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WHARF

Established 1886

THE WHARF (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 4)

2023 Final Results Announcement

Profit Attained with Smaller Property Provisions

HIGHLIGHTS

- Total property sales fell from 2022 by 44%
- Net order book at year end fell by 75%
- Impairment provisions totaled HK\$1.9 billion, HK\$3.8 billion lower than 2022
- Underlying net profit (“UNP”) before provisions fell by HK\$0.5 billion (or 9%)
- UNP after provisions improved by HK\$3.3 billion
- Attributable profit improved by HK\$2.7 billion

GROUP RESULTS

Group UNP recovered to HK\$3,566 million (2022: HK\$303 million), equivalent to HK\$1.17 (2022: HK\$0.10) per share, due mainly to lower attributable impairment provisions on development properties (“DP”) of HK\$1,933 million (2022: HK\$5,737 million).

After the inclusion of Investment Properties (“IP”) revaluation deficit of HK\$1,617 million (2022: HK\$735 million) and other non-cash items, the Group reported a profit attributable to equity shareholders of HK\$945 million (2022: loss of HK\$1,705 million). Basic earnings per share were HK\$0.31 (2022: loss per share of HK\$0.56).

DIVIDENDS

A first interim dividend of HK\$0.20 per share was paid on 14 September 2023. In lieu of a final dividend, a second interim dividend of HK\$0.20 per share will be paid on 25 April 2024 to Shareholders on record as at 6:00 p.m. on 10 April 2024. Total distribution for the year 2023 will amount to HK\$0.40 (2022: HK\$0.40) per share.

2023 BUSINESS REVIEW

HONG KONG PROPERTIES

The ultra-luxury residential sector was quiet in a generally lacklustre property market. The Group's unique luxury projects with long selling cycles insulated it somewhat from the broader downturn. All existing projects progressed on track.

A house in Mount Nicholson was sold in 2023 for HK\$577 million, equivalent to HK\$82,000 per square foot. This was followed by the sale of an apartment in January 2024 for HK\$600 million, equivalent to HK\$131,000 per square foot.

On an attributable basis, revenue increased by 24% to HK\$1,126 million while operating profit fell to HK\$300 million.

MAINLAND CHINA DEVELOPMENT PROPERTIES

The property market remained subdued amid weak buyer sentiment. The office sales market was particularly challenging as demand remained low with abundant new supply. During the year, attributable impairment provisions totalling HK\$1,855 million were made, mainly in respect of the slow-moving office stock.

No land replenishment was made by the Group since last acquisition in 2019 amid the volatile market. With lower saleable inventory on hand, attributable contracted sales decreased to RMB2.6 billion (2022: RMB4.2 billion), mainly from projects in Suzhou. Net order book at year-end was RMB2.3 billion (2022: RMB8.5 billion). Land bank further depleted to 1.4 million square metres.

On an attributable basis, revenue recognised in 2023 decreased by 35% to HK\$9,258 million and operating profit by 37% to HK\$1,020 million. Recognised GFA was 0.27 million square metres (2022: 0.43 million square metres) and completed GFA was 0.23 million square metres (2022: 0.52 million square metres).

MAINLAND CHINA INVESTMENT PROPERTIES

Retail markets showed slow signs of recovery, but consumption was constrained. The end of COVID restrictions brought only moderate growth in national retail sales, as consumption sentiment was feeble. International brands, local retailers, and F&B operators are demonstrating a prudent approach in managing existing store networks and formulating expansion strategies. Shoppers remained cautious towards non-essential purchases, despite government policy support to stimulate spending.

Office sector faced intense competition and falling occupancy and rent due to oversupply and weak demand.

Segment revenue declined by 1% to HK\$4,757 million and operating profit by 2% to HK\$3,160 million. Translation from the weak Renminbi resulted in understatement of 2023 performance when expressed in Hong Kong dollars.

WHARF HOTELS

Maqo, the Group's latest premium lifestyle brand to debut following the success of Niccolo and Marco Polo, opened its first hotel at Changsha International Finance Square in November 2023, bringing the total number of hotels managed/owned by the Group in Hong Kong, Mainland China and the Philippines to 17.

Hotel performance in Mainland China rebounded firmly on leisure and business travel recovery but lost momentum towards the end of the year. On the other hand, the recovery in Hong Kong was hindered by strong local currency and slow ramp up of flight capacity.

Revenue increased by 66% to HK\$611 million and operating profit turned from a loss to a profit of HK\$107 million.

LOGISTICS INFRASTRUCTURE

Geopolitics and sluggish global trade weighed on throughput in Hong Kong and Mainland China. Segment revenue fell by 20% to HK\$2,370 million and operating profit by 50% to HK\$378 million.

Modern Terminals

Throughput in Hong Kong decreased by 15% to 3.7 million TEUs. In Shenzhen, throughput at 65%-owned DaChan Bay Terminals declined by 5% to 1.9 million TEUs while that at 20%-owned Shekou Container Terminals increased by 2% to 6.1 million TEUs.

Hong Kong Air Cargo Terminals (“HACTL”)

Cargo volume handled by the 21%-owned HACTL decreased by 2% to 1.6 million tonnes.

OUTLOOK

Looking ahead, geopolitical uncertainties risk reducing economic activity and disrupting global supply chains. Elections around the world could also introduce new political risks and volatility.

China faces considerable domestic challenges from sluggish property market to weak consumer sentiment. Spurring consumption will be important but challenging. Recent relaxation of property cooling measures in Hong Kong breathes new life into the housing market but underlying economic performance depends heavily on the Mainland economy given the deepening integration.

Overall, with numerous external and domestic uncertainties compounding volatility, business outlook remains clouded, and these challenging conditions may take an extended period to fully resolve.

FINANCIAL REVIEW

(I) Review of 2023 Final Results

Due to weakening of Renminbi (“RMB”), currency translation tends to understate revenue and profit performance in 2023 for Mainland businesses when converted to Hong Kong Dollars (“HKD”).

Group underlying net profit (“UNP”) increased to HK\$3,566 million (2022: HK\$303 million) mainly due to lower attributable DP provision of HK\$1,933 million (2022: HK\$5,737 million). DP loss narrowed by 77%. Investments profit increased by 37%, while IP and Logistics profit decreased by 6% and 39%, respectively. Group profit attributable to shareholders was reported at HK\$945 million (2022: loss of HK\$1,705 million).

Revenue and Operating Profit (“OP”)

Group revenue increased by 5% to HK\$18,950 million (2022: HK\$18,064 million) and OP by 4% to HK\$6,896 million (2022: HK\$6,603 million).

IP revenue decreased marginally by 1% to HK\$4,843 million (2022: HK\$4,871 million) and OP by 1% to HK\$3,207 million (2022: HK\$3,247 million). In RMB terms, Mainland IP revenue and OP increased by 4% and 2%, respectively.

DP revenue increased by 15% to HK\$8,562 million (2022: HK\$7,462 million) and OP by 32% to HK\$1,232 million (2022: HK\$935 million) mainly for recognition of Hong Kong Peak properties in the third quarter of the year.

Hotels revenue rebounded by 66% to HK\$611 million (2022: HK\$369 million) and returned an OP of HK\$107 million (2022: loss of HK\$27 million).

Logistics revenue decreased by 20% to HK\$2,370 million (2022: HK\$2,964 million) and OP by 50% to HK\$378 million (2022: HK\$763 million) mainly due to lower throughput and lower container yard operation income amid the weakening market trade activities.

Investments OP increased by 34% to HK\$2,030 million (2022: HK\$1,517 million) for increase in dividend income.

IP Revaluation Deficits

Including IP held by joint ventures, independent valuation as at 31 December 2023 gave rise to an attributable but unrealised net revaluation deficit (after related deferred tax and non-controlling interests) of HK\$1,617 million (2022: HK\$735 million), which was charged to the consolidated income statement.

Other Net Charge

Other net charge of HK\$1,600 million (2022: HK\$5,367 million) mainly comprised of impairment provisions for DP subsidiaries of HK\$489 million (2022: HK\$4,240 million), and a fair value loss of HK\$1,041 million (2022: HK\$432 million) on long term fund investment assets.

Finance Costs

Finance costs increased by 40% to HK\$905 million (2022: HK\$646 million) after unrealised mark-to-market loss of HK\$21 million (2022: HK\$173 million) on cross currency and interest rate swaps.

Effective borrowing rate increased to 4.7% (2022: 2.6%) mainly due to higher HIBOR during the year. Excluding the mark-to-market gain/loss, finance costs before capitalisation of HK\$375 million (2022: HK\$355 million) increased by 52% to HK\$1,259 million (2022: HK\$828 million).

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

Associates' attributable profit amounted to HK\$249 million (2022: HK\$21 million) while joint ventures' attributable loss amounted to HK\$1,699 million (2022: HK\$121 million), mainly due to impairment provisions for DP projects of HK\$1,449 million (2022: HK\$1,497 million) and net attributable revaluation deficit (after related deferred tax) of certain investment properties of HK\$500 million (2022: surplus of HK\$17 million), coupled with lower DP recognition in Hong Kong.

Taxation

Taxation charge fell by 34% to HK\$1,090 million (2022: HK\$1,660 million) mainly due to decrease in tax provisions for lower trading profits of Mainland IP and DP.

Profit to Shareholders

Group's UNP recovered to HK\$3,566 million (2022: HK\$303 million). DP loss narrowed by 77%, comprising HK\$150 million profit (after impairment provision of HK\$78 million) for Hong Kong and HK\$1,083 million loss (after impairment provision of HK\$1,855 million) for Mainland. IP profit retreated by 6% to HK\$2,391 million (2022: HK\$2,556 million) and Logistics by 39% to HK\$365 million (2022: HK\$596 million). Investments profit increased by 37% to HK\$1,988 million (2022: HK\$1,451 million).

Including the investment revaluation loss of HK\$1,041 million (2022: HK\$432 million) and net attributable IP valuation deficits of HK\$1,617 million (2022: HK\$735 million), and impairment loss on hotel properties under development of HK\$433 million in 2022, Group profit attributable to equity shareholders amounted to HK\$945 million (2022: loss of HK\$1,705 million). Basic earnings per share were HK\$0.31 based on weighted average of 3,056 million shares (2022: basic loss per share was HK\$0.56 based on 3,056 million shares).

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

Total contracted sales fell by 44% to HK\$3,189 million (2022: HK\$5,678 million) amid a weak market.

Hong Kong contracted sales fell by 67% to HK\$343 million (2022: HK\$1,025 million).

Mainland contracted sales dropped by 38% to RMB2,579 million (2022: RMB4,156 million). Net order book decreased by 73% to RMB2,275 million (December 2022: RMB8,488 million) following recognition during the year.

(III) Liquidity, Financial Resources and Capital Commitments

Shareholders' and Total Equity

As at 31 December 2023, shareholders' equity decreased by 6% to HK\$143.0 billion (December 2022: HK\$151.6 billion), equivalent to HK\$46.79 (December 2022: HK\$49.60) per share, as a result from the investment revaluation deficit on listed equities of HK\$9.8 billion during the year.

Total equity including non-controlling interests decreased by 5% to HK\$148.2 billion (December 2022: HK\$155.7 billion).

Assets

Total business assets, excluding bank deposits and cash, certain financial and deferred tax assets, dropped by 6% to HK\$192.8 billion (December 2022: HK\$205.9 billion). Properties, Logistics and Investments assets accounted for 69%, 9%, 22% (December 2022: 69%, 7%, 24%) of the Group total, respectively.

Geographically, Hong Kong business assets slightly decreased by 1% to HK\$94.9 billion (December 2022: HK\$95.6 billion), Mainland decreased by 11% to HK\$89.1 billion (December 2022: HK\$99.8 billion); and Overseas (mainly Investments) decreased by 16% to HK\$8.8 billion (December 2022: HK\$10.5 billion), representing 49%, 46% and 5% (December 2022: 46%, 49%, 5%) of the Group total, respectively.

Investment Properties

IP portfolio was stated at HK\$71.2 billion (December 2022: HK\$69.2 billion), representing 37% (December 2022: 34%) of total business assets. This portfolio comprised Hong Kong IP of HK\$18.0 billion (December 2022: HK\$14.6 billion) and Mainland IP of HK\$53.2 billion (December 2022: HK\$54.6 billion).

Net of deferred taxes and non-controlling interests, IP value (including IPs held by joint ventures) attributable to the Group was HK\$60.6 billion (December 2022: HK\$58.4 billion), comprising Hong Kong IP of HK\$16.9 billion (December 2022: HK\$14.6 billion) and Mainland IP of HK\$43.7 billion (December 2022: HK\$43.8 billion).

Properties for Sale

DP assets fell by 13% to HK\$37.2 billion (December 2022: HK\$43.0 billion), comprising Hong Kong DP of HK\$29.3 billion (December 2022: HK\$28.5 billion) and Mainland DP of HK\$7.9 billion (December 2022: HK\$14.5 billion).

Interests in Associates and Joint Ventures

Interests in associates and joint ventures decreased by 10% to HK\$27.7 billion (December 2022: HK\$30.8 billion).

Long Term Investments

Long term investments amounted to HK\$42.4 billion (December 2022: HK\$48.9 billion), among which HK\$34.6 billion (December 2022: HK\$40.3 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 year, certain long term investments were realised for a total consideration of HK\$6.2 billion with net surplus of HK\$0.9 billion (2022: deficit of HK\$1.5 billion) being recycled to revenue reserves upon derecognition. Fair value changes on listed investments produced a deficit of HK\$9.8 billion (2022: HK\$1.5 billion) as reflected in the consolidated statement of comprehensive income. The portfolio performed overall in line with the relevant markets.

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

	31 December 2023	31 December 2022
	HK\$ Billion	HK\$ Billion
<u>Analysed by industry sectors</u>		
Properties	18.9	26.2
New economy	11.2	12.7
Others	12.3	10.0
Group Total	42.4	48.9
<u>Analysed by geographical locations</u>		
Hong Kong	33.5	38.4
Overseas	8.9	10.5
Group Total	42.4	48.9

Deposits from Sale of Properties

Deposits from sale of properties decreased by 79% to HK\$1.7 billion (December 2022: HK\$8.2 billion) pending recognition in the coming years.

Net Debt and Gearing

Net debt as at 31 December 2023 increased by 47% to HK\$7.8 billion (December 2022: HK\$5.3 billion) mainly from net acquisition of long term investments during the year. The ratio of net debt to total equity was 5.3% (December 2022: 3.4%).

The Group's net debt comprised HK\$11.6 billion in bank deposits and cash and HK\$19.4 billion in debts. It included Modern Terminals' net debt of HK\$3.0 billion (December 2022: HK\$3.1 billion), which is non-recourse to the Company and its other subsidiaries. The Group will continue to maintain a reasonable level of surplus cash to facilitate business and investment activities.

Finance and Availability of Facilities

Total available loan facilities and issued debt securities as at 31 December 2023 amounted to HK\$36.6 billion, of which HK\$19.4 billion utilised, are analysed as below:

	Available Facilities HK\$ Billion	Utilised Facilities HK\$ Billion	Un-utilised Facilities HK\$ Billion
<u>Company/wholly-owned subsidiaries</u>			
Committed and uncommitted facilities	24.6	10.2	14.4
Debt securities	5.8	5.8	-
	30.4	16.0	14.4
<u>Non-wholly-owned subsidiaries</u>			
Committed and uncommitted facilities			
- Modern Terminals	6.2	3.4	2.8
Group total	36.6	19.4	17.2

Of the above debts, HK\$9.0 billion (December 2022: HK\$6.4 billion) was secured by mortgages over certain IP, DP and other property, plant and equipment together with carrying value of HK\$37.9 billion (December 2022: HK\$21.7 billion).

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

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

The Group continued to maintain a strong financial position with ample surplus cash and undrawn committed facilities to facilitate business and investment activities. In addition, the Group also maintained a portfolio of liquid listed investments with an aggregate market value of HK\$34.6 billion (December 2022: HK\$40.3 billion).

Cash Flows for the Group's Operating and Investing Activities

For the year under review, the Group recorded net operating cash inflow of HK\$5.2 billion (2022: HK\$5.1 billion) before changes in working capital. After payment of Mainland land appreciation tax and other changes, the Group generated a total net inflow from operating activities of HK\$2.4 billion (2022: HK\$6.2 billion).

For investing activities, the Group recorded a net outflow of HK\$3.5 billion (2022: inflow of HK\$4.3 billion), mainly for net acquisitions of long term investments.

Major Capital and Development Expenditures

Major expenditures incurred in 2023 are analysed as follows:

	Hong Kong HK\$ Million	Mainland China HK\$ Million	Total HK\$ Million
Properties			
IP	31	75	106
DP	1,982	2,629	4,611
	<u>2,013</u>	<u>2,704</u>	<u>4,717</u>
Others	<u>199</u>	<u>218</u>	<u>417</u>
Group total	<u>2,212</u>	<u>2,922</u>	<u>5,134</u>

- i. DP and IP expenditures included HK\$1.4 billion for property projects undertaken by associates and joint ventures.
- ii. Other expenditure was mainly related to Modern Terminals' terminal equipment.

Commitment

As at 31 December 2023, major expenditures to be incurred in the coming years was estimated at HK\$14.2 billion, of which HK\$5.8 billion was committed, analysed by segment as below:

	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million
IP			
Mainland China	<u>3</u>	<u>114</u>	<u>117</u>
DP			
Hong Kong	<u>2,172</u>	<u>7,958</u>	<u>10,130</u>
Mainland China	<u>1,207</u>	<u>293</u>	<u>1,500</u>
	<u>3,379</u>	<u>8,251</u>	<u>11,630</u>
Others	<u>2,390</u>	<u>44</u>	<u>2,434</u>
Group total	<u>5,772</u>	<u>8,409</u>	<u>14,181</u>

Properties commitments are mainly for construction cost, inclusive of attributable commitments to associates and joint ventures, to be incurred by stages. These expenditures will be funded by internal financial resources including surplus cash, cash 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 6,400 employees as at 31 December 2023, including about 1,200 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 2023

	Note	2023 HK\$ Million	2022 HK\$ Million
Revenue	2	18,950	18,064
Direct costs and operating expenses		(9,898)	(9,221)
Selling and marketing expenses		(422)	(445)
Administrative and corporate expenses		(1,028)	(1,078)
Operating profit before depreciation, amortisation, interest and tax		7,602	7,320
Depreciation and amortisation		(706)	(717)
Operating profit	2 & 3	6,896	6,603
Decrease in fair value of investment properties		(746)	(264)
Other net charge	4	(1,600)	(5,367)
		4,550	972
Finance costs	5	(905)	(646)
Share of results after tax of:			
Associates		249	21
Joint ventures		(1,699)	(121)
Profit before taxation		2,195	226
Income tax	6	(1,090)	(1,660)
Profit/(loss) for the year		1,105	(1,434)
Profit/(loss) attributable to:			
Equity shareholders		945	(1,705)
Non-controlling interests		160	271
		1,105	(1,434)
Earnings/(loss) per share	7		
Basic and diluted		HK\$0.31	(HK\$0.56)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 31 December 2023

	2023	2022
	HK\$ Million	HK\$ Million
Profit/(loss) for the year	<u>1,105</u>	<u>(1,434)</u>
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Fair value changes on equity investments	(9,761)	(1,520)
Revaluation on reclassification of other properties (net of tax of HK\$75 million)	<u>3,320</u>	-
	<u>(6,441)</u>	<u>(1,520)</u>
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of Mainland operations	(605)	(5,035)
Share of other comprehensive income of associates/joint ventures	(236)	(1,252)
Others	(3)	-
	<u>(844)</u>	<u>(6,287)</u>
Other comprehensive income for the year	<u>(7,285)</u>	<u>(7,807)</u>
Total comprehensive income for the year	<u>(6,180)</u>	<u>(9,241)</u>
Total comprehensive income attributable to:		
Equity shareholders	(7,374)	(9,213)
Non-controlling interests	1,194	(28)
	<u>(6,180)</u>	<u>(9,241)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2023

	Note	31 December 2023 HK\$ Million	31 December 2022 HK\$ Million
Non-current assets			
Investment properties		71,244	69,222
Property, plant and equipment		12,597	12,088
Interests in associates		13,491	13,918
Interests in joint ventures		14,221	16,927
Other long term investments		42,363	48,924
Goodwill and other intangible assets		298	298
Deferred tax assets		133	837
Derivative financial assets		15	48
Other non-current assets		21	25
		<u>154,383</u>	<u>162,287</u>
Current assets			
Properties for sale		37,196	42,986
Trade and other receivables	9	1,618	1,755
Derivative financial assets		87	69
Bank deposits and cash		11,593	14,648
		<u>50,494</u>	<u>59,458</u>
Total assets		<u>204,877</u>	<u>221,745</u>
Non-current liabilities			
Derivative financial liabilities		(344)	(464)
Deferred tax liabilities		(14,602)	(14,561)
Other non-current liabilities		(33)	(30)
Bank loans and other borrowings		(14,932)	(17,565)
		<u>(29,911)</u>	<u>(32,620)</u>
Current liabilities			
Trade and other payables	10	(19,844)	(20,083)
Deposits from sale of properties		(1,717)	(8,202)
Derivative financial liabilities		(433)	(389)
Taxation payable		(269)	(2,345)
Bank loans and other borrowings		(4,500)	(2,399)
		<u>(26,763)</u>	<u>(33,418)</u>
Total liabilities		<u>(56,674)</u>	<u>(66,038)</u>
NET ASSETS		<u>148,203</u>	<u>155,707</u>
Capital and reserves			
Share capital		30,381	30,381
Reserves		112,608	121,204
Shareholders' equity		<u>142,989</u>	<u>151,585</u>
Non-controlling interests		5,214	4,122
TOTAL EQUITY		<u>148,203</u>	<u>155,707</u>

NOTES TO THE FINANCIAL INFORMATION

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

This financial information is extracted from the consolidated financial statements which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Companies Ordinance (Cap. 622 of the laws of Hong Kong) (“Companies Ordinance”). The consolidated financial statements also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of the financial information are consistent with those used in the annual financial statements for the year ended 31 December 2022 except for the changes mentioned below.

The HKICPA has issued a number of amendments to HKFRSs and a new HKFRS that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s consolidated financial statements:

HKFRS 17	Insurance contracts
Amendments to HKAS 1	Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies
Amendments to HKAS 8	Accounting policies, changes in accounting estimates and errors : Definition of accounting estimates
Amendments to HKAS 12	Income taxes : Deferred tax related to assets and liabilities arising from a single transaction
Amendments to HKAS 12	Income taxes : International tax reform – Pillar two model rules

The Group has assessed the impact of the adoption of the above developments 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.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides accounting guidance relating to the abolition of offsetting mechanism effective from 1 May 2025. The abolition of the offsetting mechanism did not have a material impact on the Group’s results and financial position.

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

The financial information relating to the two financial years ended 31 December 2023 and 2022 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 2022 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 2023 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. The Group operates 17 hotels in Asia, five 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 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 2023	Revenue HK\$ Million	Operating profit/ (loss) HK\$ Million	(Decrease)/ increase 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	4,843	3,207	(746)	3	(308)	-	(440)	1,716
Hong Kong	86	47	(181)	-	(8)	-	-	(142)
Mainland China	4,757	3,160	(565)	3	(300)	-	(440)	1,858
Development properties	8,562	1,232	-	(596)	4	(29)	(1,272)	(661)
Hong Kong	787	144	-	-	5	-	31	180
Mainland China	7,775	1,088	-	(596)	(1)	(29)	(1,303)	(841)
Hotels	611	107	-	-	-	3	8	118
Logistics	2,370	378	-	(44)	(178)	275	5	436
Terminals	2,347	355	-	(3)	(178)	169	5	348
Others	23	23	-	(41)	-	106	-	88
Investments	2,030	2,030	-	(1,041)	(29)	-	-	960
Segment total	18,416	6,954	(746)	(1,678)	(511)	249	(1,699)	2,569
Others	534	239	-	78	(394)	-	-	(77)
Corporate expenses	-	(297)	-	-	-	-	-	(297)
Group total	18,950	6,896	(746)	(1,600)	(905)	249	(1,699)	2,195
For the year ended 31 December 2022								
Investment properties	4,871	3,247	(264)	2	(219)	-	109	2,875
Hong Kong	73	21	38	-	(47)	-	-	12
Mainland China	4,798	3,226	(302)	2	(172)	-	109	2,863
Development properties	7,462	935	-	(4,328)	-	(252)	(229)	(3,874)
Hong Kong	-	(6)	-	(1,245)	-	-	510	(741)
Mainland China	7,462	941	-	(3,083)	-	(252)	(739)	(3,133)
Hotels	369	(27)	-	(433)	-	(5)	(9)	(474)
Logistics	2,964	763	-	(56)	(107)	278	8	886
Terminals	2,955	754	-	(15)	(107)	167	8	807
Others	9	9	-	(41)	-	111	-	79
Investments	1,517	1,517	-	(432)	-	-	-	1,085
Segment total	17,183	6,435	(264)	(5,247)	(326)	21	(121)	498
Others	881	585	-	(120)	(320)	-	-	145
Corporate expenses	-	(417)	-	-	-	-	-	(417)
Group total	18,064	6,603	(264)	(5,367)	(646)	21	(121)	226

2. SEGMENT INFORMATION

b. Disaggregation of revenue

	2023	2022
	HK\$ Million	HK\$ Million
Revenue recognised under HKFRS 15		
Sale of development properties	8,562	7,462
Management and services income	576	569
Hotels	611	369
Logistics	2,370	2,964
	<u>12,119</u>	<u>11,364</u>
Revenue recognised under other accounting standards		
Rental income under investment properties segment		
- Fixed	2,934	2,985
- Variable	1,333	1,317
Investments	2,030	1,517
Others	534	881
	<u>6,831</u>	<u>6,700</u>
Group total	<u>18,950</u>	<u>18,064</u>

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

2. SEGMENT INFORMATION

c. Analysis of segment business assets

	2023 HK\$ Million	2022 HK\$ Million
Investment properties	68,469	70,169
Hong Kong	14,557	14,840
Mainland China	53,912	55,329
Development properties	61,016	69,984
Hong Kong	37,932	36,834
Mainland China	23,084	33,150
Hotels	3,292	2,419
Logistics	17,640	14,373
Terminals	16,976	13,687
Others	664	686
Investments	42,363	48,924
Total segment business assets	192,780	205,869
Unallocated corporate assets	12,097	15,876
Group total assets	204,877	221,745

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 the above are :

	2023 HK\$ Million	2022 HK\$ Million
Development properties	23,310	26,419
Logistics	4,402	4,426
Group total	27,712	30,845

2. SEGMENT INFORMATION
d. Other segment information

	Capital expenditure		Increase in interests in associates and joint ventures		Depreciation and amortisation	
	2023	2022	2023	2022	2023	2022
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	Million	Million	Million	Million	Million	Million
Investment properties	106	1,163	-	-	85	83
Hong Kong	31	1,068	-	-	4	6
Mainland China	75	95	-	-	81	77
Development properties	-	-	273	175	-	-
Hong Kong	-	-	170	68	-	-
Mainland China	-	-	103	107	-	-
Hotels	9	1	-	-	91	91
Logistics - Terminals	408	195	-	-	484	500
Investments	-	-	-	-	-	-
Segment total	523	1,359	273	175	660	674
Others	-	-	-	-	46	43
Group total	523	1,359	273	175	706	717

The Group had no significant non-cash expenses other than (i) net provision of HK\$1,938 million (2022: HK\$6,170 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	
	2023	2022	2023	2022
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	4,717	3,978	2,455	2,182
Mainland China	14,030	13,977	4,243	4,323
Others	203	109	198	98
Group total	18,950	18,064	6,896	6,603

	Specified non-current assets		Total business assets	
	2023	2022	2023	2022
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	31,728	28,406	94,868	95,580
Mainland China	80,123	84,047	89,078	99,776
Others	-	-	8,834	10,513
Group total	111,851	112,453	192,780	205,869

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

The geographical location of revenue and operating profit is analysed based on the location at which services are provided or the sales are completed, 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:

	2023 HK\$ Million	2022 HK\$ Million
After charging:		
Depreciation and amortisation on		
- Hotel and other property, plant and equipment	581	592
- leasehold land	79	82
- right-of-use assets	46	43
Total depreciation and amortisation	<u>706</u>	<u>717</u>
Provision of loss allowances of trade receivables	2	11
Staff costs (Note a)	1,580	1,646
Auditors' remuneration		
- audit services	17	17
- other services	1	1
Cost of trading properties for recognised sales	7,043	6,280
Direct operating expenses of investment properties	1,636	1,619
Loss of disposals of property, plant and equipment	<u>-</u>	<u>11</u>
After crediting:		
Gross rental revenue from investment properties	4,843	4,871
Rental income under operating leases in respect of owned plant and equipment	9	9
Interest income (Note b)	322	662
Dividend income from other long term investments	2,030	1,517
Government grants (Note c)	-	26
Gain of disposals of property, plant and equipment	6	-
Reversal of loss allowances for trade receivables	<u>10</u>	<u>-</u>

Notes:

- a. Staff costs include contributions to defined contribution pension schemes of HK\$186 million (2022: HK\$190 million), which included MPF schemes after a forfeiture of HK\$2 million (2022: HK\$3 million).
- b. Interest income of HK\$322 million (2022: HK\$662 million) was in respect of financial assets, including bank deposits, that are measured at amortised cost.
- c. 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 was 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\$1,600 million (2022: HK\$5,367 million) mainly comprises:

- a. Provisions of HK\$489 million made for certain development properties held by subsidiaries in Mainland China (2022: HK\$4,240 million made for certain development properties held by subsidiaries in Mainland China and Hong Kong).
- b. Net fair value loss of HK\$1,041 million (2022: HK\$432 million) on other long term investments which are classified as financial assets at fair value through profit or loss.
- c. Net exchange loss of HK\$72 million (2022: HK\$208 million) which included a fair value loss on forward foreign exchange contracts of HK\$30 million (2022: HK\$28 million).
- d. 2022 included impairment provision of HK\$433 million recognised for hotel properties under development in Mainland China, based on the Group's assessment and with reference to an independent valuation performed by Knight Frank Petty Limited on the market value basis and had taken into account the net income of the respective properties, allowing for reversionary potential where appropriate.

Key assumptions used in the discounted cash flows included long-term growth rate of room rate at 4%, long-term occupancy rate ranging from 26% to 80%, discount rates at 6.5% and the projected net cash flows for the remaining lease term.

5. FINANCE COSTS

	2023 HK\$ Million	2022 HK\$ Million
Interest charged on:		
Bank loans and overdrafts	649	511
Other borrowings	573	196
Lease liabilities	2	2
Total interest charge	<u>1,224</u>	<u>709</u>
Other finance costs	35	119
Less: Amount capitalised	<u>(375)</u>	<u>(355)</u>
	<u>884</u>	<u>473</u>
Fair value loss/(gain):		
Cross currency interest rate swaps	68	140
Interest rate swaps	<u>(47)</u>	<u>33</u>
	<u>21</u>	<u>173</u>
Group total	<u>905</u>	<u>646</u>

6. INCOME TAX

Taxation charged to the consolidated income statement includes:

	2023 HK\$ Million	2022 HK\$ Million
Current tax		
Hong Kong		
- provision for Profits Tax for the year	103	300
- over-provision in respect of prior years	(15)	(7)
Outside Hong Kong		
- provision for the year	626	892
- (over)/under-provision in respect of prior years	(545)	7
	<u>169</u>	<u>1,192</u>
Current tax		
Mainland China		
- Land appreciation tax (“LAT”) (Note c)	<u>97</u>	<u>97</u>
Deferred tax		
Change in fair value of investment properties	86	194
Origination and reversal of temporary differences	738	177
	<u>824</u>	<u>371</u>
Group total	<u>1,090</u>	<u>1,660</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% (2022: 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% (2022: 25%) and up to 10% (2022: 10%), respectively.
- c. Under the Provisional Regulations on LAT, all gains arising from transfer of real estate properties in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds on sales of properties less deductible expenditure including cost of land use rights, borrowings costs and all development property expenditure.
- d. Tax attributable to associates and joint ventures for the year ended 31 December 2023 of HK\$89 million (2022: HK\$544 million) is included in the share of results of associates and joint ventures.

7. EARNINGS/(LOSS) PER SHARE

The calculation of basic and diluted earnings/(loss) per share is based on the profit attributable to equity shareholders for the year of HK\$945 million (2022: loss of HK\$1,705 million) and the weighted average of 3,056 million shares (2022: 3,056 million shares) in issue during the year. There were no dilutive potential shares for the years presented.

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2023 HK\$ per share	2023 HK\$ Million	2022 HK\$ per share	2022 HK\$ Million
First interim dividend declared and paid	0.20	611	0.20	611
Second interim dividend declared after the end of the reporting period (notes a and b)	0.20	611	0.20	611
Group total	0.40	1,222	0.40	1,222

- a. The second interim dividend based on 3,056 million issued shares (2022: 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 2022 was approved and paid in 2023.

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 2023 as follows:

	2023	2022
	HK\$ Million	HK\$ Million
Trade receivables		
0 - 30 days	118	104
31 - 60 days	15	33
61 - 90 days	21	23
Over 90 days	60	84
	214	244
Other receivables and prepayments	1,404	1,511
Group total	1,618	1,755

The Group has established credit policies for each of its core businesses. The general credit terms allowed range from 0 to 60 days, except for sale of properties the proceeds from which are receivable pursuant to the terms of the agreements. All the receivables and prepayments are expected to be recoverable or recognised as expenses within one year.

10. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis based on the invoice date as at 31 December 2023 as follows:

	2023	2022
	HK\$ Million	HK\$ Million
Trade payables		
0 - 30 days	345	364
31 - 60 days	262	218
61 - 90 days	25	95
Over 90 days	251	116
	883	793
Rental and customer deposits	1,354	1,356
Construction costs payable	4,851	4,708
Amounts due to associates	8,013	7,675
Amounts due to joint ventures	1,823	2,298
Other payables	2,920	3,253
Group total	19,844	20,083

11. REVIEW OF FINANCIAL RESULTS

The financial results for the year ended 31 December 2023 have been reviewed with no disagreement by the Audit Committee of the Company. The figures in respect of the Group's financial results for the year ended 31 December 2023 in this announcement 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 2023, the Company has applied all the applicable principles and complied with all the code provisions of the Corporate Governance Code contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, with one exception as regards Code Provision C.2.1 providing for the roles of the chairman and chief executive to be performed by different individuals.

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

RELEVANT DATES FOR SECOND INTERIM DIVIDEND AND ANNUAL GENERAL MEETING

Second Interim Dividend

Ex-entitlement date	9 April 2024 (Tue)
Latest time to lodge share transfer	4:30 p.m., 10 April 2024 (Wed)
Record date/ time	6:00 p.m., 10 April 2024 (Wed)
Payment date	25 April 2024 (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 Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Wednesday, 10 April 2024.

Annual General Meeting ("AGM")

Ex-entitlement date	2 May 2024 (Thu)
Latest time to lodge share transfer	4:30 p.m., 3 May 2024 (Fri)
Book closure period	6 May 2024 (Mon) to 9 May 2024 (Thu), both days inclusive
Record date	6 May 2024 (Mon)
AGM date/ time	11:15 a.m., 9 May 2024 (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 Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Friday, 3 May 2024.

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

Hong Kong, 12 March 2024

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