DP of HK\$5.9 billion (December 2023: HK\$7.9 billion).

Interests in Associates and Joint Ventures

Interests in associates and joint ventures slightly decreased to HK\$27.6 billion (December 2023: HK\$27.7 billion).

Long Term Investments

Long term investments amounted to HK\$37.7 billion (December 2023: HK\$42.4 billion), among which HK\$30.0 billion (December 2023: HK\$34.6 billion) were listed equity shares, primarily blue chips held for long term capital growth and/or reasonable dividend yield. None of the investments is individually material to the Group's total assets.

During the period, fair value changes on listed investments produced a deficit of HK\$4.9 billion (2023: HK\$4.2 billion) as reflected in the consolidated statement of comprehensive income. The portfolio performed overall in line with the relevant markets.

The Group's investment portfolio, analysed by industry sectors and by geographical locations is as below:

| | 30 June 2024 | 31 December 2023 |
|---|---------------------|-------------------------|
| | HK\$ Billion | HK\$ Billion |
| <u>Analysed by industry sectors</u> | | |
| Properties | 15.2 | 18.9 |
| New economy | 11.7 | 11.2 |
| Others | 10.8 | 12.3 |
| Group Total | 37.7 | 42.4 |
| <u>Analysed by geographical locations</u> | | |
| Hong Kong | 28.9 | 33.5 |
| Overseas | 8.8 | 8.9 |
| Group Total | 37.7 | 42.4 |

Deposits from Sale of Properties

Deposits from sale of properties decreased to HK\$61 million (December 2023: HK\$1,717 million) pending recognition in the coming years.

Net Debt and Gearing

Net debt as at 30 June 2024 increased by 11% to HK\$8.7 billion (December 2023: HK\$7.8 billion) mainly for DP construction cost payments and purchases of long term

investments during the period. The ratio of net debt to total equity remains low at 6.2% (December 2023: 5.3%).

The Group's net debt comprised HK\$10.6 billion in bank deposits and cash and HK\$19.3 billion in debts. It included Modern Terminals' net debt of HK\$3.0 billion (December 2023: HK\$3.0 billion), which is non-recourse to the Company and its other subsidiaries. The Group will continue to maintain a reasonable level of surplus cash to facilitate business and investment activities.

Finance and Availability of Facilities

Total available loan facilities and issued debt securities as at 30 June 2024 amounted to HK\$34.7 billion, of which HK\$19.3 billion utilised, are analysed as below:

| | Available Facilities HK\$ Billion | Utilised Facilities HK\$ Billion | Un-utilised Facilities HK\$ Billion |
|--|--|---|--|
| <u>Company/wholly-owned subsidiaries</u> | | | |
| Committed and uncommitted facilities | 24.9 | 12.6 | 12.3 |
| Debt securities | 3.7 | 3.7 | - |
| | 28.6 | 16.3 | 12.3 |
| <u>Non-wholly-owned subsidiaries</u> | | | |
| Committed and uncommitted facilities | | | |
| - Modern Terminals | 6.1 | 3.0 | 3.1 |
| Group total | 34.7 | 19.3 | 15.4 |

Of the above debts, HK\$11.6 billion (December 2023: HK\$9.0 billion) was secured by mortgages over certain IP, DP and other property, plant and equipment together with carrying value of HK\$39.3 billion (December 2023: HK\$37.9 billion).

The Group's debt portfolio comprised primarily United States dollar, Hong Kong dollar and Renminbi. Funds sourced from such debt portfolio were mainly used to finance IP, DP and port investments.

The use of derivative financial instruments is strictly monitored and controlled. Most of the derivative financial instruments entered are primarily used for management of interest rate and currency exposures.

The Group continued to maintain a strong financial position with ample surplus cash and undrawn committed facilities to facilitate business and investment activities. In addition, the Group also maintained a portfolio of liquid listed investments with an aggregate market value of HK\$30.0 billion (December 2023: HK\$34.6 billion).

Cash Flows for the Group's Operating and Investing Activities

For the period under review, the Group recorded net operating cash inflow of HK\$2.3 billion (2023: HK\$2.1 billion) before changes in working capital. A decrease in working capital of HK\$1.7 billion (2023: HK\$0.1 billion) mainly from decrease in deposits from sale of properties generated a total net inflow from operating activities of HK\$0.5 billion (2023: HK\$0.5 billion).

For investing activities, the Group recorded a net outflow of HK\$0.7 billion (2023: HK\$9.4 billion), mainly for net acquisitions of long term investments.

Major Capital and Development Expenditures

Major expenditures incurred in 2024 are analysed as follows:

| | Hong Kong HK\$ Million | Mainland China HK\$ Million | Total HK\$ Million |
|--------------------|-----------------------------------|--|-------------------------------|
| Properties | | | |
| IP | 29 | 27 | 56 |
| DP | 1,070 | 1,108 | 2,178 |
| | <u>1,099</u> | <u>1,135</u> | <u>2,234</u> |
| Others | <u>146</u> | <u>7</u> | <u>153</u> |
| Group total | <u>1,245</u> | <u>1,142</u> | <u>2,387</u> |

- i. DP and IP expenditures included HK\$0.4 billion for property projects undertaken by associates and joint ventures.
- ii. Other expenditure was mainly for Modern Terminals' terminal equipment.

Commitment

As at 30 June 2024, major expenditures to be incurred in the coming years was estimated at HK\$21.4 billion, of which HK\$7.4 billion was committed, analysed by segment as below:

| | Committed HK\$ Million | Uncommitted HK\$ Million | Total HK\$ Million |
|--------------------|-----------------------------------|-------------------------------------|-------------------------------|
| IP | | | |
| Hong Kong | - | 7,377 | 7,377 |
| Mainland China | 3 | 113 | 116 |
| | <u>3</u> | <u>7,490</u> | <u>7,493</u> |
| DP | | | |
| Hong Kong | 4,110 | 6,244 | 10,354 |
| Mainland China | 921 | 203 | 1,124 |
| | <u>5,031</u> | <u>6,447</u> | <u>11,478</u> |
| Others | <u>2,398</u> | <u>56</u> | <u>2,454</u> |
| Group total | <u>7,432</u> | <u>13,993</u> | <u>21,425</u> |

Properties commitments are mainly for construction cost, inclusive of attributable commitments to associates and joint ventures, to be incurred by stages. These expenditures will be funded by internal financial resources including surplus cash, cash from operations, including pre-sale proceeds, as well as bank and other borrowings. Other available resources include listed equity investments available for sale.

(IV) Human Resources

The Group had approximately 5,700 employees as at 30 June 2024, including about 1,000 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.

CONSOLIDATED INCOME STATEMENT
For The Six Months Ended 30 June 2024 - Unaudited

| | | Six months ended 30 June | |
|---|-------|---------------------------------|--------------|
| | Note | 2024 | 2023 |
| | | HK\$ Million | HK\$ Million |
| Revenue | 2 | 7,032 | 8,130 |
| Direct costs and operating expenses | | (2,882) | (3,918) |
| Selling and marketing expenses | | (173) | (206) |
| Administrative and corporate expenses | | (540) | (511) |
| Operating profit before depreciation, amortisation, interest and tax | | 3,437 | 3,495 |
| Depreciation and amortisation | | (352) | (356) |
| Operating profit | 2 & 3 | 3,085 | 3,139 |
| (Decrease)/increase in fair value of investment properties | | (7,628) | 43 |
| Other net charge | 4 | (864) | (997) |
| Finance costs | 5 | (33) | (333) |
| Share of results after tax of: | | | |
| Associates | | 130 | 66 |
| Joint ventures | | (233) | (507) |
| (Loss)/profit before taxation | | (5,543) | 1,411 |
| Income tax credit/(charge) | 6 | 2,985 | (676) |
| (Loss)/profit for the period | | (2,558) | 735 |
| (Loss)/profit attributable to: | | | |
| Equity shareholders | | (2,637) | 696 |
| Non-controlling interests | | 79 | 39 |
| | | (2,558) | 735 |
| (Loss)/earnings per share | 7 | | |
| Basic and diluted | | (HK\$0.86) | HK\$0.23 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Six Months Ended 30 June 2024 - Unaudited

| | Six months ended 30 June | |
|---|---------------------------------|---------------------|
| | 2024 | 2023 |
| | HK\$ Million | HK\$ Million |
| (Loss)/profit for the period | <u>(2,558)</u> | <u>735</u> |
| Other comprehensive income | | |
| Items that will not be reclassified to profit or loss: | | |
| Fair value changes on equity investments | (4,920) | (4,224) |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange difference on translation of Mainland operations | (104) | (1,540) |
| Share of other comprehensive income of associates/joint ventures | (49) | (387) |
| Others | <u>-</u> | <u>(4)</u> |
| Other comprehensive income for the period | <u>(5,073)</u> | <u>(6,155)</u> |
| Total comprehensive income for the period | <u>(7,631)</u> | <u>(5,420)</u> |
| Total comprehensive income attributable to: | | |
| Equity shareholders | (7,689) | (5,368) |
| Non-controlling interests | 58 | (52) |
| | <u>(7,631)</u> | <u>(5,420)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 June 2024 - Unaudited

| | | 30 June 2024 | 31 December 2023 |
|--------------------------------------|------|-----------------|---------------------|
| | Note | HK\$ Million | HK\$ Million |
| Non-current assets | | | |
| Investment properties | | 63,265 | 71,244 |
| Property, plant and equipment | | 12,664 | 12,597 |
| Interests in associates | | 13,504 | 13,491 |
| Interests in joint ventures | | 14,072 | 14,221 |
| Other long term investments | | 37,748 | 42,363 |
| Goodwill and other intangible assets | | 298 | 298 |
| Deferred tax assets | | 4 | 133 |
| Derivative financial assets | | 18 | 15 |
| Other non-current assets | | 22 | 21 |
| | | 141,595 | 154,383 |
| Current assets | | | |
| Properties for sale | | 35,819 | 37,196 |
| Trade and other receivables | 9 | 1,772 | 1,618 |
| Derivative financial assets | | 196 | 87 |
| Bank deposits and cash | | 10,630 | 11,593 |
| | | 48,417 | 50,494 |
| Total assets | | 190,012 | 204,877 |
| Non-current liabilities | | | |
| Derivative financial liabilities | | (503) | (344) |
| Deferred tax liabilities | | (11,089) | (14,602) |
| Other non-current liabilities | | (23) | (33) |
| Bank loans and other borrowings | | (16,299) | (14,932) |
| | | (27,914) | (29,911) |
| Current liabilities | | | |
| Trade and other payables | 10 | (18,846) | (19,844) |
| Deposits from sale of properties | | (61) | (1,717) |
| Derivative financial liabilities | | (141) | (433) |
| Taxation payable | | (180) | (269) |
| Bank loans and other borrowings | | (3,005) | (4,500) |
| | | (22,233) | (26,763) |
| Total liabilities | | (50,147) | (56,674) |
| NET ASSETS | | 139,865 | 148,203 |
| Capital and reserves | | | |
| Share capital | | 30,381 | 30,381 |
| Reserves | | 104,308 | 112,608 |
| Shareholders' equity | | 134,689 | 142,989 |
| Non-controlling interests | | 5,176 | 5,214 |
| TOTAL EQUITY | | 139,865 | 148,203 |

NOTES TO THE FINANCIAL INFORMATION

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

The financial information included in this interim announcement is extracted from the unaudited interim financial information which 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 “Listing Rules”).

The preparation of the unaudited interim financial information in conformity with HKAS 34 requires management to make judgments, 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 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 Group has applied the following amendments to HKFRSs issued by the HKICPA to this unaudited interim financial information for the current accounting period:

| | |
|----------------------------------|---|
| Amendments to HKAS 1 | Classification of liabilities as current or non-current |
| Amendments to HKAS 1 | Non-current liabilities with covenants |
| Amendments to HKFRS 16 | Lease liability in a sale and leaseback |
| Amendments to HKAS 7 and HKFRS 7 | 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 or any substantial changes in the Group’s accounting policies.

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

The financial information relating to the financial year ended 31 December 2023 that is included in this unaudited interim financial information as comparative information does not constitute the Company’s statutory annual financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622 of the laws of Hong Kong) (“Companies Ordinance”) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2023 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

2. SEGMENT INFORMATION

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

Investment properties segment primarily includes property leasing and management operations. The Group's properties portfolio, which mainly consists of retail, office and serviced apartments is primarily located in Mainland China.

Development properties segment encompasses activities relating to the acquisition, development, sales and marketing of the Group's trading properties primarily in Hong Kong and Mainland China.

Hotels segment includes hotel management in Asia. The Group currently operates 16 hotels in Asia under Wharf Hotels. Including the recently opened Park Hyatt Changsha, six hotels are wholly or partly owned by the Group.

Logistics segment mainly includes the container terminal operations in Hong Kong and Mainland China undertaken by Modern Terminals Limited, and Hong Kong Air Cargo Terminals Limited.

Investments segment includes a diversified portfolio of listed equity investments in Hong Kong and overseas and unlisted investments, mainly property and new economy companies. The performance of the portfolio is assessed and monitored by top management regularly.

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

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

2. SEGMENT INFORMATION

a. Analysis of segment revenue and results

| For the six months ended | Revenue | Operating | (Decrease)/ | Other net | Finance | Share of | Share of | (Loss)/ |
|--------------------------|--------------|--------------|----------------|--------------|--------------|------------|--------------|----------------|
| | HK\$ | profit/ | increase in | | | | | |
| Million | Million | loss) | fair value of | HK\$ | HK\$ | of | of joint | before |
| | | HK\$ | investment | HK\$ | HK\$ | associates | ventures | taxation |
| | | | properties | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ |
| | | | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ |
| | | | Million | Million | Million | Million | Million | Million |
| 30 June 2024 | | | | | | | | |
| Investment properties | 2,364 | 1,573 | (7,628) | (1) | (155) | - | (186) | (6,397) |
| Hong Kong | 38 | 22 | (51) | - | (4) | - | - | (33) |
| Mainland China | 2,326 | 1,551 | (7,577) | (1) | (151) | - | (186) | (6,364) |
| Development properties | 2,028 | 387 | - | (551) | (5) | (17) | (54) | (240) |
| Hong Kong | - | (26) | - | - | - | - | 174 | 148 |
| Mainland China | 2,028 | 413 | - | (551) | (5) | (17) | (228) | (388) |
| Hotels | 291 | 12 | - | (19) | - | - | 3 | (4) |
| Logistics | 1,073 | 123 | - | (22) | (5) | 147 | 4 | 247 |
| Terminals | 1,062 | 112 | - | (1) | (5) | 95 | 4 | 205 |
| Others | 11 | 11 | - | (21) | - | 52 | - | 42 |
| Investments | 1,023 | 1,023 | - | (116) | (20) | - | - | 887 |
| Segment total | 6,779 | 3,118 | (7,628) | (709) | (185) | 130 | (233) | (5,507) |
| Others | 253 | 134 | - | (155) | 152 | - | - | 131 |
| Corporate expenses | - | (167) | - | - | - | - | - | (167) |
| Group total | 7,032 | 3,085 | (7,628) | (864) | (33) | 130 | (233) | (5,543) |
| 30 June 2023 | | | | | | | | |
| Investment properties | 2,480 | 1,679 | 43 | 3 | (140) | - | 32 | 1,617 |
| Hong Kong | 46 | 26 | (1) | - | (4) | - | - | 21 |
| Mainland China | 2,434 | 1,653 | 44 | 3 | (136) | - | 32 | 1,596 |
| Development properties | 2,688 | 54 | - | (173) | 5 | (53) | (546) | (713) |
| Hong Kong | - | (56) | - | - | 5 | (1) | 119 | 67 |
| Mainland China | 2,688 | 110 | - | (173) | - | (52) | (665) | (780) |
| Hotels | 296 | 44 | - | - | - | - | 5 | 49 |
| Logistics | 1,221 | 203 | - | (26) | (65) | 119 | 2 | 233 |
| Terminals | 1,209 | 191 | - | (5) | (65) | 80 | 2 | 203 |
| Others | 12 | 12 | - | (21) | - | 39 | - | 30 |
| Investments | 1,160 | 1,160 | - | (769) | (6) | - | - | 385 |
| Segment total | 7,845 | 3,140 | 43 | (965) | (206) | 66 | (507) | 1,571 |
| Others | 285 | 163 | - | (32) | (127) | - | - | 4 |
| Corporate expenses | - | (164) | - | - | - | - | - | (164) |
| Group total | 8,130 | 3,139 | 43 | (997) | (333) | 66 | (507) | 1,411 |

2. SEGMENT INFORMATION
b. Disaggregation of revenue

| | Six months ended 30 June | |
|--|---------------------------------|---------------------|
| | 2024 | 2023 |
| | HK\$ Million | HK\$ Million |
| Revenue recognised under HKFRS 15 | | |
| Sale of development properties | 2,028 | 2,688 |
| Management and services income | 259 | 297 |
| Hotels | 291 | 296 |
| Logistics | 1,073 | 1,221 |
| | 3,651 | 4,502 |
| Revenue recognised under other accounting standards | | |
| Rental income under investment properties segment | | |
| - Fixed | 1,518 | 1,480 |
| - Variable | 587 | 703 |
| Investments | 1,023 | 1,160 |
| Others | 253 | 285 |
| | 3,381 | 3,628 |
| Group total | 7,032 | 8,130 |

The Group has applied the practical expedient in paragraph 121 of Hong Kong Financial Reporting Standards (“HKFRS”) 15, Revenue from Contracts with Customers, to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date, i.e. revenue from hotels, logistics and management and services income under investment properties segment, as the Group recognises revenue at the amount to which it has a right to invoice, which corresponds directly with the value to the customer of the Group’s performance completed to date.

c. Geographical information

| | Six months ended 30 June | | | |
|--------------------|---------------------------------|---------------------|-------------------------|---------------------|
| | Revenue | | Operating profit | |
| | 2024 | 2023 | 2024 | 2023 |
| | HK\$ Million | HK\$ Million | HK\$ Million | HK\$ Million |
| Hong Kong | 1,943 | 2,149 | 1,166 | 1,301 |
| Mainland China | 5,028 | 5,876 | 1,865 | 1,736 |
| Others | 61 | 105 | 54 | 102 |
| Group total | 7,032 | 8,130 | 3,085 | 3,139 |

3. OPERATING PROFIT

Operating profit is arrived at:

| | Six months ended 30 June | |
|--|--------------------------|--------------|
| | 2024 | 2023 |
| | HK\$ Million | HK\$ Million |
| After charging: | | |
| Depreciation and amortisation on | | |
| – hotel and other property, plant and equipment | 291 | 292 |
| – leasehold land | 39 | 40 |
| – right-of-use assets | 22 | 24 |
| Total depreciation and amortisation | <u>352</u> | <u>356</u> |
| Staff cost (Note) | 817 | 825 |
| Cost of trading properties for recognised sales | 1,510 | 2,496 |
| Direct operating expenses of investment properties | <u>792</u> | <u>800</u> |
| After crediting: | | |
| Gross revenue from investment properties | 2,364 | 2,480 |
| Interest income | 148 | 186 |
| Dividend income from other long term investments | 1,023 | 1,160 |
| Gain on disposal of property, plant and equipment | <u>-</u> | <u>6</u> |

Note: Staff costs included contributions to defined contribution pension schemes of HK\$96 million (2023: HK\$101 million), which included MPF schemes after a forfeiture of HK\$nil (2023: HK\$1 million).

4. OTHER NET CHARGE

Other net charge for the period amounted to HK\$864 million (2023: HK\$997 million) mainly comprises:

- a. Provision for diminution in value of HK\$322 million (2023: HK\$293 million) was made for certain development properties held by subsidiaries in Mainland China.
- b. Net exchange loss of HK\$304 million (2023: HK\$39 million), including impacts of foreign exchange contracts.
- c. Net fair value loss of HK\$116 million (2023: HK\$769 million) on other long term investments which were classified as financial assets at fair value through profit or loss.

5. FINANCE COSTS

| | Six months ended 30 June | |
|------------------------------------|---------------------------------|---------------------|
| | 2024 | 2023 |
| | HK\$ Million | HK\$ Million |
| Interest charged on: | | |
| Bank loans and overdrafts | 229 | 317 |
| Other borrowings | 145 | 249 |
| Total interest charge | <u>374</u> | <u>566</u> |
| Other finance costs | 26 | 17 |
| Less: Amount capitalised | <u>(149)</u> | <u>(184)</u> |
| | <u>251</u> | <u>399</u> |
| Fair value (gain)/loss: | | |
| Cross currency interest rate swaps | (210) | (51) |
| Interest rate swaps | <u>(8)</u> | <u>(15)</u> |
| | <u>(218)</u> | <u>(66)</u> |
| Group total | <u>33</u> | <u>333</u> |

Note: The Group's average effective borrowing rate for the period was 3.9% p.a. (2023: 4.9% p.a.).

6. INCOME TAX

Taxation (credited)/charged to the consolidated income statement represents:

| | Six months ended 30 June | |
|---|---------------------------------|---------------------|
| | 2024 | 2023 |
| | HK\$ Million | HK\$ Million |
| Current tax | | |
| Hong Kong | | |
| - provision for Profits tax for the period | 20 | 46 |
| - over-provision in respect of prior years | (7) | (9) |
| Outside Hong Kong | | |
| - provision for the period | 238 | 279 |
| - over-provision in respect of prior years | - | (552) |
| | <u>251</u> | <u>(236)</u> |
| Current tax | | |
| Mainland China | | |
| -Land appreciation tax ("LAT") (note c) | <u>74</u> | <u>180</u> |
| Deferred tax | | |
| Change in fair value of investment properties | (3,527) | 242 |
| Origination and reversal of temporary differences | <u>217</u> | <u>490</u> |
| | <u>(3,310)</u> | <u>732</u> |
| Group total | <u>(2,985)</u> | <u>676</u> |

- a. The provision for Hong Kong Profits tax is based on the profit for the period as adjusted for tax purposes at the rate of 16.5% (2023: 16.5%).
- b. Income tax on profits assessable outside Hong Kong is mainly corporate income tax and withholding tax in Mainland China, calculated at a rate of 25% (2023: 25%) and up to 10%, respectively.
- 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 of sales of properties less deductible expenditures including cost of land use rights, borrowings costs and all property development expenditures.
- d. Tax credit attributable to associates and joint ventures for the six months ended 30 June 2024 of HK\$23 million (2023: charge of HK\$78 million) is included in the share of results of associates and joint ventures.

7. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share is based on the loss attributable to equity shareholders for the period of HK\$2,637 million (2023: profit attributable to equity shareholders of HK\$696 million) and the weighted average of 3,056 million shares (2023: 3,056 million shares) in issue during the period.

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

| | Six months ended 30 June | | | |
|---|--------------------------|--------------|----------------|--------------|
| | 2024 | 2024 | 2023 | 2023 |
| | HK\$ per share | HK\$ Million | HK\$ per share | HK\$ Million |
| First interim dividend declared after the end of the reporting period | 0.20 | 611 | 0.20 | 611 |

- a. The first interim dividend based on 3,056 million issued shares (2023: 3,056 million shares) 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\$611 million for 2023 was approved and paid in 2024.

9. TRADE AND OTHER RECEIVABLES

Included in this item are trade receivables (net of allowance for bad and doubtful debts) with an ageing analysis based on the invoice date as at 30 June 2024 as follows:

| | 30 June 2024 HK\$ Million | 31 December 2023 HK\$ Million |
|-----------------------------------|--|-------------------------------------|
| Trade receivables | | |
| 0 - 30 days | 107 | 118 |
| 31 – 60 days | 29 | 15 |
| 61 – 90 days | 13 | 21 |
| Over 90 days | 89 | 60 |
| | <u>238</u> | <u>214</u> |
| Other receivables and prepayments | 1,534 | 1,404 |
| Group total | <u>1,772</u> | <u>1,618</u> |

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 the proceeds from which are receivable pursuant to the terms of the agreements. All the receivables and prepayments are expected to be recoverable or recognised as expenses within one year.

10. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis based on the invoice date as at 30 June 2024 as follows:

| | 30 June 2024 HK\$ Million | 31 December 2023 HK\$ Million |
|-------------------------------|--|-------------------------------------|
| Trade payables | | |
| 0 - 30 days | 240 | 345 |
| 31 - 60 days | 238 | 262 |
| 61 - 90 days | 65 | 25 |
| Over 90 days | 205 | 251 |
| | <u>748</u> | <u>883</u> |
| Rental and customer deposits | 1,391 | 1,354 |
| Construction costs payable | 3,931 | 4,851 |
| Amounts due to associates | 8,023 | 8,013 |
| Amounts due to joint ventures | 2,005 | 1,823 |
| Other payables | 2,748 | 2,920 |
| Group total | <u>18,846</u> | <u>19,844</u> |

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 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 ("INEDs").

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 | 27 August 2024 (Tue) |
| Latest time to lodge share transfer | 4:30 p.m., 28 August 2024 (Wed) |
| Record date and time | 6:00 p.m., 28 August 2024 (Wed) |
| Payment date | 12 September 2024 (Thu) |

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 Share Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Wednesday, 28 August 2024.

By Order of the Board
The Wharf (Holdings) Limited
Kevin C. Y. Hui
Director and Company Secretary

Hong Kong, 8 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, Mr. Kevin K. P. Chan and Mr. Kevin C. Y. Hui, together with seven INEDs, namely, Professor Edward K. Y. Chen, Mr. Vincent K. Fang, Mr. Hans Michael Jebesen, Ms. Elizabeth Law, Mr. Richard Y. S. Tang, Ms. Nancy S. L. Tse and Mr. David Muir Turnbull.