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WHARF

Established 1886

THE WHARF (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 4)

2021 Final Results Announcement

Recovery Fragility Exposed With Covid Waves

HIGHLIGHTS

- Luxury Development Properties (“DP”) in Hong Kong slowed underlining the long project time risk profile.
- Mainland DP post-land acquisition sales price control and central government DP policies coupled with noticeable over-supply of non-residential properties point to impairment provisions.
- Mainland Investment Properties (“IP”) fourth quarter slowdown alerting.
- Uplift to Logistics due to well-reported supply chains disruptions.
- Macro economic/monetary policy and geopolitical outlook intensify business vulnerability.
- Group debt level curtailed by 48%.

GROUP RESULTS

Group underlying net profit for the year increased by 7% to HK\$3,646 million (2020: HK\$3,417 million), equivalent to HK\$1.19 (2020: HK\$1.12) per share.

Group profit attributable to equity shareholders, including IP revaluation deficit and other items, increased by 56% to HK\$6,019 million (2020: HK\$3,864 million). Basic earnings per share were HK\$1.97 (2020: HK\$1.27).

DIVIDENDS

A first interim dividend of HK\$0.20 per share was paid on 15 September 2021. In lieu of a final dividend, a second interim dividend of HK\$0.20 per share will be paid on 28 April 2022 to Shareholders on record as at 6:00 p.m. on 8 April 2022. Total distribution for the year 2021 will amount to HK\$0.40 (2020: HK\$0.40) per share.

2021 BUSINESS REVIEW

HONG KONG PROPERTIES

Inclusive of joint ventures and associates on an attributable basis, revenue increased to HK\$4,317 million and operating profit to HK\$1,492 million. Disposal of the remaining interest in Cable TV Tower and One Midtown in Tsuen Wan also contributed to a gain of HK\$573 million.

The Peak Portfolio

The Group's exclusive Peak Portfolio, comprising a rare collection of highly unique properties, continues to feature the highest bespoke quality and craftsmanship catering to the demands of a discerning clientele that does not buy in "off plans" presale. The development profile is therefore characterised by attention to lavish details, generous development cost, long holding period and high capital intensity.

During the year, total contracted sales for the 50%-owned Mount Nicholson was HK\$2.1 billion. The project started in 2010 and 10 out of 67 units remain unsold.

For 77/79 Peak Road, six houses were sold for a total of HK\$3.9 billion. This project started in 2012 and the first sale was completed in 2021.

MAINLAND CHINA DEVELOPMENT PROPERTIES

Strict price control and other regulatory policies have increased investment risk. The Group has become more selective with new land acquisition. At the same time, the Group's land bank has been marked to market, which is however still undergoing correction.

Inclusive of joint ventures and associates on an attributable basis, revenue recognised during 2021 increased by 64% to HK\$28,875 million, while operating profit decreased to HK\$2,913 million.

Attributable contracted sales amounted to RMB13.9 billion (2020: RMB17.4 billion) for 3,625 units totalling 452,000 square metres, mainly contributed from projects in Hangzhou and Suzhou. Net order book at year-end was RMB16.7 billion for 0.5 million square metres. The Group's land bank depleted further to 2.1 million square metres.

MAINLAND CHINA INVESTMENT PROPERTIES

Starting from a small nascent base some 20 years ago, the Group's proactive efforts are beginning to bear fruit in order to realise plans to generate a proper return over the 20 to 30 years remaining on the majority of the ground leases. However, market dynamics have changed and competition has significantly stiffened.

Retail sales in the first half of the year rebounded from an exceptionally low base in 2020 depressed by COVID-19 but quickly slowed, particularly since the fourth quarter. Competition from other malls intensified. Meanwhile, stagnant demand and severe oversupply in the office market hurt both occupancy and rent.

Compared to a low base in 2020, revenue increased by 28% to HK\$5,366 million and operating profit by 37% to HK\$3,529 million. However, RMB interest cost as well as Mainland corporate income and dividend withholding tax substantially reduce net yield.

WHARF HOTELS

During the year, the Group managed 17 hotels, totalling over 5,000 rooms, in Mainland China, Hong Kong and the Philippines. Niccolo Suzhou, opened in April 2021, is the fifth addition to the luxury Niccolo Hotels brand, while the other 12 hotels are under the foundation Marco Polo Hotels brand. The Group owns three of these hotels and a fourth through a 50/50 joint venture.

COVID-19 battered the sector in 2020 and continued to cast a long shadow in 2021. In particular, hotels in Hong Kong and the Philippines were most severely affected. That resulted in full or partial closure in some cases and most reported deep losses. Management fee income was directly hit.

A low base effect contributed to a 26% growth in segment revenue to HK\$497 million and an operating profit of HK\$39 million was achieved.

LOGISTICS

Supply chain disruptions caused by the pandemic have set off congestion at ports and logistics hubs around the world, while surging demand added pressure on terminal operations. Air cargo volumes remained strong. Segment revenue increased by 17% to HK\$3,002 million and operating profit by 55% to HK\$771 million.

Modern Terminals (“MTL”)

The Kwai Tsing Port faces intense regional competition given its heavy reliance on price-sensitive transshipment. Shortage of land and increased number of layover containers limited its capacity to capture growth opportunities.

Throughput handled in Hong Kong remained at 4.9 million TEUs. In Shenzhen, throughput at DaChan Bay Terminals (MTL’s stake: 65%) increased by 26% to 1.7 million TEUs, while throughput at Shekou Container Terminals (MTL’s stake: 20%) declined by 2% to 5.7 million TEUs.

Hong Kong Air Cargo Terminals (“HACTL”)

The air cargo industry benefitted from the disruption in sea freight with the shortage of containers and congestion in major ports. The 20.8%-owned HACTL handled 2.0 million tonnes of cargo in 2021, representing a growth rate of 19%.

OUTLOOK

Following an encouraging rebound in 2021 from a low base, global growth is set to decelerate in 2022 amid lingering uncertainties from COVID-19, inflation, interest rate hike and supply chain challenges. The emergence of highly transmittable COVID-19 variants indicates ongoing disruption of economic activities. Fallout from the war in Europe will also have significant global implications.

Within Mainland China, government is prioritising sustainability over growth with a series of regulatory policies introduced. The deleveraging campaign has dealt a massive blow to the debt-laden property sector. This, combined with challenges such as US-China tensions, has started ripples effects to the economy in 2022. Hence, slower growth is almost inevitable in the near term, posing downside risk to the Group's Mainland businesses.

Northern Metropolis and Lantau Tomorrow Vision are strategic mega development projects unveiled to offer a massive backdrop to deal with Hong Kong's road map to housing and urban needs over the coming 20 years. In line with our Group's development policies, not without challenges we stay focused to serve home buyers' special needs. Outlook for the local market based on a consistent government land policy is reasonably balanced minimizing volatility.

Meanwhile, the logistics sector will continue to have to grapple with regional competition and geopolitical tension.

FINANCIAL REVIEW

(I) Review of 2021 Final Results

Group underlying net profit increased by 7% to HK\$3,646 million (2020: HK\$3,417 million). DP declines, net of impairment provisions totaling HK\$4,225 million (2020: HK\$2,864 million) to mark the land bank to market, more than erased IP advances. Non-property segments, mainly Logistics and Investments, were relied on to provide overall growth. Including attributable IP revaluation deficit of HK\$31 million (2020: HK\$722 million), investment revaluation surplus of HK\$1,226 million (2020: HK\$1,187 million) and one-off profit on disposal of certain non-core Hong Kong IPs and the residential property management business in the Mainland, the Group recorded an attributable profit to Shareholders of HK\$6,019 million (2020: HK\$3,864 million), representing an increase of 56%.

Revenue and Operating Profit (“OP”)

Group revenue increased by 7% to HK\$22,378 million (2020: HK\$20,997 million) but OP was at lower margin and declined by 23% to HK\$8,536 million (2020: HK\$11,104 million).

Hong Kong DP reported revenue of HK\$3,860 million and OP of HK\$1,151 million, mainly attributable to sales of six houses at 77/79 Peak Road.

Mainland DP revenue decreased by 35% to HK\$7,333 million (2020: HK\$11,222 million) and OP by 72% to HK\$1,788 million (2020: HK\$6,425 million) at a lower margin of 24% (2020: 57%).

Mainland IP revenue increased by 28% to HK\$5,366 million (2020: HK\$4,201 million) and OP by 37% to HK\$3,529 million (2020: HK\$2,573 million) mainly due to the robust performance of retail sector of flagship IPs, Chengdu IFS and Changsha IFS.

Hotels revenue increased by 26% to HK\$497 million (2020: HK\$396 million) and OP recorded mild growth to HK\$39 million (2020: HK\$1 million) mainly attributable to cautious recovery for the Niccolo Hotels in the Mainland.

Logistics revenue increased by 17% to HK\$3,002 million (2020: HK\$2,566 million) and OP by 55% to HK\$771 million (2020: HK\$497 million), mainly for increase in container throughput handled in the Mainland and higher overtime storage income recorded by Modern Terminals.

Investment OP increased by 20% to HK\$1,331 million (2020: HK\$1,108 million) mainly due to increase in dividend income from the investment portfolio.

IP Revaluation Deficit

The Group’s IP portfolio was stated at HK\$76.5 billion (2020: HK\$78.2 billion), based on independent valuation as at 31 December 2021. Including IP held by a joint venture, the valuation gave rise to an attributable net revaluation deficit (after related deferred tax and non-controlling interests) of HK\$31 million (2020: HK\$722 million), which was charged to the consolidated income statement. Net of deferred tax and non-controlling interests, the portfolio’s value attributable to the Group was HK\$65.2 billion.

Other Net Charge

Other net charge was HK\$1,019 million (2020: HK\$1,827 million), which mainly comprised of impairment provisions of HK\$3,336 million mainly for Mainland DP (2020: HK\$2,864 million for Hong Kong DP) held by subsidiaries, partly compensated by the fair value gain of HK\$1,226 million (2020: HK\$1,187 million) on long term investments classified as financial assets, and gain on one-off disposal of certain non-core Hong Kong IPs and the residential property management business in the Mainland totalled HK\$1,105 million.

Finance Costs

Finance costs decreased by 66% to HK\$266 million (2020: HK\$780 million) after offsetting unrealised mark-to-market gain of HK\$135 million (2020: HK\$35 million) on cross currency and interest rate swaps.

Effective borrowing rate fell to 1.8% (2020: 2.9%) due to lower market interest rate. Excluding the mark-to-market gain/loss, finance costs before capitalisation of HK\$547 million (2020: HK\$454 million) decreased by 25% to HK\$948 million (2020: HK\$1,269 million).

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

Associates' attributable profit increased by HK\$547 million to HK\$719 million (2020: HK\$172 million) while joint ventures' attributable profit fell by 77% to HK\$249 million (2020: HK\$1,066 million), mainly due to impairment provisions of HK\$889 million for Mainland DP and lower profit recognition from Mount Nicholson in Hong Kong.

Income Tax

Taxation charge decreased by 39% to HK\$2,898 million (2020: HK\$4,743 million), including deferred tax of HK\$852 million (2020: HK\$198 million) for revaluation surplus of Mainland IP.

Excluding the above deferred taxation, tax charge decreased by 55% to HK\$2,046 million (2020: HK\$4,545 million) mainly due to decrease in Land Appreciation Tax on Mainland DP for lower margins attained by Mainland DP subsidiaries.

Profit to Shareholders

Group profit attributable to equity shareholders increased by 56% to HK\$6,019 million (2020: HK\$3,864 million). Basic earnings per share were HK\$1.97, based on weighted average of 3,055 million shares (2020: HK\$1.27 based on 3,050 million shares).

Group underlying net profit (a performance indicator of the Group's major business segments), mainly excluding the investment revaluation gain of HK\$1,226 million, attributable IP revaluation deficit (net) of HK\$31 million and one-off gain on disposal of non-core IPs and the residential property management business in Mainland totalling HK\$1,105 million, increased by 7% to HK\$3,646 million (2020: HK\$3,417 million). By segment, Mainland IP increased by 45% to HK\$2,846 million (2020: HK\$1,963 million), Logistics increased by 43% to HK\$648 million (2020: HK\$452 million), Investments increased by 35% to HK\$1,213 million (2020: HK\$900 million) but DP reported at a loss of HK\$1,252 million (2020: profit of HK\$134 million).

million), after the impairment provisions totalled HK\$4,225 million, combining Hong Kong DP profit of HK\$906 million and Mainland DP loss of HK\$2,158 million.

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

Total contracted sales (including non-core properties) increased by 18% to HK\$24,696 million (2020: HK\$20,951 million).

Mainland contracted sales decreased by 20% to RMB13,858 million (2020: RMB17,408 million). Net order book dropped by 41% to RMB16,657 million (2020: RMB27,999 million) following recognition during the year.

Hong Kong contracted sales mainly for Peak properties amounted to HK\$4,914 million (2020: HK\$267 million). In addition, interests in certain non-core IPs were disposed of for a total consideration of HK\$2,832 million (2020: nil). Net order book as at 31 December 2021 stood at HK\$600 million.

(III) Liquidity, Financial Resources and Capital Commitments

Shareholders' and Total Equity

As at 31 December 2021, shareholders' equity increased slightly by 2% to HK\$162.0 billion (2020: HK\$158.9 billion), equivalent to HK\$53.02 (2020: HK\$52.07) per share. Total equity including non-controlling interests was HK\$166.4 billion (2020: HK\$163.5 billion).

Assets

Total business assets, excluding bank deposits and cash, financial and deferred tax assets, decreased slightly by 3% to HK\$228.6 billion (2020: HK\$236.1 billion). Properties, Logistics and Investments assets accounted for 70%, 7%, 23% (2020: 65%/7%/28%) of the Group total, respectively.

Geographically, Mainland business assets decreased by 4% to HK\$120.0 billion (2020: HK\$125.5 billion); Hong Kong increased by 10% to HK\$94.6 billion (2020: HK\$86.3 billion) and Overseas, mainly Investments, decreased by 42% to HK\$14.0 billion (2020: HK\$24.3 billion), representing 53%, 41% and 6% (2020: 53%/37%/10%) of the Group total, respectively.

Investment properties

IP portfolio is stated at valuation of HK\$76.5 billion (2020: HK\$78.2 billion), representing 33% (2020: 33%) of total business assets. This portfolio comprised Mainland IP of HK\$59.7 billion (2020: HK\$57.0 billion) and Hong Kong IP of HK\$16.8 billion (2020: HK\$21.2 billion) after disposals during the year.

Properties for sale

DP assets increased by 14% to HK\$48.5 billion (2020: HK\$42.4 billion), comprising Mainland DP of HK\$24.9 billion (2020: HK\$31.2 billion) after impairment provision, and Hong Kong DP of HK\$23.6 billion (2020: HK\$11.2 billion) with the addition of Nos. 2-8 Mansfield Road site in Hong Kong.

Interests in associates and joint ventures

Interests in associates and joint ventures increased by 8% to HK\$35.9 billion (2020: HK\$33.1 billion) following the addition of Nos. 9-11 Mansfield Road site in Hong Kong through a 50%-owned joint venture.

Long term investments

Long term investments decreased to HK\$52.9 billion (2020: HK\$66.9 billion), of which HK\$44.1 billion are listed, in a portfolio of primarily blue chips held for long term growth and/or reasonable dividend yield. None of the investments is individually material to the Group's total assets.

During the year certain long-term investments (mostly in the new economy sector) were realised for a total consideration of HK\$23.3 billion with net surplus of HK\$5.4 billion (2020: HK\$1.2 billion) being recycled to revenue reserves upon de-recognition. Fair value changes on listed investments produced deficit of HK\$4.1 billion (2020: surplus of HK\$7.3 billion) as reflected in the Other Comprehensive Income Statement. 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:

	31 December 2021	31 December 2020
	HK\$ Billion	HK\$ Billion
<u>Analysed by industry sectors</u>		
Properties	22.6	21.7
New economy	21.4	35.8
Others	8.9	9.4
Total	52.9	66.9
<u>Analysed by geographical locations</u>		
Hong Kong	38.8	42.5
Overseas	14.1	24.4
Total	52.9	66.9

Deposits from sale of properties

Deposits from sale of properties amounted to HK\$9.6 billion (2020: HK\$8.1 billion) pending for recognition in the coming years.

Net Debt and Gearing

Net debt as at 31 December 2021 decreased by HK\$12.3 billion to HK\$13.2 billion (31 December 2020: HK\$25.5 billion), mainly attributable to HK\$11.1 billion net proceeds from disposal of long term investments and HK\$7.8 billion from disposals of certain Peak and non-core properties, partly offset by payment of HK\$15.6 billion for the two newly acquired Mansfield Road sites.

The Group's net debt comprised of HK\$23.5 billion in bank deposits and cash and HK\$36.7 billion in debts. It included Modern Terminals' net debt of HK\$4.2 billion (2020: HK\$5.3 billion), which is non-recourse to the Company and its other subsidiaries. At 31 December 2021, the ratio of net debt to total equity declined to 7.9% (2020: 15.6%). 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 31 December 2021 amounting to HK\$65.6 billion, of which HK\$36.7 billion had been 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	46.5	22.7	23.8
Debt securities	9.8	9.8	-
	<u>56.3</u>	<u>32.5</u>	<u>23.8</u>
<u>Non-wholly-owned subsidiaries</u>			
Committed and uncommitted facilities			
- Modern Terminals	9.3	4.2	5.1
Group total	<u>65.6</u>	<u>36.7</u>	<u>28.9</u>

Of the above debts, HK\$12.8 billion (2020: HK\$7.9 billion) was secured by mortgages over certain IP, DP and other property, plant and equipment together with carrying value of HK\$30.9 billion (2020: HK\$26.5 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. The majority of the derivative financial instruments entered into 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\$44.1 billion (2020: HK\$60.9 billion).

Cash Flows for the Group's Operating and Investing Activities

For the year under review, the Group recorded net cash inflow of HK\$7.5 billion (2020: HK\$10.0 billion) before changes in working capital. A decrease in working capital of HK\$4.0 billion (2020: HK\$3.3 billion) mainly from the acquisition of Nos. 2-8 Mansfield Road site generated a total net inflow from operating activities of HK\$2.6 billion (2020: HK\$10.3 billion). For investing activities, the Group recorded a net inflow of HK\$11.3 billion (2020: outflow of HK\$14.2 billion), mainly for the HK\$11.1 billion net proceeds from disposals of long term investments, HK\$3.1 billion from disposal of certain non-core IPs, offset by HK\$3.3

billion increase in interests in joint ventures for DP projects, including the acquisition of Nos. 9-11 Mansfield Road site.

Major Capital and Development Expenditures

Major expenditures incurred in 2021 are analysed as follows:

	Hong Kong HK\$ Million	Mainland China HK\$ Million	Total HK\$ Million
Properties			
IP	448	379	827
DP	16,219	5,894	22,113
	16,667	6,273	22,940
Others	123	1	124
Group total	16,790	6,274	23,064

- i. DP expenditures included land cost payments for 100%-owned Nos. 2-8 Mansfield Road and 50%-owned Nos. 9-11 Mansfield Road totalling HK\$15.6 billion.
- ii. DP and IP expenditures included HK\$6.7 billion for property projects undertaken by associates and joint ventures.
- iii. Other expenditure was mainly related to Modern Terminals' terminal equipment.

Commitment

As at 31 December 2021, major expenditures to be incurred in the coming years was estimated at HK\$24.1 billion, of which HK\$9.2 billion was committed, analysed by segment as below:

	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million
IP			
Hong Kong	565	5,962	6,527
Mainland China	146	222	368
	711	6,184	6,895
DP			
Hong Kong	1,517	5,390	6,907
Mainland China	4,842	3,348	8,190
	6,359	8,738	15,097
Others	2,118	25	2,143
Group total	9,188	14,947	24,135

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 flows 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 6,200 employees as at 31 December 2021, including about 1,100 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 Year Ended 31 December 2021

	Note	2021 HK\$ Million	2020 HK\$ Million
Revenue	2	22,378	20,997
Direct costs and operating expenses		(11,064)	(7,379)
Selling and marketing expenses		(671)	(687)
Administrative and corporate expenses		(1,353)	(1,103)
Operating profit before depreciation, amortisation, interest and tax		9,290	11,828
Depreciation and amortisation		(754)	(724)
Operating profit	2 & 3	8,536	11,104
Increase/(decrease) in fair value of investment properties		1,018	(208)
Other net charge	4	(1,019)	(1,827)
		8,535	9,069
Finance costs	5	(266)	(780)
Share of results after tax of:			
Associates		719	172
Joint ventures		249	1,066
Profit before taxation		9,237	9,527
Income tax	6	(2,898)	(4,743)
Profit for the year		6,339	4,784
Profit attributable to:			
Equity shareholders		6,019	3,864
Non-controlling interests		320	920
		6,339	4,784
Earnings per share	7		
Basic		HK\$1.97	HK\$1.27
Diluted		HK\$1.97	HK\$1.27

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 31 December 2021

	2021	2020
	HK\$ Million	HK\$ Million
Profit for the year	<u>6,339</u>	<u>4,784</u>
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Fair value changes on equity investments	(4,054)	7,338
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of Mainland operations	1,929	4,318
Share of other comprehensive income of associates/joint ventures	544	1,498
Others	<u>-</u>	<u>3</u>
Other comprehensive income for the year	<u>(1,581)</u>	<u>13,157</u>
Total comprehensive income for the year	<u>4,758</u>	<u>17,941</u>
Total comprehensive income attributable to:		
Equity shareholders	4,313	16,782
Non-controlling interests	445	1,159
	<u>4,758</u>	<u>17,941</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2021

		31 December 2021	31 December 2020
	Note	HK\$ Million	HK\$ Million
Non-current assets			
Investment properties		76,525	78,151
Property, plant and equipment		12,967	13,250
Interest in associates		15,845	16,898
Interest in joint ventures		20,014	16,241
Other long term investments		52,902	66,875
Goodwill and other intangible assets		298	298
Deferred tax assets		830	670
Derivative financial assets		116	275
Other non-current assets		25	24
		<u>179,522</u>	<u>192,682</u>
Current assets			
Properties for sale		48,485	42,396
Trade and other receivables	9	1,886	2,160
Derivative financial assets		248	189
Bank deposits and cash		23,559	16,668
		<u>74,178</u>	<u>61,413</u>
Total assets		<u>253,700</u>	<u>254,095</u>
Non-current liabilities			
Derivative financial liabilities		(369)	(351)
Deferred tax liabilities		(15,264)	(13,915)
Other non-current liabilities		(36)	(30)
Bank loans and other borrowings		(33,081)	(30,625)
		<u>(48,750)</u>	<u>(44,921)</u>
Current liabilities			
Trade and other payables	10	(21,754)	(21,607)
Deposits from sale of properties		(9,644)	(8,098)
Derivative financial liabilities		(60)	(199)
Taxation payable		(3,451)	(4,245)
Bank loans and other borrowings		(3,664)	(11,549)
		<u>(38,573)</u>	<u>(45,698)</u>
Total liabilities		<u>(87,323)</u>	<u>(90,619)</u>
NET ASSETS		<u>166,377</u>	<u>163,476</u>
Capital and reserves			
Share capital		30,381	30,270
Reserves		131,639	128,584
Shareholders' equity		<u>162,020</u>	<u>158,854</u>
Non-controlling interests		4,357	4,622
TOTAL EQUITY		<u>166,377</u>	<u>163,476</u>

NOTES TO THE FINANCIAL STATEMENTS

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 requirements of the Companies Ordinance (Cap. 622 of the laws of Hong Kong) (“Companies Ordinance”). This financial information 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 for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s financial statements:

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform – Phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“IBOR reform”).

At 31 December 2021, the Group had swap contracts whose notional amounts totalled HK\$6,767 million that are indexed to benchmark interest rates which are subject to the IBOR reform. The Group is in the progress of liaising with the relevant banks and financial institutions on the transition to alternative benchmarks and considered that the mismatch risk is minimal. 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 adopted any new standard or interpretation that is not yet effective for the current accounting period.

The financial information relating to the two financial years ended 31 December 2021 and 2020 included in this announcement of annual results does not constitute the Company’s statutory annual financial statements for these financial years 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 is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2021 in due course. The Company's auditor has reported on those financial statements for both years. The auditor's reports were 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. During the year, the Group operated 17 hotels in Asia, four of which are 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 other 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 year ended 31 December 2021	Revenue HK\$ Million	Operating profit/ (loss) HK\$ Million	Increase/ (decrease) in fair value of Investment properties HK\$ Million	Other net charge HK\$ Million	Finance costs HK\$ Million	Share of results after tax of associates HK\$ Million	Share of results after tax of joint ventures HK\$ Million	Profit/ (loss) before taxation HK\$ Million
Investment properties	5,467	3,575	1,018	1	(192)	-	190	4,592
Hong Kong	101	46	97	-	(34)	-	-	109
Mainland China	5,366	3,529	921	1	(158)	-	190	4,483
Development properties	11,193	2,939	-	(3,355)	(3)	423	53	57
Hong Kong	3,860	1,151	-	(360)	-	-	283	1,074
Mainland China	7,333	1,788	-	(2,995)	(3)	423	(230)	(1,017)
Hotels	497	39	-	-	-	1	(2)	38
Logistics	3,002	771	-	(32)	(108)	295	8	934
Terminals	2,997	766	-	9	(108)	170	8	845
Others	5	5	-	(41)	-	125	-	89
Investments	1,331	1,331	-	1,226	(93)	-	-	2,464
Segment total	21,490	8,655	1,018	(2,160)	(396)	719	249	8,085
Others	888	306	-	1,141	130	-	-	1,577
Corporate expenses	-	(425)	-	-	-	-	-	(425)
Group total	22,378	8,536	1,018	(1,019)	(266)	719	249	9,237
For the year ended 31 December 2020								
Investment properties	4,363	2,653	(208)	5	(301)	-	59	2,208
Hong Kong	162	80	(35)	-	(33)	-	-	12
Mainland China	4,201	2,573	(173)	5	(268)	-	59	2,196
Development properties	11,222	6,471	-	(3,023)	(3)	(85)	1,002	4,362
Hong Kong	-	46	-	(2,864)	-	-	628	(2,190)
Mainland China	11,222	6,425	-	(159)	(3)	(85)	374	6,552
Hotels	396	1	-	-	-	(3)	6	4
Logistics	2,566	497	-	(33)	(144)	260	(1)	579
Terminals	2,556	487	-	8	(144)	132	(1)	482
Others	10	10	-	(41)	-	128	-	97
Investments	1,108	1,108	-	1,187	(201)	-	-	2,094
Segment total	19,655	10,730	(208)	(1,864)	(649)	172	1,066	9,247
Others	1,342	824	-	37	(131)	-	-	730
Corporate expenses	-	(450)	-	-	-	-	-	(450)
Group total	20,997	11,104	(208)	(1,827)	(780)	172	1,066	9,527

2. SEGMENT INFORMATION

b. Disaggregation of revenue

	2021	2020
	HK\$	HK\$
	Million	Million
Revenue recognised under HKFRS 15		
Sale of development properties	11,193	11,222
Management and services income	634	468
Hotels	497	396
Logistics	3,002	2,566
	15,326	14,652
Revenue recognised under other accounting standards		
Rental income under investment properties segment		
Fixed	3,033	2,602
Variable	1,800	1,293
Investments	1,331	1,108
Others	888	1,342
	7,052	6,345
Group total	22,378	20,997

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 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 fees 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.

2. SEGMENT INFORMATION

c. Analysis of segment business assets

	2021 HK\$ Million	2020 HK\$ Million
Investment properties	77,586	79,175
Hong Kong	17,099	21,302
Mainland China	60,487	57,873
Development properties	80,350	72,016
Hong Kong	32,794	16,442
Mainland China	47,556	55,574
Hotels	2,423	2,451
Logistics	15,357	15,603
Terminals	14,641	14,825
Others	716	778
Investments	52,902	66,875
Total segment business assets	228,618	236,120
Unallocated corporate assets	25,082	17,975
Total assets	253,700	254,095

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

Segment assets held through associates and joint ventures included in above are:

	2021 HK\$ Million	2020 HK\$ Million
Development properties	31,308	28,607
Logistics	4,551	4,531
Group total	35,859	33,138

2. SEGMENT INFORMATION
d. Other segment information

	Capital expenditure		Increase in interests in associates and joint ventures		Depreciation and amortisation	
	2021	2020	2021	2020	2021	2020
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	Million	Million	Million	Million	Million	Million
Investment properties	827	469	-	-	91	96
Hong Kong	448	400	-	-	7	9
Mainland China	379	69	-	-	84	87
Development properties	-	-	3,928	366	-	-
Hong Kong	-	-	3,701	4	-	-
Mainland China	-	-	227	362	-	-
Hotels	-	29	-	-	95	90
Logistics	124	200	-	1	528	499
Terminals	124	200	-	1	528	499
Others	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Segment total	951	698	3,928	367	714	685
Others	-	-	-	-	40	39
Group total	951	698	3,928	367	754	724

The Group had no significant non-cash expenses other than (i) net provision of HK\$4,225 million (2020: HK\$2,835 million) made for certain development projects undertaken by subsidiaries, joint ventures and associates, and (ii) depreciation and amortisation.

2. SEGMENT INFORMATION

e. Geographical information

	Revenue		Operating Profit	
	2021	2020	2021	2020
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	7,718	3,615	3,205	1,817
Mainland China	14,461	17,222	5,145	9,131
Others	199	160	186	156
Group total	22,378	20,997	8,536	11,104

	Specified non-current assets		Total business assets	
	2021	2020	2021	2020
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	31,700	32,306	94,554	86,349
Mainland China	93,949	92,532	120,036	125,425
Others	-	-	14,028	24,346
Group total	125,649	124,838	228,618	236,120

Specified non-current assets exclude certain investments, deferred tax assets, derivative financial assets and certain 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 equity investments/unlisted investments, where they are listed/incorporated. 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 other property, plant and equipment	629	611
- leasehold land	85	74
- right of use assets	40	39
Total depreciation and amortisation	<u>754</u>	<u>724</u>
Provision of loss allowances of trade receivables	-	5
Staff costs (Note a)	1,804	1,791
Auditors' remuneration		
- audit services	16	16
- other services	1	2
Cost of trading properties for recognised sales	7,748	4,356
Direct operating expenses of investment properties	<u>1,889</u>	<u>1,710</u>
After crediting:		
Gross rental revenue from investment properties	5,467	4,363
Rental income under operating leases in respect of owned plant and equipment	9	9
Interest income (Note b)	425	727
Dividend income from other long term investments	1,331	1,108
Government grants (Note c)	-	75
Reversal of loss allowances for trade receivables	<u>9</u>	<u>-</u>

Notes:

- a. Staff costs include contributions to defined contribution pension schemes of HK\$199 million (2020: HK\$128 million), which included MPF schemes after a forfeiture of HK\$4 million (2020: HK\$2 million) and no equity-settled share-based payment expenses (2020: HK\$3 million).
- b. Interest income of HK\$425 million (2020: HK\$727 million) was in respect of financial assets, including bank deposits, that are measured at amortised cost.
- c. In 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Government of the Hong Kong Special Administrative Region of the People's Republic of China. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group was required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees of the concerned business units.

4. OTHER NET CHARGE

Other net charge for the year amounted to HK\$1,019 million (2020: HK\$1,827 million) mainly comprises:

- a. Impairment provisions totalled HK\$3,336 million made for certain development properties held by subsidiaries in Mainland China and Hong Kong (2020: HK\$2,864 million for a development property in Hong Kong).
- b. Net gains of HK\$697 million (2020: HK\$22 million) arose from disposal of certain investment properties.
- c. A gain of HK\$408 million (2020: nil) arose from disposal of residential property management business in Mainland China.
- d. Net fair value gain of HK\$1,226 million (2020: HK\$1,187 million) on other long term investments which are classified as financial assets at fair value through profit or loss.
- e. Net exchange loss of HK\$69 million (2020: HK\$287 million) which included a fair value loss on forward foreign exchange contracts of HK\$156 million (2020: gain of HK\$11 million).

5. FINANCE COSTS

	2021 HK\$ Million	2020 HK\$ Million
Interest charged on:		
Bank loans and overdrafts	643	785
Other borrowings	218	405
Lease liabilities	2	1
Total interest charge	<u>863</u>	<u>1,191</u>
Other finance costs	85	78
Less: Amount capitalised	<u>(547)</u>	<u>(454)</u>
	401	815
Fair value (gain)/loss:		
Cross currency interest rate swaps	(138)	28
Interest rate swaps	3	(63)
	<u>(135)</u>	<u>(35)</u>
Total	<u>266</u>	<u>780</u>

6. INCOME TAX

Taxation charged to the consolidated income statement includes:

	2021 HK\$ Million	2020 HK\$ Million
Current income tax		
Hong Kong		
- provision for the year	414	126
- under/(over)-provision in respect of prior years	10	(94)
Outside Hong Kong		
- provision for the year	1,181	1,516
- over-provision in respect of prior years	(114)	(65)
	<u>1,491</u>	<u>1,483</u>
Land appreciation tax (“LAT”) (Note c)	<u>479</u>	<u>2,498</u>
Deferred tax		
Change in fair value of investment properties	852	198
Origination and reversal of temporary differences	76	564
	<u>928</u>	<u>762</u>
Total	<u>2,898</u>	<u>4,743</u>

- 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 corporate income tax and withholding tax in Mainland China, calculated at a rate of 25% (2020: 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 the land value, being the proceeds on sales of properties less deductible expenditure including cost of land use rights, borrowings costs and all development properties expenditure.
- d. Tax attributable to associates and joint ventures for the year ended 31 December 2021 of HK\$987 million (2020: HK\$726 million) is included in the share of results of associates and joint ventures.

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders for the year of HK\$6,019 million (2020: HK\$3,864 million) and the weighted average of 3,055 million shares in issue during the year (2020: 3,050 million shares).

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2021 HK\$ per share	2021 HK\$ Million	2020 HK\$ per share	2020 HK\$ Million
First interim dividend declared and paid	0.20	611	0.20	610
Second interim dividend declared after the end of the reporting period (note b)	0.20	611	0.20	611
Total	0.40	1,222	0.40	1,221

- a. The second interim dividend based on 3,056 million issued shares (2020: 3,053 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 2020 was approved and paid in 2021.

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 31 December 2021 as follows:

	2021	2020
	HK\$ Million	HK\$ Million
Trade receivables		
0 - 30 days	162	164
31 – 60 days	53	48
61 – 90 days	22	16
Over 90 days	73	248
	310	476
Other receivables and prepayments	1,576	1,684
	1,886	2,160

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 are expected to be recoverable 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 31 December 2021 as follows:

	2021	2020
	HK\$ Million	HK\$ Million
Trade payables		
0 - 30 days	420	369
31 - 60 days	226	302
61 - 90 days	36	23
Over 90 days	268	170
	950	864
Rental and customer deposits	1,352	1,362
Construction costs payable	5,280	6,733
Amount due to associates	8,794	7,427
Amount due to joint ventures	2,130	1,761
Other payables	3,248	3,460
	21,754	21,607

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 announcement of the Group's results 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 (the “Board”) of the Company 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 year under review.

RELEVANT DATES FOR SECOND INTERIM DIVIDEND AND ANNUAL GENERAL MEETING

Second Interim Dividend

Ex-entitlement date	7 April 2022 (Thu)
Latest time to lodge share transfer	4:30 p.m., 8 April 2022 (Fri)
Record date/ time	6:00 p.m., 8 April 2022 (Fri)
Payment date	28 April 2022 (Thu)

In order to qualify for the second interim dividend, all transfer, accompanied by the relevant share certificates, must be lodged with the Company’s Share Registrars, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on Friday, 8 April 2022.

Annual General Meeting (“AGM”)

Ex-entitlement date	4 May 2022 (Wed)
Latest time to lodge share transfer	4:30 p.m., 5 May 2022 (Thu)
Book closure period	6 May 2022 (Fri) to 12 May 2022 (Thu), both days inclusive
Record date	6 May 2022 (Fri)
AGM date/ time	11:15 a.m., 12 May 2022 (Thu)

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 Share Registrars, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 5 May 2022.

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

Hong Kong, 9 March 2022

As at the date of this announcement, the Board comprises Mr. Stephen T. H. Ng, Mr. Andrew O. K. Chow, Mr. Paul Y. C. Tsui, Ms. Y. T. Leng, Mr. Kevin K. P. Chan and Mr. Kevin C. Y. Hui, together with seven Independent Non-executive Directors, namely Professor Edward K. Y. Chen, Mr. Vincent K. Fang, Mr. Hans Michael Jebsen, Ms. Elizabeth Law, Mr. Richard Y. S. Tang, Ms. Nancy S. L. Tse and Mr. David Muir Turnbull.

The English text of this announcement shall prevail over the Chinese text in the event of inconsistency.