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WHARF

Established 1886

WHARF REAL ESTATE INVESTMENT COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1997

2021 Final Results Announcement

Rental Income Suppressed and Marketing Dollars Doubled

HIGHLIGHTS

- Investment for today: Promotion intensity to support mall activities
- Investment for tomorrow: Strategic addition and re-alignment of brands
- Covid “5th Wave” introduces new uncertainties

GROUP RESULTS

Underlying net profit decreased by 13% to HK\$6,518 million (2020: HK\$7,477 million), equivalent to HK\$2.15 (2020: HK\$2.46) per share.

Inclusive of net Investment Properties (“IP”) revaluation deficit of HK\$2,200 million (2020: HK\$13,765 million), Group profit attributable to equity shareholders was HK\$4,391 million (2020: loss of HK\$7,854 million). Basic earnings per share were HK\$1.45 (2020: loss per share of HK\$2.59).

DIVIDENDS

A first interim dividend of HK\$0.67 per share was paid on 9 September 2021. In lieu of a final dividend, a second interim dividend of HK\$0.64 per share will be paid on 21 April 2022 to Shareholders on record as at 6:00 p.m. on 1 April 2022. Total distribution for the year of 2021 will amount to HK\$1.31 (2020: HK\$1.47) per share, representing 65% of underlying net profit from IP and Hotels in Hong Kong.

BUSINESS REVIEW

Local sentiment in Hong Kong revived in 2021 amid temporary relaxation of social distancing measures and Government's Consumption Voucher Scheme. GDP for the year recovered by 6% and retail sales increased by 8% from the low base in 2020, yet these indicators were still behind pre-COVID level as tourist spending had been missed entirely.

Retail sales at Harbour City and Times Square achieved above-market growth in 2021 as the Group's marketing effort and promotion intensity supported mall activities. While retailers were committing leases to take advantage of the current market, the Group also continued to strengthen its brand equity and to introduce new brands. Spot rent showed some stabilisation after being suppressed for two years.

On the other hand, office sector was still soft under weak demand and inflated supply. Some tenants downsized but upgrade relocation cases started to emerge in the fourth quarter. Office vacancy also saw stabilisation in the fourth quarter. However, it may take some time for rents to see notable uptick in view of the economy and upcoming significant supply.

Hotel occupancy witnessed a noticeable improvement due to local consumption as COVID-19 was temporarily contained in Hong Kong. However, competition was keen and loss-making market conditions continued. Entering into 2022, a new round of tightening measures against new COVID-19 wave once again put bars, restaurants and events business in deep pain.

Group revenue increased by 3%. Drop in operating profit and underlying net profit narrowed to 9% and 13%, respectively. Rent remained depressed and the Group doubled marketing dollars to capture domestic market. The Group closely reviews marketing and promotional expenses on a timely manner and effectively responds to market changes.

Meaningful recovery of the Group's IP and hotels depends necessarily on taming of the pandemic to re-open local markets as well as the borders.

Harbour City

Overall revenue (including hotels) decreased by 8%.

Retail

Harbour City proactively launched multiple successful coupon redemption programmes and fortified Canton Road frontage to reinforce its market leading position and critical mass. As a result, retail sales recorded sequential growth, mainly driven by a stronger recovery of top-tier tenants. However, rental performance lagged. Retail revenue decreased by 7%.

Occupancy improved to 93% at year-end with its rigorous tenant selection criteria. Harbour City welcomed around 100 new shops as quality retailers are taking advantage of current market conditions to establish or expand their presence.

The Canton Road frontage was joined by the new flagship stores of prestigious brands, namely *Dior*, *Piaget*, *Miu Miu* and *Salvatore Ferragamo*, following the success of *Hermès*. The mall also welcomed the Hong Kong debuts of *MEMO*, *Sound United*, *Creed* and *Valentino Beauty*, and Kowloon debuts of *Moncler Enfant*, *Rituals*, *KEF*, *Lalique* and *Aerie*.

Brands with expansion and strategic relocations include *Van Cleef & Arpels, Audemars Piguet, Roger Dubuis, Loewe, Delvaux, Dior, Fendi, Max Mara, Maison Margiela, Alexanderwang* and *Log-on*. Other new brands include *A. Lange & Sohne, Michael Kors, Ports International, National Geographic, Valmont* and *Under Armour*. Dining options are also enriched with the addition of *Sushi Hisayoshi, Grill Manten-Boshi, HONBO, Infiniti C, Xuân* and *Gold Garden Shanghai Cuisine* to attract local spending.

Harbour City is committed to provide a safe and exciting shopping experience for its shoppers, as well as a win-win productivity offerings for its tenants. The mall will launch a series of marketing campaigns to capture the opportunity when borders relax and tourists return.

Office

Despite slight improvement in leasing momentum, negative net absorption persisted in Tsim Sha Tsui due to ongoing corporate downsizing. Harbour City managed to improve office occupancy to 85% at year-end amid the extremely competitive market. Revenue decreased by 11% due to rental correction.

Hotels and Club

Marco Polo Hongkong Hotel and Gateway Hotel were still combating travel restrictions and social distancing measures. The current key focus is to capture the local market with attractive and creative staycation offers, long stay packages and dining selections.

Prince Hotel has been closed for renovation and will re-open with new contemporary elements upon the easing of borders control. Meanwhile, the new restaurant “SAVVY” debuted in November 2021 as a trendy happening bar, a classy modern lounge and a stylish urban restaurant in three distinctive zones, offering culinary experience with Asian dishes alongside western and regional specialties.

Pacific Club was recognised as “Top 100 Platinum Clubs of the World” for 2022/23 in the City Clubs Category for its excellence in amenities and services, voted by the esteemed panel in The Club Leaders Forum Advisory Board.

Times Square

Overall revenue decreased by 9%.

Retail

The prolonged pandemic has caused retailers to consolidate points of sale. To enhance productivity for tenants and shopping experience for shoppers, the Group continued to invest in sales-driven marketing campaigns throughout the year, including the “Happy Rewards” programme, and successfully led to above-market tenant sales growth for the fifth consecutive quarter. Retail revenue decreased by 11%.

Times Square continued to enhance its tenant base with occupancy increasing to 95%. New alluring brands include *Alexander McQueen, Qeelin, MCM, Jaeger LeCoultre, Cartier, Elegant Watch & Jewellery, MARCCAIN* and *Vivienne Tam*. New delectable dining options include the Hong Kong debuts of *Vanda Singapore Casual Dining, CHUÂN, Yuè* and *Kamimura Japanese BBQ*. Emperor Cinemas also opened in December 2021 with a new image.

Office

Leasing market remained competitive amid the abundant options in the market and soft demand. Leasing demand was driven by consolidation or relocation of cost-conscious tenants. Occupancy slightly improved to 89% at year-end. Revenue decreased by 5%.

Central Portfolio

Wheelock House and Crawford House are premium commercial properties situated in Central. Despite a soft office market, they continued to show resilience in occupancy underpinned by the diversified tenant base. Office occupancies of Wheelock House and Crawford House were 94% and 98%, respectively, while both retail premises were fully occupied. Revenue decreased by 4%.

The Murray, Hong Kong, a Niccolo Hotel (“The Murray”) has consistently outperformed its competitive set in revenue per available room. Its acclaimed staycation packages and themed events led to an increase in occupancy, which helped it to achieve a turnaround to gross operating profit in 2021.

Plaza Hollywood

Plaza Hollywood in Kowloon East CBD2 provides a comprehensive retail offering for locals, hence its performance has been resilient against the pandemic. Occupancy was 97% at year-end. Revenue decreased by 4%.

Promotion events were launched in conjunction with the Government’s Consumption Voucher Scheme to stimulate shoppers’ sentiment. A wide array of brands was recruited to meet market needs, ranging from fashion, beauty and accessories, food and beverages to healthcare, services, home accessories and lifestyle.

Furthermore, Plaza Hollywood enjoys direct access from Diamond Hill MTR station, the interchange station for Kwun Tong Line and newly commissioned Tuen Ma Line. This has further extended its geographical reach along two subway lines.

Singapore Assets

Singapore has shifted to the transition phase towards COVID-19 resilience in the second half of 2021. However, the retail market was still plagued by the pandemic despite the alleviated social distancing measures.

Wheelock Place and Scotts Square are located in the heart of renowned Orchard Road shopping belt. Retail occupancies were 95% and 77%, respectively at year-end. Office occupancy at Wheelock Place stayed firm at 90%.

FINANCIAL REVIEW

(I) Review of 2021 Full Year Results

The prolonged COVID-19 pandemic continued to put tremendous pressure on the Group, particularly on Investment Properties (“IP”) and Hotel segments. Underlying net profit decreased by 13% to HK\$6,518 million (2020: HK\$7,477 million) with IP profit decreasing by 11% to HK\$6,497 million and Hotel continuing to report a loss. Group profit attributable to equity shareholders was HK\$4,391 million (2020: loss of HK\$7,854 million).

Revenue and Operating Profit

Group revenue increased by 3% to HK\$16,043 million (2020: HK\$15,515 million), mainly attributable to the recognition of Development Properties (“DP”) sales for listed subsidiary Harbour Centre Development Limited (“HCDL”). However, operating profit decreased by 9% to HK\$9,064 million (2020: HK\$9,973 million) mainly resulting from weaker performance in IP.

Total revenue and operating profit of Harbour City (including hotels) dropped by 8% to HK\$7,993 million (2020: HK\$8,674 million) and 12% to HK\$5,946 million (2020: HK\$6,730 million) respectively, representing 50% (2020: 56%) of Group revenue and 66% (2020: 67%) of Group operating profit.

IP revenue decreased by 8% to HK\$10,889 million (2020: HK\$11,828 million) and operating profit by 13% to HK\$8,441 million (2020: HK\$9,733 million), mainly resulting from a softer market and increased investment in marketing.

Hotel revenue increased by 33% to HK\$838 million (2020: HK\$630 million) and operating loss narrowed to HK\$356 million (2020: HK\$379 million), attributable to increasing local demand. The opening of Niccolo Suzhou in April 2021 also contributed to increase in both revenue and operating loss.

DP revenue increased to HK\$3,722 million (2020: HK\$2,621 million) and operating profit to HK\$543 million (2020: HK\$444 million), primarily attributable to sales recognition of Suzhou IFS by HCDL.

Investment operating profit primarily from dividend income increased by 50% to HK\$536 million (2020: HK\$357 million).

Fair value change of IP

IP assets were stated at HK\$243.3 billion based on independent valuation, representing a revaluation deficit of HK\$2,203 million. Attributable unrealised loss was HK\$2,200 million.

Other net income/(charge)

Other net income was HK\$62 million (2020: charge of HK\$1,459 million), which mainly comprised net fair value gains on certain financial instruments and an impairment provision of HK\$67 million (2020: HK\$1,051 million) for hotel properties.

Finance Costs

Finance costs amounted to HK\$760 million (2020: HK\$1,407 million) after interest capitalisation of HK\$4 million (2020: HK\$16 million) for DP and an unrealised mark-to-market loss of HK\$24 million (2020: HK\$426 million) on cross currency and interest rate swaps in accordance with prevailing accounting standards.

Effective borrowing rate declined to 1.4% (2020: 1.9%) primarily due to a lower HIBOR.

Income Tax

Taxation charge increased by 33% to HK\$1,599 million (2020: HK\$1,205 million) principally due to a one-off DP tax write-back of HK\$504 million for HCDL in 2020.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders for the year amounted to HK\$4,391 million (2020: loss of HK\$7,854 million). Basic earnings per share were HK\$1.45, based on 3,036 million ordinary shares in issue (2020: loss per share of HK\$2.59 based on 3,036 million ordinary shares in issue).

Underlying net profit (excluding the attributable net IP revaluation deficit, impairment provision on hotel properties and other accounting mark-to-market differences on certain financial instruments) decreased by 13% to HK\$6,518 million (2020: HK\$7,477 million). Underlying earnings per share were HK\$2.15 (2020: HK\$2.46).

(II) Liquidity, Financial Resources and Capital Commitments

Shareholders' and Total Equity

As at 31 December 2021, shareholders' equity increased by HK\$1.5 billion to HK\$206.1 billion (2020: HK\$204.6 billion), equivalent to HK\$67.89 (2020: HK\$67.38) per share. Total equity including non-controlling interests increased by HK\$1.5 billion to HK\$210.9 billion (2020: HK\$209.4 billion).

Assets

Total assets amounted to HK\$272.3 billion (2020: HK\$277.9 billion), 92% (2020: 92%) of which were in Hong Kong. Total business assets, excluding bank deposits and cash, derivative financial assets and deferred tax assets, were HK\$269.2 billion (2020: HK\$274.1 billion).

IP

IP assets totalled HK\$243.3 billion (2020: HK\$245.5 billion), representing 90% (2020: 90%) of business assets. Harbour City (excluding the three hotels which were stated at cost) was valued at HK\$163.2 billion and Times Square at HK\$51.7 billion.

Hotels

Hotel properties were stated at cost less accumulated depreciation & impairment losses at HK\$7.6 billion (2020: HK\$7.5 billion). Valuation of these hotels amounted to HK\$14.6 billion at 31 December 2021.

DP

DP assets, including interests in an associate and joint ventures, amounted to HK\$3.3 billion (2020: HK\$6.3 billion).

Other long term investments

Other long term investments were valued at HK\$13.9 billion (2020: HK\$13.0 billion), including a portfolio of blue chip listed shares held for long term growth and reasonable dividend return. The portfolio performed overall in line with the market and each investment within which is individually not material to the Group's total assets. Revaluation on these investments during the year produced an attributable net surplus of HK\$1.3 billion (2020: HK\$1.2 billion) as reflected in the other comprehensive income within which a total of HK\$0.1 billion was recycled to revenue reserves upon de-recognition. The attributable accumulated surplus balance at the year-end was HK\$2.7 billion (2020: HK\$1.5 billion).

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

	31 December 2021 HK\$ Million	31 December 2020 HK\$ Million
Analysed by industry sector:		
- Properties	13,404	12,477
- Others	466	564
Total	<u>13,870</u>	<u>13,041</u>
Analysed by geographical location:		
- Hong Kong	4,462	4,991
- Outside of Hong Kong	9,408	8,050
Total	<u>13,870</u>	<u>13,041</u>

Debts and Gearing

Net debt as at 31 December 2021 drop to HK\$47.5 billion (2020: HK\$52.0 billion). It comprised debts of HK\$49.3 billion and bank deposits and cash of HK\$1.8 billion.

An analysis of net debt is depicted below:

	31 December 2021 HK\$ Billion	31 December 2020 HK\$ Billion
<u>Net debt</u>		
The Group (excluding HCDL)	47.1	50.5
HCDL	0.4	1.5
Total	<u>47.5</u>	<u>52.0</u>

The ratio of net debt to total equity fell to 22.5% (2020: 24.8%).

Finance and Availability of Facilities

Total available loan facilities as at 31 December 2021 amounted to HK\$66.2 billion, of which HK\$49.3 billion was utilised. The breakdown is depicted below:

	31 December 2021		
	Available Facility HK\$ Billion	Total Debt HK\$ Billion	Undrawn Facility HK\$ Billion
Committed and uncommitted bank facilities			
The Group (excluding HCDL)	61.7	47.8	13.9
HCDL	4.5	1.5	3.0
Total	<u>66.2</u>	<u>49.3</u>	<u>16.9</u>

Certain banking facilities were secured by hotel and development properties in the Mainland of HK\$1.6 billion (equivalent to RMB1.3 billion) (2020: bank deposits in the Mainland of HK\$356 million (equivalent to RMB300 million)).

The debt portfolio was principally denominated in United States dollar, Hong Kong dollar and Singapore dollar. 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\$13.9 billion (2020: HK\$13.0 billion).

Cash Flows for the Group's Operating and Investing Activities

For the year under review, the Group recorded operating cash inflow of HK\$8.8 billion (2020: HK\$9.9 billion) primarily generated from rental income. Together with the change in working capital and others of HK\$0.8 billion (2020: HK\$5.1 billion), the net cash inflow from operating activities amounted to HK\$8.0 billion (2020: HK\$4.8 billion). For investing activities, the Group recorded a net cash inflow of HK\$0.2 billion (2020: outflow of HK\$8.1 billion).

Capital Commitments

As at 31 December 2021, major planned expenditures for the coming years were estimated at HK\$1.2 billion, of which HK\$0.5 billion was committed. A breakdown (by segment) is as follows:

	As at 31 December 2021		
	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million
Properties			
IP			
Hong Kong	62	275	337
DP			
Mainland China	440	453	893
	<u>502</u>	<u>728</u>	<u>1,230</u>
Hotels			
Hong Kong	2	1	3
Group total	<u>504</u>	<u>729</u>	<u>1,233</u>

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 totalling HK\$0.9 billion, which will be funded by its own financial resources.

(III) Human Resources

The Group had approximately 2,900 employees as at 31 December 2021. Employees are remunerated according to their 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 year ended 31 December 2021

	Note	2021 HK\$ Million	2020 HK\$ Million
Revenue	2	16,043	15,515
Direct costs and operating expenses		(5,338)	(4,378)
Selling and marketing expenses		(1,089)	(565)
Administrative and corporate expenses		(222)	(305)
Operating profit before depreciation, amortisation, interest and tax		9,394	10,267
Depreciation and amortisation		(330)	(294)
Operating profit	2 & 3	9,064	9,973
Decrease in fair value of investment properties		(2,203)	(13,965)
Other net income/(charge)	4	62	(1,459)
		6,923	(5,451)
Finance costs	5	(760)	(1,407)
Share of results after tax of an associate		(125)	(75)
Profit/(loss) before taxation		6,038	(6,933)
Income tax	6	(1,599)	(1,205)
Profit/(loss) for the year		4,439	(8,138)
Profit/(loss) attributable to:			
Shareholders of the Company		4,391	(7,854)
Non-controlling interests		48	(284)
		4,439	(8,138)
Earnings/(loss) per share	7		
Basic and diluted		HK\$1.45	(HK\$2.59)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	2021	2020
	HK\$ Million	HK\$ Million
Profit/(loss) for the year	4,439	(8,138)
Other comprehensive income		
Item that will not be reclassified to profit or loss:		
Fair value changes on equity investments at fair value through other comprehensive income (non-recycling)	1,380	1,028
Items that may be reclassified subsequently to profit or loss :		
Exchange difference on translation of the operations outside Hong Kong		
- Subsidiaries	(42)	261
Share of reserves of an associate and joint ventures	27	72
Others	2	8
Other comprehensive income for the year	1,367	1,369
Total comprehensive income for the year	5,806	(6,769)
Total comprehensive income attributable to:		
Shareholders of the Company	5,684	(6,421)
Non-controlling interests	122	(348)
	5,806	(6,769)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Note	31 December 2021 HK\$ Million	31 December 2020 HK\$ Million
Non-current assets			
Investment properties		243,348	245,473
Hotel and club properties, plant and equipment		7,794	7,700
Interest in an associate		962	1,059
Interest in joint ventures		21	23
Other long term investments		13,870	13,041
Deferred tax assets		249	303
Derivative financial assets		564	965
Other non-current assets		71	66
		<u>266,879</u>	<u>268,630</u>
Current assets			
Properties for sale		2,308	5,207
Inventories		17	19
Trade and other receivables	9	1,161	1,675
Prepaid tax		-	122
Derivative financial assets		103	1
Bank deposits and cash		1,800	2,260
		<u>5,389</u>	<u>9,284</u>
Total assets		<u>272,268</u>	<u>277,914</u>
Non-current liabilities			
Derivative financial liabilities		(646)	(365)
Deferred tax liabilities		(2,599)	(2,534)
Other deferred liabilities		(334)	(333)
Bank loans and other borrowings		(44,834)	(48,171)
		<u>(48,413)</u>	<u>(51,403)</u>
Current liabilities			
Trade and other payables	10	(7,717)	(8,185)
Pre-sale deposits and proceeds		(244)	(2,044)
Derivative financial liabilities		-	(226)
Taxation payable		(518)	(540)
Bank loans and other borrowings		(4,500)	(6,107)
		<u>(12,979)</u>	<u>(17,102)</u>
Total liabilities		<u>(61,392)</u>	<u>(68,505)</u>
NET ASSETS		<u>210,876</u>	<u>209,409</u>
Capital and reserves			
Share capital		304	304
Reserves		205,802	204,247
Equity attributable to the shareholders of the Company		<u>206,106</u>	<u>204,551</u>
Non-controlling interests		<u>4,770</u>	<u>4,858</u>
TOTAL EQUITY		<u>210,876</u>	<u>209,409</u>

NOTES TO THE FINANCIAL INFORMATION

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

This financial information is extracted from the consolidated financial statements which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of the financial information are consistent with those used in the annual financial statements for the year ended 31 December 2020 except for the changes mentioned below.

The HKICPA has issued a number of amendments to HKFRSs that are first effective starting from 1 January 2021. Of these, amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform phase 2 are relevant to the Group’s consolidated financial statements.

The Group has assessed the impact 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 segment 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 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 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

	Revenue HK\$ Million	Operating profit HK\$ Million	Decrease in fair value of investment properties HK\$ Million	Other net income/ (charge) HK\$ Million	Finance costs HK\$ Million	Share of results after tax of an associate HK\$ Million	Profit/ (loss) before taxation HK\$ Million
2021							
Investment properties	10,889	8,441	(2,203)	-	(612)	-	5,626
Development properties	3,722	543	-	2	(8)	(125)	412
Hotel	838	(356)	-	(67)	(19)	-	(442)
Investment	536	536	-	-	(97)	-	439
Inter-segment revenue	(30)	-	-	-	-	-	-
Segment total	15,955	9,164	(2,203)	(65)	(736)	(125)	6,035
Others	88	(34)	-	127	(24)	-	69
Corporate expenses	-	(66)	-	-	-	-	(66)
Group total	16,043	9,064	(2,203)	62	(760)	(125)	6,038
2020							
Investment properties	11,828	9,733	(13,965)	-	(901)	-	(5,133)
Development properties	2,621	444	-	5	-	(75)	374
Hotel	630	(379)	-	(1,051)	(37)	-	(1,467)
Investment	357	357	-	-	-	-	357
Inter-segment revenue	(33)	-	-	-	-	-	-
Segment total	15,403	10,155	(13,965)	(1,046)	(938)	(75)	(5,869)
Others	112	(15)	-	(413)	(469)	-	(897)
Corporate expenses	-	(167)	-	-	-	-	(167)
Group total	15,515	9,973	(13,965)	(1,459)	(1,407)	(75)	(6,933)

2. SEGMENT INFORMATION

b. Disaggregation of revenue

	2021 HK\$ Million	2020 HK\$ Million
Revenue recognised under HKFRS 15		
Management and services income	1,056	1,092
Other rental related income	474	479
Revenue under investment property segment	1,530	1,571
Hotel and club operations	838	630
Sale of development properties	3,722	2,621
	6,090	4,822
Revenue recognised under other accounting standards		
Rental income		
- Fixed	8,620	9,920
- Variable	709	304
	9,329	10,224
Investment income	536	357
Others	88	112
	9,953	10,693
Total revenue	16,043	15,515

2. SEGMENT INFORMATION

c. Analysis of inter-segment revenue

	2021			2020		
	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	10,889	(30)	10,859	11,828	(33)	11,795
Development properties	3,722	-	3,722	2,621	-	2,621
Hotel	838	-	838	630	-	630
Investment	536	-	536	357	-	357
Others	109	(21)	88	123	(11)	112
	16,094	(51)	16,043	15,559	(44)	15,515

d. Analysis of segment business assets

	2021 HK\$ Million	2020 HK\$ Million
Investment properties	243,970	246,690
Development properties	3,334	6,517
Hotel	7,865	7,778
Investment	13,999	13,102
Total segment business assets	269,168	274,087
Unallocated corporate assets	3,100	3,827
Total assets	272,268	277,914

Unallocated corporate assets mainly comprise deferred tax assets, derivative financial assets and bank deposits and cash.

2. SEGMENT INFORMATION

e. Geographical information

	Revenue		Operating Profit	
	2021	2020	2021	2020
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	11,560	12,392	8,048	9,190
Outside Hong Kong	4,483	3,123	1,016	783
Group total	16,043	15,515	9,064	9,973

	Specified non-current assets		Total business assets	
	2021	2020	2021	2020
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	243,961	246,138	249,031	252,368
Outside Hong Kong	8,164	8,117	20,137	21,719
Group total	252,125	254,255	269,168	274,087

Specified non-current assets excludes deferred tax assets, other long term investments, derivative financial assets and other non-current assets.

The geographical location of revenue and operating profit is analysed based on the location at which services are provided and in the case of other long-term investments, where they are listed. The geographical location of specified non-current assets and total business assets is based on the physical location of operations.

3. OPERATING PROFIT

Operating profit is arrived at:

	2021 HK\$ Million	2020 HK\$ Million
After charging		
Depreciation and amortisation on		
- hotel and club properties, plant and equipment	321	286
- leasehold land	9	8
Total depreciation and amortisation	330	294
Impairment loss on trade receivables	12	47
Staff costs (Note (i))	902	894
Auditors' remuneration		
- audit services	8	9
- non-audit services	1	1
Cost of trading properties for recognised sales	3,034	2,080
Direct operating expenses of investment properties	2,380	1,990
After crediting		
Gross revenue from investment properties	10,859	11,795
Government grants (Note (ii))	-	140
Interest income (Note (iii))	19	26
Dividend income from other long term investments	536	357

Notes:

- (i) Staff costs included defined contribution pension schemes costs for the year ended 31 December 2021 of HK\$51 million (2020: HK\$49 million), which included MPF schemes after a forfeiture of HK\$2 million (2020: HK\$2 million).
- (ii) Government grants mainly included subsidy from the Employment Support Scheme under the Anti-epidemic Fund by The Government of the Hong Kong Special Administrative Region.
- (iii) Interest income for the year ended 31 December 2021 of HK\$19 million (2020: HK\$26 million) are generated in respect of financial assets (mainly comprising bank deposits) stated at amortised cost.

4. OTHER NET INCOME/(CHARGE)

Other net income for the year amounted to HK\$62 million (2020: other net charge of HK\$ 1,459 million) mainly comprises:

- a. Impairment provision of HK\$67 million (2020: HK\$1,051 million) made for hotel properties.
- b. Net foreign exchange gain of HK\$40 million (2020: loss of HK\$284 million) which included the impact arising from forward foreign exchange contracts.

5. FINANCE COSTS

	2021 HK\$ Million	2020 HK\$ Million
Interest charged on:		
Bank loans and overdrafts	230	525
Other borrowings	412	387
Total interest charge	<u>642</u>	<u>912</u>
Other finance costs	98	85
Less : Amount capitalised	(4)	(16)
	<u>736</u>	<u>981</u>
Fair value loss/(gain):		
Cross currency interest rate swaps	76	249
Interest rate swaps	(52)	177
	<u>24</u>	<u>426</u>
Total	<u>760</u>	<u>1,407</u>

6. INCOME TAX

Taxation charged/(credited) to the consolidated statement of profit or loss includes:

	2021 HK\$ Million	2020 HK\$ Million
Current income tax		
Hong Kong		
- Provision for the year	1,165	1,293
- Over-provision in respect of prior year	(4)	(10)
Outside Hong Kong		
- Provision for the year	132	179
	<u>1,293</u>	<u>1,462</u>
Land appreciation tax (“LAT”) (Note c)	<u>186</u>	<u>(473)</u>
Deferred tax		
Origination and reversal of temporary differences	<u>120</u>	<u>216</u>
Total	<u>1,599</u>	<u>1,205</u>

Notes:

- a. The provision for Hong Kong Profits Tax is based on the profit for the year as adjusted for tax purposes at a rate of 16.5% (2020: 16.5%).
- b. Income tax on assessable profits outside Hong Kong is mainly China corporate income tax calculated at a rate of 25%, China withholding tax on dividend at a rate of up to 10% and Singapore income tax at a rate of 17% for the years ended 31 December 2021 and 2020.
- c. Under the Provisional Regulations on LAT, all gains arising from the 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 year ended 31 December 2021 are aggregate of HK\$1 million (2020: expense of HK\$21 million) is included in the share of results of an associate.

7. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit attributable to ordinary equity shareholders for the year of HK\$4,391 million (2020: loss of HK\$7,854 million) and 3,036 million ordinary shares in issue during the year (2020: 3,036 million ordinary shares in issue).

There are no potential dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2021	2021	2020	2020
	HK\$	HK\$	HK\$	HK\$
	Per share	Million	Per share	Million
First interim dividend declared and paid	0.67	2,034	0.78	2,368
Second interim dividend declared after the end of the reporting period (Note (b))	0.64	1,943	0.69	2,095
	1.31	3,977	1.47	4,463

(a) The second interim dividend based on 3,036 million (2020: 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\$2,095 million for 2020 was approved and paid in 2021.

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 at 31 December 2021 as follows:

	2021	2020
	HK\$ Million	HK\$ Million
Trade receivables		
0 - 30 days	200	152
31 – 60 days	16	82
61 – 90 days	6	36
Over 90 days	38	114
	260	384
Other receivables and prepayments	901	1,291
	1,161	1,675

The Group has established credit policies for each of its core business. 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 an amount of HK\$64 million (2020: HK\$204 million) in relation to the rental concessions offered to the tenants, 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 at 31 December 2021 as follows:

	2021	2020
	HK\$ Million	HK\$ Million
Trade payables		
0 - 30 days	76	284
31 - 60 days	9	7
61 - 90 days	8	10
Over 90 days	15	16
	108	317
Rental and customer deposits	3,249	3,482
Construction costs payable	1,975	2,245
Other payables	2,385	2,141
	7,717	8,185

11. REVIEW OF FINANCIAL RESULTS

The financial results for the year ended 31 December 2021 have been reviewed with no disagreement by the Audit Committee of the Company. The figures in respect of the Group's financial results in this announcement for the year ended 31 December 2021 have been agreed by the Company's Auditors to the amounts set out in the Group's consolidated financial statements for the year.

CORPORATE GOVERNANCE CODE

During the financial year ended 31 December 2021, all the code provisions set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited were met by the Company, 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 thereby enabling more effective planning and better execution of long-term strategies. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations 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 year under review.

RELEVANT DATES FOR SECOND INTERIM DIVIDEND AND ANNUAL GENERAL MEETING

Second Interim Dividend

Ex-entitlement date	31 March 2022 (Thu)
Latest time to lodge share transfer	4:30 p.m., 1 April 2022 (Fri)
Record date/ time	6:00 p.m., 1 April 2022 (Fri)
Payment date	21 April 2022 (Thu)

In order to qualify for the above-mentioned second 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 1 April 2022.

Annual General Meeting ("AGM")

Ex-entitlement date	28 April 2022 (Thu)
Latest time to lodge share transfer	4:30 p.m., 29 April 2022 (Fri)
Book closure period	3 May 2022 (Tue) to 6 May 2022 (Fri), both days inclusive
Record date	3 May 2022 (Tue)
AGM date/ time	11:15 a.m., 6 May 2022 (Fri)

In order to be eligible for attending and voting at the AGM, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 29 April 2022.

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

Hong Kong, 3 March 2022

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