



WHARF

Established 1886

THE WHARF (HOLDINGS) LIMITED

Stock Code : 0004



INTERIM REPORT 2022

www.wharfholdings.com

Cover photo: Art forms an important part of one's life. Chengdu International Finance Square ("IFS"), one of the Group's flagship projects in the Mainland, actively fosters art and culture development, bringing many firsts to Chengdu. In 2022 summer, Chengdu IFS introduced the first limited edition NFT titled "Fascinated by the MELON-VERSE" which was well-received by art lovers.



Covid End Game Unknown

President Xi Jinping officially reaffirmed on 1 July 2022 the National directive of ensuring solidarity of “One Country, Two Systems” and that the unique position and advantage of Hong Kong must be preserved (必須保持香港的獨特地位和優勢) to expand open, convenient and expedient international connectivity (拓展暢通便捷的國際聯繫), failing which the National mandate to uphold Hong Kong’s leading role as an international financial, shipping and trade centre would be seriously detrimented.

HIGHLIGHTS

- During the period, business was seriously curtailed by COVID-19 in both Hong Kong and the Mainland
- Development Properties (“DP”) bore the brunt through sales, sales recognition as well as impairment provisions
- Investment Properties (“IP”) reported its first reversal in recent years
- Logistics was however a positive spot
- Group revenue decreased by 33% and operating profit by 19%
- Underlying net profit improved by HK\$788 million, mainly due to a net decrease in DP impairment provisions

GROUP RESULTS

The Group reported an underlying net profit of HK\$428 million (2021: loss of HK\$360 million). Including IP revaluation deficit and other unrealised accounting gains/losses, Group profit attributable to equity shareholders was HK\$57 million (2021: HK\$1,038 million), declining by 95% from last corresponding period.

INTERIM DIVIDEND

A first interim dividend of HK\$0.20 (2021: HK\$0.20) per share will be paid on 15 September 2022 to Shareholders on record as at 6:00 p.m. on 30 August 2022. This will absorb a total amount of HK\$611 million (2021: HK\$611 million).

BUSINESS REVIEW

The first half of this year was shrouded by the COVID-19 outbreaks in both Mainland China and Hong Kong. The pandemic and the resultant extended lockdowns caused severe hardship to the Group's businesses.

Challenges facing Mainland China in 2022 are immense. Resurgence of COVID-19 depressed industrial production as well as domestic consumption. Global restructuring of supply chains casts a long shadow and may further weaken the demand for Mainland's production and logistics capacity in the longer term. All eyes are on the 20th National Congress to be held later this year.

Around the world, geopolitical tension continues to dominate the global agenda, while quantitative tightening, inflation and interest rate hikes tipping developed economies into recession pose additional challenges ahead. Global economic recovery remains elusive.

HONG KONG PROPERTIES

On an attributable basis, revenue decreased by 75% to HK\$603 million and operating profit by 40% to HK\$412 million. DP transaction volume and value diminished sharply from a year ago to a single new sale, a high floor apartment in Mount Nicholson.

MAINLAND CHINA DEVELOPMENT PROPERTIES

Dynamics of the residential development property market have shifted markedly against the developer. In addition, unwelcomed spurts of the pandemic drastically slowed down selling activities and also affected construction, particularly in cities such as Suzhou, Shanghai and Beijing. In turn, illiquidity in the market magnified the funding pressure on the aggressively geared developers, which in turn weakened demand psychology in a vicious circle.

Inclusive of joint ventures and associates on an attributable basis, revenue decreased by 29% to HK\$4,991 million and operating profit by 44% to HK\$609 million. 159,200 square metres were recognised (2021: 203,900 square metres), mainly from Suzhou and Hangzhou projects, while 244,600 squares metres of GFA were completed (2021: 235,200 square metres).

Attributable contracted sales decreased by 60% to RMB2.3 billion (2021: RMB5.7 billion) for 78,000 square metres. At the end of June, net order book decreased to RMB14.8 billion for 455,200 square metres (31 December 2021: RMB16.7 billion for 536,400 square metres).

In view of the latest market conditions, unsold stock with above market book value was "marked to market". An impairment provision of HK\$1,995 million was made.

MAINLAND CHINA INVESTMENT PROPERTIES

COVID-19 control and a flagging economy inflicted the first reversal in recent years on the Group's portfolio. Shanghai was locked down for two months and other cities were also directly or indirectly affected variously at different times during the first half.

Revenue decreased by 4% to HK\$2,561 million but operating profit was stable at HK\$1,775 million. Tenant sales and turnover rent were disappointing. Consumers were wary and cautious even with the Government stimulus, portraying a slower recovery compared to that in 2020.

Nevertheless, the Group's proactive investment in marketing and comprehensive retail offerings continued to be preferred by customers. Retail occupancies in Chengdu IFS and Changsha IFS stood firm at 94% and 98% respectively at the end of June. Office occupancies and rents were vulnerable to the substantial over-supply.

WHARF HOTELS

All five luxury Niccolo Hotels and 11 Marco Polo Hotels operated by the Group in Hong Kong, Mainland China and the Philippines (including the four which the Group owns or has substantial equity in) reported an unfavourable first quarter due to COVID-19 but started to improve in the second quarter.

Segment revenue decreased by 36% to HK\$167 million and an operating loss was reported.

LOGISTICS INFRASTRUCTURE

Supply chains were further disrupted. Freight rates on the main trade routes, while having receded noticeably since the peaks, remain much higher than pre-COVID. Cargo volume in China South increased but Hong Kong lost volume and market share although business mix improved. As major developed economies grapple with inflation, interest rate hikes and recession fears, structural diversification and reshoring of production may cause seismic movements and may weaken demand for Mainland China's production and logistics capacity.

Segment revenue increased by 13% to HK\$1,542 million and operating profit by 41% to HK\$396 million.

Modern Terminals ("MTL")

In Hong Kong, throughput fell by 8% to 2.3 million TEUs but that was offset by higher overtime storage income.

In Shenzhen, DaChan Bay Terminals (MTL's stake 65%) was the clear outperformer both operationally and financially; throughput increased by 29% to 1.0 million TEUs. Throughput at Shekou Container Terminals (MTL's stake: 20%) declined by 3% to 2.9 million TEUs.

Hong Kong Air Cargo Terminals ("HACTL")

The strengthened quarantine requirements for aircrew implemented early this year and supply chain disruptions under COVID-19 resurgence slowed the air cargo business of HACTL (20.8%-owned). Total cargo handled decreased by 10% to 0.8 million tonnes in the first half of 2022.

FINANCIAL REVIEW

(I) REVIEW OF 2022 INTERIM RESULTS

Group underlying net profit amounted to HK\$428 million (2021: loss of HK\$360 million) with Logistics and Investments increasing profit while Development Properties (“DP”) narrowing loss after lower impairment provisions made in the reporting period. However, Group profit attributable to equity shareholders declined by 95% to HK\$57 million (2021: HK\$1,038 million), due mainly to an unrealised deficit on revaluation of Investment Properties (“IP”) and absence of profit on disposal of non-core IP recorded in last corresponding period.

Revenue and Operating Profit (“OP”)

Group revenue and OP decreased by 33% to HK\$8,209 million (2021: HK\$12,337 million) and by 19% to HK\$3,479 million (2021: HK\$4,301 million), respectively.

IP revenue decreased by 5% to HK\$2,595 million (2021: HK\$2,746 million), primarily due to lower retail rental income, but OP remained flat at HK\$1,788 million (2021: HK\$1,787 million).

DP revenue decreased by 60% to HK\$2,674 million (2021: HK\$6,704 million) and OP decreased by 66% to HK\$482 million (2021: HK\$1,408 million) with fewer project completions.

Hotels revenue decreased by 36% to HK\$167 million (2021: HK\$259 million) and reported an operating loss of HK\$47 million (2021: profit of HK\$35 million).

Logistics revenue increased by 13% to HK\$1,542 million (2021: HK\$1,361 million) and OP by 41% to HK\$396 million (2021: HK\$281 million), mainly due to higher overtime storage income.

Investment OP increased by 17% to HK\$901 million (2021: HK\$773 million) mainly due to increase in dividend income from the investment portfolio.

IP Revaluation Deficit

Independent valuation as at 30 June 2022 including IP held by a joint venture gave rise to an attributable but unrealised net revaluation deficit (after related deferred tax and non-controlling interests) of HK\$421 million (2021: surplus of HK\$116 million), which was charged to the consolidated income statement.

Other Net Charge

Other net charge was HK\$1,358 million (2021: HK\$1,717 million) mainly comprised of impairment provisions for DP totalling HK\$1,439 million (2021: HK\$2,980 million), partly offset by fair value gain of HK\$256 million (2021: HK\$661 million) on long term financial investment assets. No non-core IP disposal gain was recorded against HK\$573 million realised in last corresponding period.

Finance Costs

Finance costs decreased by 13% to HK\$229 million (2021: HK\$264 million) after offsetting unrealised mark-to-market loss of HK\$73 million (2021: HK\$20 million) on cross currency and interest rate swaps.

Effective borrowing rate crept to 2.1% (2021: 1.8%). Excluding the mark-to-market gain/loss, finance costs before capitalisation of HK\$178 million (2021: HK\$273 million) decreased by 35% to HK\$334 million (2021: HK\$517 million) due to lower average borrowings.

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

Associates' attributable loss amounted to HK\$204 million (2021: profit of HK\$12 million) and joint ventures' attributable loss narrowed to HK\$296 million (2021: HK\$328 million), mainly due to impairment provisions for DP totalling HK\$1,103 million (2021: HK\$670 million), partly compensated by the profit recognition.

Taxation

Taxation charge decreased by 29% to HK\$1,019 million (2021: HK\$1,426 million) mainly due to decrease in tax provisions including land appreciation tax for lower profit recognition of Mainland DP subsidiaries.

Profit to Shareholders

Group profit attributable to equity shareholders decreased by 95% to HK\$57 million (2021: HK\$1,038 million). Basic earnings per share were HK\$0.02, based on weighted average of 3,056 million shares (2021: HK\$0.34 based on 3,053 million shares).

Group underlying net profit (a performance indicator of the Group's major business segments), excluding the investment revaluation gain/loss and other non-core items, increased by 219% to HK\$428 million (2021: loss of HK\$360 million).

By segment, Logistics increased by 26% to HK\$325 million (2021: HK\$258 million), Investments increased by 22% to HK\$834 million (2021: HK\$686 million), yet IP decreased by 8% to HK\$1,331 million (2021: HK\$1,446 million) and DP loss narrowed by 35% to HK\$1,820 million (2021: HK\$2,808 million).

(II) DP SALES AND NET ORDER BOOK (INCLUSIVE OF JOINT VENTURE PROJECTS ON AN ATTRIBUTABLE BASIS)

Total contracted sales (including non-core IPs) fell by 77% to HK\$2,950 million (2021: HK\$12,931 million).

Mainland contracted sales dropped by 60% to RMB2,273 million (2021: RMB5,695 million). Net order book decreased by 11% to RMB14,763 million (December 2021: RMB16,657 million) following recognition during the period.

Hong Kong contracted sales amounted to HK\$292 million (2021: HK\$6,087 million). Net order book as at 30 June 2022 amounted to HK\$292 million (December 2021: HK\$600 million).

(III) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL COMMITMENTS

Shareholders' and Total Equity

As at 30 June 2022, shareholders' equity decreased by 3% to HK\$157.6 billion (2021: HK\$162.0 billion), equivalent to HK\$51.58 (2021: HK\$53.02) per share. Total equity including non-controlling interests was HK\$162.0 billion (2021: HK\$166.4 billion).

Assets

Total business assets, excluding bank deposits and cash, financial and deferred tax assets, decreased by 3% to HK\$222.5 billion (2021: HK\$228.6 billion). Properties, Logistics and Investments assets accounted for 68%, 7%, 25% (2021: 70%/7%/23%) of the Group total, respectively.

Geographically, Mainland business assets fell by 8% to HK\$110.9 billion (2021: HK\$120.0 billion); Hong Kong decreased by 1% to HK\$93.8 billion (2021: HK\$94.6 billion) and Overseas, mainly Investments, increased by 27% to HK\$17.8 billion (2021: HK\$14.0 billion), representing 50%, 42% and 8% (2021: 53%/41%/6%) of the Group total, respectively.

Investment properties

IP portfolio was stated at independent valuation of HK\$74.8 billion (2021: HK\$76.5 billion), representing 34% (2021: 33%) of total business assets. This portfolio comprised Mainland IP of HK\$56.9 billion (2021: HK\$59.7 billion) and Hong Kong IP of HK\$17.9 billion (2021: HK\$16.8 billion).

Net of deferred taxes and non-controlling interests, the portfolio's value attributable to the Group was HK\$63.7 billion (2021: HK\$65.2 billion), comprising Mainland IP of HK\$45.8 billion (2021: HK\$48.4 billion) and Hong Kong IP of HK\$17.9 billion (2021: HK\$16.8 billion).

Properties for sale

DP assets (after impairment provisions) fell by 9% to HK\$44.4 billion (2021: HK\$48.5 billion), comprising Mainland DP of HK\$21.1 billion (2021: HK\$24.9 billion) and Hong Kong DP of HK\$23.3 billion (2021: HK\$23.6 billion).

Interests in associates and joint ventures

Interests in associates and joint ventures (after impairment provisions) declined to HK\$34.0 billion (2021: HK\$35.9 billion).

Long term investments

Long term investments amounted to HK\$54.8 billion (2021: HK\$52.9 billion), of which HK\$45.6 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, certain long term investments were realised for a total consideration of HK\$6.9 billion with net deficit of HK\$1.3 billion (2021: surplus of HK\$0.1 billion) being recycled to revenue reserves upon derecognition. Fair value changes on listed investments produced deficit of HK\$0.6 billion (2021: surplus of HK\$4.8 billion) as reflected in the Statement of Other 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 2022 HK\$ Billion	31 December 2021 HK\$ Billion
Analysed by industry sectors		
Properties	24.6	22.6
New economy	20.5	21.4
Others	9.7	8.9
Total	54.8	52.9
Analysed by geographical locations		
Hong Kong	36.9	38.8
Overseas	17.9	14.1
Total	54.8	52.9

Deposits from sale of properties

Deposits from sale of properties increased by 22% to HK\$11.8 billion (2021: HK\$9.6 billion) pending for recognition in the coming years.

Net Debt and Gearing

Net debt as at 30 June 2022 decreased by 18% to HK\$10.9 billion (2021: HK\$13.2 billion). The Group's net debt comprised of HK\$18.4 billion in bank deposits and cash and HK\$29.3 billion in debts. It included MTL's net debt of HK\$3.6 billion (2021: HK\$4.2 billion), which is non-recourse to the Company and its other subsidiaries. At 30 June 2022, the ratio of net debt to total equity declined to 6.7% (2021: 7.9%). 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 2022 amounting to HK\$50.1 billion, of which HK\$29.3 billion had been utilised, are analysed as below:

	Available Facilities HK\$ Billion	Utilised Facilities HK\$ Billion	Un-utilised Facilities HK\$ Billion
Company/wholly-owned subsidiaries			
Committed and uncommitted facilities	33.2	16.6	16.6
Debt securities	8.9	8.9	–
	42.1	25.5	16.6
Non-wholly-owned subsidiaries			
Committed and uncommitted facilities — MTL	8.0	3.8	4.2
Group total	50.1	29.3	20.8

Of the above debts, HK\$8.8 billion (2021: HK\$12.8 billion) was secured by mortgages over certain IP, DP and other property, plant and equipment together with carrying value of HK\$22.0 billion (2021: HK\$30.9 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. The majority 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\$45.6 billion (2021: HK\$44.1 billion).

Cash Flows for the Group's Operating and Investing Activities

For the period under review, the Group recorded net cash inflow of HK\$2.7 billion (2021: HK\$3.7 billion) before changes in working capital. An increase in working capital of HK\$3.2 billion (2021: decrease of HK\$9.2 billion) mainly from increase in deposits for sales of properties in Mainland generating a total net inflow from operating activities of HK\$5.4 billion (2021: outflow of HK\$6.7 billion). For investing activities, the Group recorded a net outflow of HK\$2.0 billion (2021: HK\$8.9 billion), mainly for net purchases of long term investments.

Major Capital and Development Expenditures

Major expenditures incurred in 2022 are analysed as follows:

	Hong Kong HK\$ Million	Mainland China HK\$ Million	Total HK\$ Million
Properties			
IP	1,034	36	1,070
DP	390	1,099	1,489
	1,424	1,135	2,559
Others	42	24	66
Group total	1,466	1,159	2,625

- i. DP and IP expenditures included HK\$0.6 billion for property projects undertaken by associates and joint ventures.
- ii. Other expenditure was mainly related to MTL's terminal equipment.

Commitment

As at 30 June 2022, major expenditures to be incurred in the coming years was estimated at HK\$24.3 billion, of which HK\$7.1 billion was committed, analysed by segment as below:

	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million
IP			
Hong Kong	75	8,136	8,211
Mainland China	122	133	255
	197	8,269	8,466
DP			
Hong Kong	1,912	5,217	7,129
Mainland China	3,032	3,683	6,715
	4,944	8,900	13,844
Others	1,958	32	1,990
Group total	7,099	17,201	24,300

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 6,100 employees as at 30 June 2022, 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 2022 — Unaudited

	Note	Six months ended 30 June	
		2022 HK\$ Million	2021 HK\$ Million
Revenue	2	8,209	12,337
Direct costs and operating expenses		(3,605)	(6,715)
Selling and marketing expenses		(184)	(317)
Administrative and corporate expenses		(583)	(624)
Operating profit before depreciation, amortisation, interest and tax		3,837	4,681
Depreciation and amortisation		(358)	(380)
Operating profit	2 & 3	3,479	4,301
(Decrease)/increase in fair value of investment properties		(198)	572
Other net charge	4	(1,358)	(1,717)
Finance costs	5	1,923	3,156
Share of results after tax of:		(229)	(264)
Associates		(204)	12
Joint ventures		(296)	(328)
Profit before taxation		1,194	2,576
Taxation	6	(1,019)	(1,426)
Profit for the period		175	1,150
Profit attributable to:			
Equity shareholders		57	1,038
Non-controlling interests		118	112
		175	1,150
Earnings per share			
Basic and diluted	7	HK\$0.02	HK\$0.34

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Six Months Ended 30 June 2022 — Unaudited

	Six months ended 30 June	
	2022	2021
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Profit for the period	175	1,150
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Fair value changes on equity investments	(602)	4,776
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of Mainland operations	(2,683)	823
Share of other comprehensive income of associates/ joint ventures	(701)	159
Others	1	–
Other comprehensive income for the period	(3,985)	5,758
Total comprehensive income for the period	(3,810)	6,908
Total comprehensive income attributable to:		
Equity shareholders	(3,774)	6,750
Non-controlling interests	(36)	158
	(3,810)	6,908

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 June 2022 — Unaudited

	Note	30 June 2022 HK\$ Million	31 December 2021 HK\$ Million
Non-current assets			
Investment properties		74,799	76,525
Property, plant and equipment		12,347	12,967
Interests in associates		15,087	15,845
Interests in joint ventures		18,933	20,014
Other long term investments		54,825	52,902
Goodwill and other intangible assets		298	298
Deferred tax assets		898	830
Derivative financial assets		43	116
Other non-current assets		25	25
		177,255	179,522
Current assets			
Properties for sale		44,363	48,485
Trade and other receivables	9	2,442	1,886
Derivative financial assets		165	248
Bank deposits and cash		18,404	23,559
		65,374	74,178
Total assets		242,629	253,700
Non-current liabilities			
Derivative financial liabilities		(641)	(369)
Deferred tax liabilities		(14,942)	(15,264)
Other non-current liabilities		(28)	(36)
Bank loans and other borrowings	11	(26,246)	(33,081)
		(41,857)	(48,750)
Current liabilities			
Trade and other payables	10	(20,851)	(21,754)
Deposits from sale of properties		(11,758)	(9,644)
Derivative financial liabilities		(85)	(60)
Taxation payable		(3,093)	(3,451)
Bank loans and other borrowings	11	(3,035)	(3,664)
		(38,822)	(38,573)
Total liabilities		(80,679)	(87,323)
NET ASSETS		161,950	166,377
Capital and reserves			
Share capital		30,381	30,381
Reserves		127,254	131,639
Shareholders' equity		157,635	162,020
Non-controlling interests		4,315	4,357
TOTAL EQUITY		161,950	166,377

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Six Months Ended 30 June 2022 — Unaudited

	Attributable to equity shareholders of the Company						
	Share capital HK\$ Million	Investments revaluation and other reserves HK\$ Million	Exchange reserves HK\$ Million	Revenue reserves HK\$ Million	Total shareholders' equity HK\$ Million	Non- controlling interests HK\$ Million	Total equity HK\$ Million
At 1 January 2022	30,381	(2,234)	2,829	131,044	162,020	4,357	166,377
Changes in equity for the period:							
Profit for the period	-	-	-	57	57	118	175
Other comprehensive income	-	(601)	(3,230)	-	(3,831)	(154)	(3,985)
Total comprehensive income	-	(601)	(3,230)	57	(3,774)	(36)	(3,810)
Transfer to revenue reserves upon de-recognition of equity investments	-	1,319	-	(1,319)	-	-	-
Second interim dividends paid for 2021 (Note 8b)	-	-	-	(611)	(611)	-	(611)
Dividend paid to non-controlling interests	-	-	-	-	-	(6)	(6)
At 30 June 2022	30,381	(1,516)	(401)	129,171	157,635	4,315	161,950
At 1 January 2021	30,270	8,708	481	119,395	158,854	4,622	163,476
Changes in equity for the period:							
Profit for the period	-	-	-	1,038	1,038	112	1,150
Other comprehensive income	-	4,776	936	-	5,712	46	5,758
Total comprehensive income	-	4,776	936	1,038	6,750	158	6,908
Transfer from property revaluation reserve to revenue reserves upon disposal	-	(1,427)	-	1,427	-	-	-
Transfer to revenue reserves upon de-recognition of equity investments	-	(121)	-	121	-	-	-
Shares issued under the share option scheme	94	(30)	-	-	64	-	64
Second interim dividends paid for 2020	-	-	-	(611)	(611)	-	(611)
At 30 June 2021	30,364	11,906	1,417	121,370	165,057	4,780	169,837

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For The Six Months Ended 30 June 2022 — Unaudited

	Six months ended 30 June	
	2022	2021
	HK\$ Million	HK\$ Million
Operating cash inflow	2,725	3,694
Changes in working capital/others	3,730	(8,693)
Tax paid	(1,048)	(1,727)
Net cash generated from/(used in) operating activities	5,407	(6,726)
Investing activities		
Additions to investment properties and property, plant and equipment	(502)	(502)
Other cash used in investing activities	(1,477)	(8,423)
Net cash used in investing activities	(1,979)	(8,925)
Financing activities		
Dividends paid to equity shareholders	(611)	(611)
Other cash (used in)/generated from financing activities	(7,009)	19,426
Net cash (used in)/generated from financing activities	(7,620)	18,815
(Decrease)/increase in cash and cash equivalents	(4,192)	3,164
Cash and cash equivalents at 1 January	23,559	16,668
Effect of exchange rate changes	(963)	170
Cash and cash equivalents at 30 June (Note)	18,404	20,002

Note:

Cash and cash equivalents

	2022	2021
	HK\$ Million	HK\$ Million
Bank deposits and cash in the consolidated statement of financial position	18,404	20,002

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

1. Principal Accounting Policies and Basis of Preparation

This unaudited interim financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “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 2021. 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 2021 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 16	Property, plant and equipment — Proceeds before intended use
Amendments to HKAS 37	Onerous contracts — cost of fulfilling a contract

None of these amendments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial information.

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 2021 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) (the “Companies Ordinance”) is as follows:

1. Principal Accounting Policies and Basis of Preparation (continued)

The Company has delivered the financial statements for the year ended 31 December 2021 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 operates 16 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 (continued)

a. Analysis of segment revenue and results

For the six months ended	Revenue HK\$ Million	Operating profit/ (loss) HK\$ Million	(Decrease)/ increase in	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
			Operating fair value of investment properties HK\$ Million					
30 June 2022								
Investment properties	2,595	1,788	(198)	(2)	(108)	-	8	1,488
Hong Kong	34	13	46	-	(24)	-	-	35
Mainland China	2,561	1,775	(244)	(2)	(84)	-	8	1,453
Development properties	2,674	482	-	(1,503)	-	(356)	(304)	(1,681)
Hong Kong	-	(3)	-	(547)	-	-	339	(211)
Mainland China	2,674	485	-	(956)	-	(356)	(643)	(1,470)
Hotels	167	(47)	-	-	-	(2)	(5)	(54)
Logistics	1,542	396	-	(12)	(44)	154	5	499
Terminals	1,540	394	-	(8)	(44)	99	5	446
Others	2	2	-	(4)	-	55	-	53
Investments	901	901	-	256	-	-	-	1,157
Segment total	7,879	3,520	(198)	(1,261)	(152)	(204)	(296)	1,409
Others	330	183	-	(97)	(77)	-	-	9
Corporate expenses	-	(224)	-	-	-	-	-	(224)
Group total	8,209	3,479	(198)	(1,358)	(229)	(204)	(296)	1,194
30 June 2021								
Investment properties	2,746	1,787	572	-	(98)	-	166	2,427
Hong Kong	69	7	221	-	(14)	-	-	214
Mainland China	2,677	1,780	351	-	(84)	-	166	2,213
Development properties	6,704	1,408	-	(2,998)	-	(128)	(499)	(2,217)
Hong Kong	2,428	694	-	-	-	-	(11)	683
Mainland China	4,276	714	-	(2,998)	-	(128)	(488)	(2,900)
Hotels	259	35	-	-	-	1	2	38
Logistics	1,361	281	-	(19)	(49)	139	3	355
Terminals	1,358	278	-	2	(49)	85	3	319
Others	3	3	-	(21)	-	54	-	36
Investments	773	773	-	661	(69)	-	-	1,365
Segment total	11,843	4,284	572	(2,356)	(216)	12	(328)	1,968
Others	494	235	-	639	(48)	-	-	826
Corporate expenses	-	(218)	-	-	-	-	-	(218)
Group total	12,337	4,301	572	(1,717)	(264)	12	(328)	2,576

2. Segment Information (continued)

b. Disaggregation of revenue

Six months ended 30 June	2022 <i>HK\$ Million</i>	2021 <i>HK\$ Million</i>
Revenue recognised under HKFRS 15		
Sale of development properties	2,674	6,704
Management and services income	290	292
Hotels	167	259
Logistics	1,542	1,361
	4,673	8,616
Revenue recognised under other accounting standards		
Rental income under investment properties segment		
— Fixed	1,571	1,490
— Variable	734	964
Investments	901	773
Others	330	494
	3,536	3,721
Group total	8,209	12,337

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 (continued)

c. Geographical information

Six months ended 30 June	Revenue		Operating profit	
	2022 HK\$ Million	2021 HK\$ Million	2022 HK\$ Million	2021 HK\$ Million
Hong Kong	2,117	4,397	1,203	1,712
Mainland China	6,031	7,820	2,222	2,475
Others	61	120	54	114
Group total	8,209	12,337	3,479	4,301

3. Operating Profit

Operating profit is arrived at:

	Six months ended 30 June	
	2022 HK\$ Million	2021 HK\$ Million
After charging:		
Depreciation and amortisation on		
— Hotel and other property, plant and equipment	298	316
— leasehold land	42	44
— right-of-use assets	18	20
Total depreciation and amortisation	358	380
Staff cost (Note (i))	837	913
Cost of trading properties for recognised sales	2,107	4,084
Direct operating expenses of investment properties	802	955
Loss on disposal of property, plant and equipment	1	–
After crediting:		
Gross revenue from investment properties	2,595	2,746
Interest income	212	214
Dividend income from other long term investments	901	773
Government grants (Note (ii))	18	–

Notes:

- i. Staff costs included contributions to defined contribution pension schemes of HK\$97 million (2021: HK\$102 million), which included MPF schemes after a forfeiture of HK\$1 million (2021: HK\$2 million).
- ii. In 2022, 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 is 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 period amounted to HK\$1,358 million (2021: HK\$1,717 million) mainly comprises:

- a. Provision for diminution in value of HK\$1,439 million was made for certain development properties held by subsidiaries in Mainland China and Hong Kong (2021: HK\$2,980 million for certain development properties held by subsidiaries in Mainland China).
- b. Net exchange loss of HK\$167 million (2021: HK\$28 million), including impacts of foreign exchange contracts.
- c. Net fair value gain of HK\$256 million (2021: HK\$661 million) on other long term investments which were classified as financial assets at fair value through profit or loss.
- d. In 2021, a gain of HK\$573 million arose from disposal of interests in certain non-core investment properties.

5. Finance Costs

	Six months ended 30 June	
	2022	2021
	HK\$ Million	HK\$ Million
Interest charged on:		
Bank loans and overdrafts	224	340
Other borrowings	57	137
Total interest charge	281	477
Other finance costs	53	40
Less: Amount capitalised	(178)	(273)
	156	244
Fair value (gain)/loss:		
Cross currency interest rate swaps	(12)	20
Interest rate swaps	85	–
	73	20
Group total	229	264

- a. The Group's average effective borrowing rate for the period was 2.1% p.a. (2021: 1.8% p.a.).
- b. The above interest charge has taken into account the interest paid/receipts in respect of interest rate swaps and cross currency interest rate swaps.

6. Taxation

Taxation charged to the consolidated income statement represents:

	Six months ended 30 June	
	2022	2021
	HK\$ Million	HK\$ Million
Current tax		
Hong Kong		
— provision for Profits tax for the period	253	240
— under-provision in respect of prior years	2	33
Outside Hong Kong		
— provision for the period	455	929
— under-/over-provision in respect of prior years	7	(114)
	717	1,088
Current tax		
Mainland China		
— Land appreciation tax ("LAT") (note c)	124	237
Deferred tax		
Change in fair value of investment properties	74	423
Origination and reversal of temporary differences	104	231
Benefit of previously unrecognised tax losses now recognised	–	(553)
	178	101
Group total	1,019	1,426

- 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% (2021: 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% (2021: 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 attributable to associates and joint ventures for the six months ended 30 June 2022 of HK\$349 million (2021: HK\$216 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 period of HK\$57 million (2021: HK\$1,038 million) and the weighted average of 3,056 million shares (2021: 3,053 million shares) in issue during the period.

8. Dividends Attributable to Equity Shareholders

	2022	Six months ended 30 June		2021
	HK\$ per share	2022 HK\$ Million	2021 HK\$ per share	2021 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 (2021: 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 2021 was approved and paid in 2022.

9. Trade and Other Receivables

Included in this item are trade receivables (net of loss allowance for bad and doubtful debts) with an ageing analysis based on the invoice date as at 30 June 2022 as follows:

	30 June 2022	31 December 2021
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Trade receivables		
0–30 days	132	162
31–60 days	46	53
61–90 days	17	22
Over 90 days	101	73
	296	310
Other receivables and prepayments	2,146	1,576
Group total	2,442	1,886

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 virtually 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 30 June 2022 as follows:

	30 June 2022	31 December 2021
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Trade payables		
0–30 days	462	420
31–60 days	48	226
61–90 days	57	36
Over 90 days	305	268
	872	950
Rental and customer deposits	1,328	1,352
Construction costs payable	4,602	5,280
Amounts due to associates	8,612	8,794
Amounts due to joint ventures	2,267	2,130
Other payables	3,170	3,248
Group total	20,851	21,754

11. Bank Loans and Other Borrowings

	30 June 2022 <i>HK\$ Million</i>	31 December 2021 <i>HK\$ Million</i>
Bonds and notes (unsecured)	8,873	9,760
Bank loans (secured)	8,822	12,832
Bank loans (unsecured)	11,586	14,153
Total bank loans and other borrowings	29,281	36,745
Analysis of maturities of the above borrowings:		
Current borrowings		
Due within 1 year	3,035	3,664
Non-current borrowings		
Due after more than 1 year but not exceeding 5 years	23,449	30,933
Due after more than 5 years	2,797	2,148
	26,246	33,081
Total bank loans and other borrowings	29,281	36,745

12. Fair Value Measurement of Financial Instruments

a. Assets and liabilities carried at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement ("HKFRS 13"). The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique. The levels are defined as follows:

- Level 1 valuations: Fair value measured using only level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using level 2 inputs, i.e. observable inputs which fail to meet level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

12. Fair Value Measurement of Financial Instruments (continued)

a. Assets and liabilities carried at fair value (continued)

Financial instruments carried at fair value

The fair value measurement information for financial instruments in accordance with HKFRS 13 is given below.

	At 30 June 2022				At 31 December 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Assets								
Other long term investments:								
— Equity investments	45,569	-	-	45,569	44,100	-	-	44,100
— Unlisted investments	-	-	9,256	9,256	-	-	8,802	8,802
Derivative financial instruments:								
— Forward foreign exchange contracts	-	57	-	57	-	55	-	55
— Interest rate swaps	-	94	-	94	-	154	-	154
— Cross currency interest rate swaps	-	57	-	57	-	155	-	155
	45,569	208	9,256	55,033	44,100	364	8,802	53,266
Liabilities								
Derivative financial instruments:								
— Forward foreign exchange contracts	-	144	-	144	-	117	-	117
— Interest rate swaps	-	199	-	199	-	133	-	133
— Cross currency interest rate swaps	-	383	-	383	-	179	-	179
Bank loans and other borrowings:								
— Bonds and notes	-	4,742	-	4,742	-	7,013	-	7,013
— Bank loans	-	433	-	433	-	507	-	507
	-	5,901	-	5,901	-	7,949	-	7,949

During the six months ended 30 June 2022 and 2021, there were no transfers of instruments between Level 1 and Level 2. The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period in which they occur.

12. Fair Value Measurement of Financial Instruments (continued)

a. Assets and liabilities carried at fair value (continued)

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of forward foreign exchange contracts in Level 2 is determined by using the forward exchange rates at the end of the reporting period and comparing them to the contractual rates.

The fair value of interest rate swaps and cross currency interest rate swaps in Level 2 is determined based on the amount that the Group would receive or pay to terminate the swaps at the end of the reporting period taking into account current interest rates and current creditworthiness of the swap counter-parties.

The fair values of bank loans and other borrowings in Level 2 is determined based on cash flows discounted using the Group's current incremental borrowing rates for similar types of borrowings with maturities consistent with those remaining for the debt being valued.

Valuation techniques and inputs used in Level 3 fair value measurements

The Group's unlisted investments categorised in Level 3 comprise private equity funds. These private equity funds were managed by unrelated asset managers who applied various investment strategies to accomplish their respective investment objectives. The fair value of these funds is recorded based on valuations supplied by the fund managers. These valuations are measured by the percentage of ownership of the private equity's net asset value, which is an unobservable input. The fund managers estimated the fair value of underlying investments based on direct market quote for Level 1 financial instruments. For other investments, the fund managers apply appropriate valuation techniques such as latest transaction price, discounted cash flow, or a forward price/earnings multiple arrived at by comparison with publicly-traded comparable companies and after applying a liquidity discount. The models are calibrated regularly and tested for validity using prices from any observable current market transactions in the same instruments or based on any available observable market data.

12. Fair Value Measurement of Financial Instruments (continued)

a. Assets and liabilities carried at fair value (continued)

Valuation techniques and inputs used in Level 3 fair value measurements (continued)

The movement during the period in the balance of these Level 3 fair value measurements are as follows:

	2022 HK\$ Million	2021 HK\$ Million
Unlisted investments		
At 1 January	8,802	6,000
Payment for purchases	216	985
Net unrealised gains recognised in consolidated income statement during the period	256	661
Transfer to Level 1	(18)	(2)
At 30 June	9,256	7,644

Transfer out of level 3

The Group held certain unlisted investments in equity shares with fair value totalled HK\$18 million as at the date of transfer (2021: HK\$2 million). The fair value of these investments was categorised at Level 3 at 31 December 2021 (for information on the valuation technique, see above). This was because the shares were not listed on any stock exchange markets and there were no recent observable arm's length transactions in the shares.

During the current period, those unlisted investments in equity shares have been listed on exchange markets and they are currently actively traded. Because the equity shares now have published price quotations in active markets, the fair value measurement was transferred from Level 3 to Level 1 of the fair value hierarchy at 30 June 2022.

Any gain or loss arising from the remeasurement of the Group's unlisted investments are recognised in the other net charge (Note 4) in the consolidated income statement.

b. Assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 30 June 2022 and 31 December 2021.

13. Material Related Party Transactions

Material transactions between the Group and related parties during the period ended 30 June 2022 are as follows:

- a. There was rental income totalling HK\$54 million (2021: HK\$72 million) from various tenants which are wholly or partly owned by companies which in turn are wholly owned by the family interests of close family members of, or by a trust the settlor of which is a close family member of the chairman of Wheelock and Company Limited (“Wheelock”).
- b. There were in existence agreements with subsidiaries of Wharf Real Estate Investment Company Limited (“Wharf REIC”) for the management, marketing, project management and technical services on Wharf REIC’s hotel operations. Total fees receivable under this arrangement during the current period amounted to HK\$8 million (2021: HK\$7 million). Such transaction also constitutes a connected transaction as defined under the Listing Rules.
- c. The Group paid property services fees in respect of the Group’s property projects totalling HK\$87 million (2021: HK\$51 million). Of which, HK\$57 million (2021: HK\$25 million) was paid to subsidiaries of Wheelock and Wharf REIC and constitute connected transactions as defined under the Listing Rules.
- d. The Group recognised capitalised rent totalling HK\$107 million (2021: HK\$112 million) for the provision of rental services provided by Wharf REIC to the Group. Such transaction also constitutes a connected transaction as defined under the Listing Rules.
- e. There were in existence agreements with subsidiaries of Wharf REIC for the provision of property services on Wharf REIC’s property projects. Total fee receivable under this agreement during the current period amount to HK\$9 million (2021: HK\$9 million). Such transaction also constitutes a connected transaction as defined under the Listing Rules.

14. Contingent Liabilities

As at 30 June 2022, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to overdrafts, short term loans and credit facilities, bonds and notes of up to HK\$47,168 million (31/12/2021: HK\$59,522 million). There were also contingent liabilities in respect of guarantees given by the Company on behalf of joint ventures and associates of HK\$3,846 million (31/12/2021: HK\$3,690 million), of which HK\$3,846 million had been drawn (31/12/2021: HK\$3,690 million).

As at 30 June 2022, there were guarantees of HK\$2,146 million (31/12/2021: HK\$1,539 million) provided by the Group to the financial institutions in favour of their customers in respect of the mortgage loans provided by the financial institutions to those customers for the purchase of the Group’s development properties. There were also mortgage loan guarantees of HK\$3,234 million (31/12/2021: HK\$4,625 million) provided by joint ventures and associates of the Group to the financial institutions in favour of their customers.

The Group and the Company have not recognised any deferred income of the above guarantees for subsidiaries, joint ventures and associates as their fair value cannot be reliably measured and their transaction price was HK\$nil.

As at the end of the reporting period, the Directors do not consider it is probable that a claim will be made against the Group and the Company under any of the guarantees.

15. Commitments

The Group's outstanding commitments as at 30 June 2022 are detailed as below:

	30 June 2022			31 December 2021		
	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million
(I) Properties						
Investment properties						
Hong Kong	75	8,136	8,211	565	5,962	6,527
Mainland China	122	133	255	146	222	368
	197	8,269	8,466	711	6,184	6,895
Development properties						
Hong Kong	1,912	5,217	7,129	1,517	5,390	6,907
Mainland China	3,032	3,683	6,715	4,842	3,348	8,190
	4,944	8,900	13,844	6,359	8,738	15,097
Properties total						
Hong Kong	1,987	13,353	15,340	2,082	11,352	13,434
Mainland China	3,154	3,816	6,970	4,988	3,570	8,558
	5,141	17,169	22,310	7,070	14,922	21,992
(II) Others	1,958	32	1,990	2,118	25	2,143
	1,958	32	1,990	2,118	25	2,143
Group total	7,099	17,201	24,300	9,188	14,947	24,135

- (i) Properties commitments are mainly for attributable land and construction costs to be incurred in the forthcoming period including HK\$2.2 billion (31/12/2021: HK\$nil) land costs.
- (ii) The expenditure for development properties included attributable amounts for developments undertaken by joint ventures and associates totalled HK\$3,739 million (31/12/2021: HK\$4,416 million).

16. Review of Unaudited Interim Financial Information

The unaudited interim financial information for the six months ended 30 June 2022 has been reviewed with no disagreement by the Audit Committee of the Company.

CORPORATE GOVERNANCE CODE

During the financial period under review, all the code provisions set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) were met by the Company, with one exception as regards Code Provision C.2.1 providing for the roles of 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”) 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”).

CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

A set of the Company’s own code of conduct (the “Company’s Code”) was adopted by the Company in 2014 to govern securities transactions of the Directors of the Company (the “Directors”) with terms thereof being no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors, and all Directors have complied with the required standard set out in the Model Code and the Company’s Code during the period under review.

DIRECTORS' INTERESTS IN SHARES

At 30 June 2022, Directors of the Company had the following beneficial interests, all being long positions, in the shares of the Company and Modern Terminals Limited ("Modern Terminals", the Company's subsidiary). The percentages which the relevant shares represented to the total number of shares in issue of the two companies respectively are also set out below:

	Quantity held (percentage)	Nature of Interest
The Company		
Stephen T H Ng	4,185,445 (0.1370%)	Personal Interest
Paul Y C Tsui	300,000 (0.0098%)	Personal Interest
Y T Leng	1,050,000 (0.0344%)	Personal Interest
Kevin K P Chan	350,000 (0.0115%)	Personal Interest
Vincent K Fang	500,000 (0.0164%)	Personal Interest
David Muir Turnbull	70,000 (0.0023%)	Personal Interest
Modern Terminals		
Hans Michael Jebsen	3,787 (5.40%)	Corporate Interest

Note:

The shareholding classified as "Corporate Interest" in which the Director concerned was taken to be interested as stated above was interest of corporation(s) at general meetings of which the relevant Director was either entitled to exercise (or taken under Part XV of the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong) (the "SFO") to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporation(s).

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange by the Directors and/or Chief Executive of the Company pursuant to the SFO or the Model Code (or any other applicable code), there were no interests, whether long or short positions, held or deemed to be interested as at 30 June 2022 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), nor had there been any rights to subscribe for any shares, underlying shares or debentures of the Company and its associated corporations held or deemed to be interested by any of them as at 30 June 2022.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties, other than person(s) who is/are Director(s), who/ which were, directly or indirectly, interested in 5% or more of any class of voting shares of the Company as at 30 June 2022, and the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register"):

Names	No. of ordinary shares (percentage based on total number of shares in issue)
(i) Wheelock and Company Limited ("Wheelock")	1,942,964,551 (63.58%)
(ii) HSBC Trustee (C.I.) Limited ("HSBC Trustee")	1,942,964,551 (63.58%)

Notes:

- (1) For the avoidance of doubt and double counting, it should be noted that the shareholdings stated against parties (i) and (ii) above represented the same block of shares.
- (2) The deemed shareholding interests of Wheelock and HSBC Trustee of 1,942,964,551 shares (63.58%) as at 30 June 2022 stated above included interests (of 5% or more) held through Wheelock's wholly-owned subsidiaries as below:

Names	No. of ordinary shares (percentage based on total number of shares in issue)
(i) Lynchpin Limited ("LL")	265,576,072 (8.69%)
(ii) WF Investment Partners Limited ("WIPL")	711,224,579 (23.27%)
(iii) High Fame Investments Limited ("HFIL")	387,022,000 (12.66%)
(iv) Crystal Pond Limited ("CPL")	575,872,900 (18.84%)
(v) Kowloon Wharf Pte Limited ("KWPL")	*1,942,284,551 (63.56%)

- * For the avoidance of doubt and double counting, it should be noted that KWPL's shareholding interest included the shareholding interests of LL, WIPL, HFIL and CPL.

All the interests stated above represented long positions. As at 30 June 2022, there were no short position interests recorded in the Register.

CHANGES IN INFORMATION OF DIRECTORS

- (I) Given below is the latest information regarding annual emoluments calculated on an annualised basis, exclusive of any and all amounts which would be borne by Wheelock, Wharf Real Estate Investment Company Limited and/or their respective wholly-owned subsidiary(ies), of all those Directors for whom there have been changes of amounts of emoluments since the publication of the last annual report of the Company:

Director(s)	Salary and various allowances HK\$'000	⁽¹⁾ Discretionary annual bonus in cash HK\$'000
Stephen T H Ng	5,447 (2021: 5,350)	9,000 (2021: 26,088)
Paul Y C Tsui	2,374 (2021: 2,324)	3,400 (2021: 3,700)
Y T Leng ⁽²⁾	2,920 (2021: 1,147)	1,800 (2021: Nil)
Kevin K P Chan	3,978 (2021: 3,897)	5,000 (2021: 10,008)
Kevin C Y Hui ⁽³⁾	2,515 (2021: 1,231)	875 (2021: Nil)

Notes:

- (1) The amounts of such discretionary annual bonuses was fixed/decided unilaterally by the employers.
- (2) Ms Y T Leng was re-designated from Non-executive Director to Executive Director on 10 August 2021 and the amount of her 2021 emoluments was a prorated actual amount.
- (3) Mr Kevin C Y Hui was appointed as Director on 1 July 2021 and the amount of his 2021 emoluments was a prorated actual amount.
- (II) Given below are changes in other information of the Director(s) of the Company required to be disclosed pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) under the Listing Rules since the publication of the last annual report of the Company:

	Effective Date
Edward K Y Chen	
<ul style="list-style-type: none"> • HKU SPACE — ceased to be chairman 	26 March 2022
<ul style="list-style-type: none"> • Hang Seng Qianhai Fund Management Company Limited — resigned as INED 	30 June 2022
Elizabeth Law	
<ul style="list-style-type: none"> • Advisory Committee of the Accounting and Financial Reporting Council — appointed as member 	1 August 2022

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.

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

Hong Kong, 10 August 2022

As at the date of this interim report, 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 Jebsen, Ms Elizabeth Law, Mr Richard Y S Tang, Ms Nancy S L Tse and Mr David Muir Turnbull.

Notwithstanding any choice of language or means for the receipt of corporate communications (viz. annual report, interim report, etc.) previously made by Shareholder(s) and communicated to the Company, Shareholder(s) is/are given the option (which may be exercised at any time by giving reasonable prior notice to the Company) of changing his/her/their choice of printed language version(s) to English only, Chinese only or both English and Chinese for receiving future corporate communications, or changing the choice of receiving future corporate communications to using electronic means instead of in printed version (or vice versa). Such notice of change of choice should contain the full name(s) in English, address and contact telephone number of the relevant Shareholder(s), together with the relevant words regarding the request for the change of choice, and should be sent to the Company, c/o the Company's Share Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by post or by hand delivery, or via email to wharfholdings-ecom@hk.tricorglobal.com.