

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



WHARF

Established 1886

THE WHARF (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 4)

Interim Results Announcement for the half-year period ended 30 June 2021

Welcomed Cautious Recovery from Pandemic

HIGHLIGHTS

- Luxury Development Properties (“DP”) market in Hong Kong is emerging from the shadow of the pandemic while long project time profile increases development risk.
- Strict price control caps Mainland DP returns and suggests a different risk profile. Impairment provisions were made for non-residential stock.
- For Mainland Investment Properties (“IP”), luxury segment out-performance is spurring a tenancy chase from new malls. New office supply keeps an unattractive lid on both occupancy and rent.
- Disruptions in supply chains create opportunities for Hong Kong port while materialization is constrained by shortage of land.

GROUP RESULTS

The Group reported an underlying net loss of HK\$526 million (2020: HK\$1,132 million) for the period.

Group profit attributable to equity shareholders, including IP revaluation surplus and other unrealised accounting gains/losses, was HK\$1,038 million (2020: loss of HK\$1,741 million).

INTERIM DIVIDEND

An interim dividend of HK\$0.20 (2020: HK\$0.20) per share will be paid on 15 September 2021 to Shareholders on record as at 6:00 p.m. on 1 September 2021. This will absorb a total amount of HK\$611 million (2020: HK\$610 million).

BUSINESS REVIEW

HONG KONG PROPERTIES

A burst of activities in the luxury residential segment on the Peak put the Group in the public spotlight briefly at the beginning of the year. In quick succession, HK\$15.6 billion was invested in 2 prime sites, 5 houses and 1 apartment were sold for a total of HK\$3.4 billion, and 2 houses were leased by tender for a total monthly rent exceeding HK\$2.2 million.

On an attributable basis, revenue increased to HK\$2,429 million and operating profit to HK\$682 million during the period, mainly due to recognition from houses sold at 77/79 Peak Road. A gain of HK\$573 million was also recognised from disposal of the Group's remaining interest in Cable TV Tower and One Midtown in Tsuen Wan.

The Peak Portfolio

Acquisition of 2 sites in Mansfield Road doubled total attributable gross floor area ("GFA") to nearly 600,000 square feet. However, the development profile in this segment is characterized by long holding period and high capital intensity.

Mount Nicholson may be a useful illustration of the long holding period in this segment. This site was acquired 11 years ago in 2010. It was not until 2016 when the first units were sold. After selling one more apartment at HK\$490 million during the period, 12 units (2 houses and 10 apartments) remain unsold. Project internal rate of return will be weighed down by the long payback period.

77/79 Peak Road sold first five houses for a total of HK\$3 billion at up to HK\$92,100 per square foot. 4 houses were booked in the first half of 2021. Redevelopment had started in 2012.

MAINLAND CHINA DEVELOPMENT PROPERTIES

Prevailing policies and strict price control in the residential sector significantly increase development risk and render some projects no longer profitable. On the other hand, oversupply in the non-residential sectors has been observed in many cities with slow-moving stock piling up. Attributable impairment provisions totaling HK\$3,650 million were made during the period.

Inclusive of joint ventures and associates on an attributable basis, revenue increased by 64% to HK\$6,995 million, while operating profit decreased by 25% to HK\$883 million.

Attributable contracted sales amounted to RMB5.7 billion (2020: RMB8.1 billion), representing 1,815 units totaling 214,400 square metres. Net order book at the end of June was RMB27.3 billion for 0.9 million square metres. In the absence of new acquisitions, the Group's land bank depleted further to 2.6 million square metres.

MAINLAND CHINA INVESTMENT PROPERTIES

Retail sales is keeping up good growth momentum, mainly led by the luxury segment. However, due to an oversupply of retail space, many landlords are willing to pay a high price to chase a small number of dominant brands. On the office side, the inflating new supply in many cities is keeping an unattractive lid on both occupancy and rent.

Revenue increased by 45% to HK\$2,677 million and operating profit by 50% to HK\$1,780 million, driven mainly by the malls in the International Finance Squares (“IFS”).

Changsha IFS

Spanning one million square metres, Changsha IFS is a trendsetter for entertainment, dining, lifestyle, retail and culture in central China. It reported growth of revenue by 90% and operating profit by 122% in the run-up to its third anniversary, compared to the first half of 2020 at the peak of the pandemic.

The 246,000-square-metre mega shopping mall housing over 370 brands has been sought after by retailers with nearly full occupancy of 99%.

The 452-metre Tower 1, the tallest building in Hunan province, may be the best address in the city for the still emerging Grade A segment. Occupancy of IP floors further climbed to 85%.

The luxury sky hotel at the top floors of Tower 1, Niccolo Changsha, has quickly become the market leader in occupancy and room yield in the city. Record room yield with occupancy of over 95% was achieved in the second quarter of 2021.

Tower 2, which comprises high-end apartments and hotels, is scheduled to complete in phases from the second half of 2022.

Chengdu IFS

A landmark in western China, Chengdu IFS reported that revenue increased by 45% and operating profit by 54%.

Ranking regularly among the Mainland’s top 10 for sales, Chengdu IFS mall is renowned for its collection of top tier brands, bridging pop trends and cultural innovations. Occupancy maintained high at 96%.

Commanding the highest rental rate in Chengdu, the three Grade A office towers provide a leading platform for Fortune 500 companies and multinational corporations. Occupancy rate grew notably to 86%.

Niccolo Chengdu has been a market leader in terms of occupancy and room yield since opening in 2015. Record room yield with 91% occupancy was reported in the second quarter of 2021 to continue to lead the pack.

WHARF HOTELS

Niccolo Suzhou, the fifth hotel in the contemporary chic Niccolo Hotels' portfolio, celebrated its opening in April. Including this new addition, the Group currently manages 17 hotels in mainland China, Hong Kong and the Philippines under the luxury Niccolo Hotels brand and the foundation Marco Polo Hotels brand, comprising a total of over 5,000 rooms.

Crowning the top floors of the 450-metre Suzhou IFS, Niccolo Suzhou features a Sky Lobby and 233 elegant rooms and suites, offering a stunning view of Suzhou's skyline and Jinji Lake. Its iconic positioning was recognised ahead of its opening by winning the title of "Most Anticipated Hotel of the Year" in various awards, followed by "Best Design Hotel Award" from WITrip, "The Hot List" from Conde Nast Traveler, China and "Top 10 Newly Open Hotels of China" in 16th China Hotel Starlight Awards. Business flow is growing steadily since opening.

Segment revenue increased by 111% to HK\$259 million from a low base and operating profit was HK\$35 million. The hotel sector is still very sensitive to the ongoing COVID-19 scare. The Group adheres to the strictest health and safety standards and is concurrently preparing for travellers to return upon relaxation of border controls.

LOGISTICS

Virus control measures in Guangdong and the Suez Canal congestion caused disruptions in global supply chains. Port activities were further challenged by regional competition and geopolitical tension, whereas air cargo volume had seen healthy growth. Segment revenue increased by 13% to HK\$1,361 million and operating profit by 43% to HK\$281 million.

Modern Terminals ("MTL")

MTL managed to sustain growth in the first half of 2021 with more transshipment volume. Yet, the pandemic-induced disruption in Guangdong had a ripple effect on MTL's operations. Throughput handled in Hong Kong increased by 5% to 2.5 million TEUs. In Shenzhen, throughput at DaChan Bay Terminals (MTL's stake: 65%) increased by 37% to 0.8 million TEUs. Shekou Container Terminals (MTL's stake: 20%) increased by 18% to 3 million TEUs.

Hong Kong Seaport Alliance was formed in 2019 to jointly operate the 23 berths at Kwai Tsing Port to enhance efficiency and competitiveness. Nonetheless, handicapped by its natural geographical disadvantage, Kwai Tsing Port mainly competes with other ports in South China for price sensitive transshipment cargo. Disruptions in supply chains create opportunities for Kwai Tsing port while materialization is constrained by severe shortage of land.

Hong Kong Air Cargo Terminals ("HACTL")

The 20.8%-owned HACTL, having a substantial market share in the freighters segment, benefitted from market opportunities amidst limited passenger flights in the pandemic. Total cargo handled increased by 26% to 0.9 million tonnes.

FINANCIAL REVIEW

(I) Review of 1H 2021 Results

Group underlying net loss narrowed to HK\$526 million after a total impairment provision of HK\$3,650 million for Mainland DP (2020: HK\$1,132 million loss after HK\$2,864 million impairment provision for Hong Kong DP). Including net IP revaluation surplus of HK\$282 million (2020: deficit of HK\$641 million) and other non-recurring gains, the Group reported an attributable profit to Shareholders of HK\$1,038 million (2020: loss of HK\$1,741 million).

Revenue and Operating Profit (“OP”)

Group revenue increased by 122% to HK\$12,337 million (2020: HK\$5,551 million) and OP by 71% to HK\$4,301 million (2020: HK\$2,517 million).

Hong Kong DP reported revenue of HK\$2,428 million (2020: nil) and OP of HK\$694 million (2020: loss of HK\$3 million), mainly attributable to sales completion for 4 houses at 77/79 Peak Road.

Mainland IP revenue increased by 45% to HK\$2,677 million (2020: HK\$1,851 million) and OP by 50% to HK\$1,780 million (2020: HK\$1,183 million), resulting mainly from growth in retail rental upon stabilisation of the COVID pandemic.

Mainland DP revenue increased to HK\$4,276 million (2020: HK\$1,176 million) and OP to HK\$714 million (2020: HK\$489 million), on a lower OP margin of 17% (2020: 42%).

Hotels revenue increased by 111% to HK\$259 million (2020: HK\$123 million) and OP improved to HK\$35 million (2020: loss of HK\$49 million) as Mainland hotels recovered from the hard hit first half of 2020.

Logistics revenue increased by 13% to HK\$1,361 million (2020: HK\$1,202 million) and OP by 43% to HK\$281 million (2020: HK\$196 million), mainly due to increase in volume handled by Modern Terminals Limited (“Modern Terminals”).

Investment OP increased by 39% to HK\$773 million (2020: HK\$558 million) mainly due to increase in dividend income from the enlarged investment portfolio.

IP Revaluation Surplus/Deficit

The Group’s IP portfolio was stated at HK\$75.7 billion (2020: HK\$78.2 billion), based on independent valuation as at 30 June 2021, giving rise to an attributable net revaluation surplus (after related deferred tax and non-controlling interests) of HK\$282 million (2020: deficit of HK\$641 million), credited to the consolidated income statement. Net of deferred tax and non-controlling interests, the portfolio’s value attributable to the Group was HK\$67.3 billion.

Other Net Charge

Other net charge was HK\$1,717 million (2020: HK\$2,940 million) which mainly represented impairment provision of HK\$2,980 million for Mainland DP owned by subsidiaries. This was partly compensated by a gain of HK\$573 million (2020: nil) on disposal of interests in certain non-core IP and the fair value gain of HK\$661 million (2020: HK\$132 million) on long term investments classified as financial assets.

Finance Costs

Finance costs decreased by 56% to HK\$264 million (2020: HK\$594 million), which included an unrealised mark-to-market loss of HK\$20 million (2020: HK\$75 million) on cross currency and interest rate swaps. The effective borrowing rate fell to 1.8% (2020: 3.4%). Excluding the mark-to-market gain/loss, finance costs before capitalisation of HK\$273 million (2020: HK\$243 million) decreased by 32% to HK\$517 million (2020: HK\$762 million).

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

Associates' attributable profit decreased to HK\$12 million (2020: HK\$222 million) while joint ventures' attributable loss was HK\$328 million (2020: profit of HK\$372 million), mainly due to lower profit contribution and impairment provision of HK\$670 million from Mainland DP projects.

Income Tax

Taxation charge increased to HK\$1,426 million (2020: HK\$352 million), which included a deferred charge of HK\$423 million (2020: credit of HK\$339 million) resulting from the revaluation surplus of Mainland IP.

Excluding the above deferred taxation, tax charge increased by 45% for higher OP from Mainland IP as well as Land Appreciation Tax following recognition of certain Mainland DP projects during the period.

Profit/Loss to Shareholders

Group profit attributable to equity shareholders amounted to HK1,038 million (2020: loss of HK\$1,741 million). Basic earnings per share were HK\$0.34, based on weighted average of 3,053 million shares (2020: basic loss per share HK\$0.57 based on 3,049 million shares).

Group underlying net loss (a performance indicator of the Group's major business segments), mainly excluding the investment revaluation gain of HK\$661 million and IP revaluation surplus of HK\$282 million, narrowed to HK\$526 million (2020: HK\$1,132 million). By segment, Mainland IP increased by 77% to HK\$1,279 million (2020: HK\$723 million), Logistics increased by 66% to HK\$258 million (2020: HK\$155 million), Investments increased by 93% to HK\$686 million (2020: HK\$356 million) but DP loss increased by 23% to HK\$2,808 million (2020: HK\$2,284 million), combining Hong Kong DP profit of HK\$536 million and Mainland DP loss of HK\$3,344 million after the total impairment provision of HK\$3,650 million.

(II) DP Sales and Net Order Book (inclusive of joint venture projects on an attributable basis)

Total contracted sales (including non-core properties) increased by 42% to HK\$12,931 million (2020: HK\$9,120 million).

Mainland contracted sales decreased by 29% to RMB5,695 million (2020: RMB8,060 million). Net order book maintained at RMB27,261 million (December 2020: RMB27,999 million).

In Hong Kong, contracted DP sales mainly from Peak properties totalled HK\$3,440 million (2020: HK\$267 million). In addition, interests in certain non-core IP were disposed of at a total consideration of HK\$2,647 million (2020: nil).

(III) Liquidity, Financial Resources and Capital Commitments

Shareholders' and Total Equity

As at 30 June 2021, shareholders' equity increased by 4% to HK\$165.1 billion (2020: HK\$158.9 billion), equivalent to HK\$54.03 (2020: HK\$52.07) per share. In addition to the reported profit, the increase was also attributable to HK\$4.8 billion of surplus arising from investment revaluation as at period end which was dealt with in reserves.

Total equity including non-controlling interests increased by 4% to HK\$169.8 billion (2020: HK\$163.5 billion).

Assets

Total business assets, excluding bank deposits and cash, financial and deferred tax assets, increased by 9% to HK\$256.3 billion (2020: HK\$236.1 billion). Properties, Logistics and Investments assets accounted for 62%, 6%, 32% (2020: 65%/ 7%/ 28%) of the Group total, respectively.

Geographically, Mainland business assets amounted to HK\$119.2 billion (2020: HK\$125.5 billion), Hong Kong business assets amounted to HK\$103.3 billion (2020: HK\$86.3 billion) and Overseas business assets, mainly Investments, amounted to HK\$33.8 billion (2020: HK\$24.3 billion), representing 47%, 40% and 13% (2020: 53%/ 37%/ 10%) of the Group total, respectively.

Investment properties

IP portfolio is stated at valuation of HK\$75.7 billion (2020: HK\$78.2 billion), representing 30% (2020: 33%) of total business assets. This portfolio comprised Mainland IP of HK\$58.1 billion (2020: HK\$57.0 billion) and Hong Kong IP of HK\$17.6 billion (2020: HK\$21.2 billion) after disposal of certain non-core interests during the period.

Properties for sale

DP assets increased by 15% to HK\$48.9 billion (2020: HK\$42.4 billion), comprising Mainland DP of HK\$25.4 billion (2020: HK\$31.2 billion), and Hong Kong DP of HK\$23.5 billion (2020: HK\$11.2 billion) with the new addition of Nos. 2-8 Mansfield Road site in Hong Kong.

Interests in associates and joint ventures

Interests in associates and joint ventures increased by 6% to HK\$35.1 billion (2020: HK\$33.1 billion) following the addition of Nos. 9-11 Mansfield Road site in Hong Kong through a 50%-owned joint venture.

Long term investments

Long term investments amounted to HK\$81.2 billion (2020: HK\$66.9 billion), including HK\$6.7 billion in Greentown China Holdings Limited (“Greentown”) and HK\$74.5 billion in a portfolio of blue chips held for long term growth and/or reasonable dividend yield. The portfolio performed overall in line with the relevant markets. None of the investments is individually material to the Group’s total assets. Marking these investments to market produced a net surplus of HK\$4.8 billion (2020: HK\$0.1 billion) as reflected in the Other Comprehensive Income Statement. The surplus was mainly derived from listed equity in new economy sector while those invested in property sector performed stably with reasonable dividend return.

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

	30 June 2021	31 December 2020
	HK\$ Billion	HK\$ Billion
<u>Analysed by industry sectors</u>		
Properties	24.7	21.7
New economy	45.7	35.8
Others	10.8	9.4
Total	81.2	66.9
<u>Analysed by geographical locations</u>		
Hong Kong	47.3	42.5
Overseas	33.9	24.4
Total	81.2	66.9

Deposits from sale of properties

Deposits from sale of properties amounted to HK\$7.2 billion (2020: HK\$8.1 billion) pending for recognition in the coming years.

Net Debt and Gearing

Net debt as at 30 June 2021 increased by 63% to HK\$41.6 billion (2020: HK\$25.5 billion), mainly resulting from payment of HK\$15.6 billion for the acquisition of the two Mansfield Road sites coupled with the net purchase of long-term investments. It comprised of HK\$20.0 billion in bank deposits and cash and HK\$61.6 billion in debts. It includes Modern Terminals' net debt of HK\$4.8 billion (2020: HK\$5.3 billion), which is non-recourse to the Company and its other subsidiaries. Excluding non-recourse debts, the Group's net debt was HK\$36.8 billion (2020: HK\$20.2 billion). At 30 June 2021, the ratio of net debt to total equity rose to 24.5% (2020: 15.6%). Gearing remained low and 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 2021 amounting to HK\$73.5 billion, of which HK\$61.6 billion had been utilised, are analysed as below:

	Available Facility HK\$ Billion	Utilised Facility HK\$ Billion	Un-utilised Facility HK\$ Billion
<u>Company/wholly-owned subsidiaries</u>			
Committed and uncommitted bank facilities	50.8	45.6	5.2
Debt securities	11.2	11.2	-
	<u>62.0</u>	<u>56.8</u>	<u>5.2</u>
<u>Non-wholly-owned subsidiaries</u>			
Committed and uncommitted facilities			
- Modern Terminals	11.5	4.8	6.7
Group total	<u>73.5</u>	<u>61.6</u>	<u>11.9</u>

Of the above debts, HK\$12.8 billion (2020: HK\$7.9 billion) was secured by mortgages over certain IP, DP and other properties, plant and equipment together with carrying value of HK\$33.9 billion (2020: HK\$26.5 billion).

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

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

The Group continued to maintain a strong financial position with ample surplus cash and undrawn committed facilities to facilitate business and investment activities. In addition, the Group also maintained a portfolio of liquid listed investments with an aggregate market value of HK\$73.6 billion (2020: HK\$60.9 billion).

Cash Flows for the Group's Operating and Investing Activities

For the period under review, the Group recorded net cash inflow of HK\$3.7 billion (2020: HK\$2.0 billion) before changes in working capital. A decrease in working capital of HK\$9.2 billion (2020: increase of HK\$2.1 billion) mainly from the acquisition of Nos. 2-8 Mansfield Road site generated a total net outflow from operating activities of HK\$6.7 billion (2020: inflow of HK\$2.8 billion). For investing activities, the Group recorded a net outflow of HK\$8.9 billion (2020: HK\$4.8 billion) mainly for the increase in interests in joint ventures arising from the acquisition of Nos. 9-11 Mansfield Road site and net purchases of other long term investments, partly compensated by sales of interests in certain non-core IP.

Major Capital and Development Expenditures

Major expenditures incurred in 2021 are analysed as follows:

	Hong Kong HK\$ Million	Mainland China HK\$ Million	Total HK\$ Million
Properties			
IP	173	211	384
DP	15,907	2,842	18,749
	<u>16,080</u>	<u>3,053</u>	<u>19,133</u>
Others	<u>47</u>	<u>1</u>	<u>48</u>
Group total	<u>16,127</u>	<u>3,054</u>	<u>19,181</u>

- i. IP expenditure was mainly for construction of the Peak Properties.
- ii. DP expenditures included land cost payments for 100%-owned Nos. 2-8 Mansfield Road and 50%-owned Nos. 9-11 Mansfield Road sites totalling HK\$15.6 billion.
- iii. DP and IP expenditures included HK\$4.8 billion for property projects undertaken by associates and joint ventures.
- iv. Other expenditure was mainly related to Modern Terminals' terminal equipment.

Commitment

As at 30 June 2021, major expenditures to be incurred in the coming years was estimated at HK\$22.5 billion, of which HK\$9.7 billion was committed. They are analysed by segment as below:

	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million
IP			
Hong Kong	786	303	1,089
Mainland China	159	224	383
	<u>945</u>	<u>527</u>	<u>1,472</u>
DP			
Hong Kong	470	6,957	7,427
Mainland China	6,378	5,274	11,652
	<u>6,848</u>	<u>12,231</u>	<u>19,079</u>
Others	<u>1,930</u>	<u>23</u>	<u>1,953</u>
Group total	<u>9,723</u>	<u>12,781</u>	<u>22,504</u>

Properties commitments are mainly for land cost and 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 6,700 employees as at 30 June 2021, including about 1,100 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.

CONSOLIDATED INCOME STATEMENT
For The Six Months Ended 30 June 2021 - Unaudited

		Six months ended 30 June	
		2021	2020
	Note	HK\$ Million	HK\$ Million
Revenue	2	12,337	5,551
Direct costs and operating expenses		(6,715)	(1,895)
Selling and marketing expenses		(317)	(239)
Administrative and corporate expenses		(624)	(549)
Operating profit before depreciation, amortisation, interest and tax		4,681	2,868
Depreciation and amortisation		(380)	(351)
Operating profit	2 & 3	4,301	2,517
Increase/(decrease) in fair value of investment properties		572	(946)
Other net charge	4	(1,717)	(2,940)
		3,156	(1,369)
Finance costs	5	(264)	(594)
Share of results after tax of:			
Associates		12	222
Joint ventures		(328)	372
Profit/(loss) before taxation		2,576	(1,369)
Income tax	6	(1,426)	(352)
Profit/(loss) for the period		1,150	(1,721)
Profit/(loss) attributable to:			
Equity shareholders		1,038	(1,741)
Non-controlling interests		112	20
		1,150	(1,721)
Earnings/(loss) per share	7		
Basic		HK\$0.34	(HK\$0.57)
Diluted		HK\$0.34	(HK\$0.57)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Six Months Ended 30 June 2021 - Unaudited

	Six months ended 30 June	
	2021	2020
	HK\$ Million	HK\$ Million
Profit/(loss) for the period	<u>1,150</u>	<u>(1,721)</u>
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Fair value changes on equity investments	4,776	79
Items that may be reclassified subsequently to profit or loss :		
Exchange difference on translation of Mainland operations	823	(983)
Share of other comprehensive income of associates/joint ventures	<u>159</u>	<u>(189)</u>
Other comprehensive income for the period	<u>5,758</u>	<u>(1,093)</u>
Total comprehensive income for the period	<u>6,908</u>	<u>(2,814)</u>
Total comprehensive income attributable to:		
Equity shareholders	6,750	(2,782)
Non-controlling interests	<u>158</u>	<u>(32)</u>
	<u>6,908</u>	<u>(2,814)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 June 2021 - Unaudited

		30 June 2021	31 December 2020
	Note	HK\$ Million	HK\$ Million
Non-current assets			
Investment properties		75,665	78,151
Property, plant and equipment		13,032	13,250
Interest in associates		15,740	16,898
Interest in joint ventures		19,315	16,241
Other long term investments		81,211	66,875
Goodwill and other intangible assets		298	298
Deferred tax assets		1,059	670
Derivative financial assets		203	275
Other non-current assets		24	24
		206,547	192,682
Current assets			
Properties for sale		48,910	42,396
Trade and other receivables	9	2,700	2,160
Derivative financial assets		205	189
Bank deposits and cash		20,002	16,668
		71,817	61,413
Total assets		278,364	254,095
Non-current liabilities			
Derivative financial liabilities		(344)	(351)
Deferred tax liabilities		(14,445)	(13,915)
Other non-current liabilities		(21)	(30)
Bank loans and other borrowings		(42,519)	(30,625)
		(57,329)	(44,921)
Current liabilities			
Trade and other payables	10	(20,885)	(21,607)
Deposits from sale of properties		(7,211)	(8,098)
Derivative financial liabilities		(218)	(199)
Taxation payable		(3,803)	(4,245)
Bank loans and other borrowings		(19,081)	(11,549)
		(51,198)	(45,698)
Total liabilities		(108,527)	(90,619)
NET ASSETS		169,837	163,476
Capital and reserves			
Share capital		30,364	30,270
Reserves		134,693	128,584
Shareholders' equity		165,057	158,854
Non-controlling interests		4,780	4,622
TOTAL EQUITY		169,837	163,476

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 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 2020. The unaudited interim financial information and notes thereon do not include all of 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 2020 except for the changes mentioned below.

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial information for the current accounting period:

Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform – Phase 2
--	--

The Group has assessed the impact of the adoption of the above amendments and considered that there was no significant impact on the Group’s results and financial position or any substantial changes in the Group’s accounting policies for the current and prior periods have been prepared or presented.

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 2020 that is included in the unaudited interim financial information as comparative information does not constitute the Company’s statutory annual financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622 of the laws of Hong Kong) (“Companies Ordinance”) is as follows:

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. 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 property, development property, hotels, logistics and investments. No operating segments have been aggregated to form the reportable segments.

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

Development property 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, 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	Operating profit / (loss)		Increase/ (decrease) in fair value of investment properties	Other net charge	Finance costs	Share of results after tax of associates	Share of results after tax of joint ventures	Profit / (loss) before taxation
	Revenue HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
30 June 2021								
Investment property	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 property	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
30 June 2020								
Investment property	1,932	1,227	(946)	19	(148)	-	(8)	144
Hong Kong	81	44	(17)	22	(17)	-	-	32
Mainland China	1,851	1,183	(929)	(3)	(131)	-	(8)	112
Development property	1,176	486	-	(3,084)	(1)	122	386	(2,091)
Hong Kong	-	(3)	-	(2,864)	-	(1)	242	(2,626)
Mainland China	1,176	489	-	(220)	(1)	123	144	535
Hotels	123	(49)	-	-	-	-	(4)	(53)
Logistics	1,202	196	-	(22)	(89)	100	(2)	183
Terminals	1,196	190	-	(1)	(89)	59	(2)	157
Others	6	6	-	(21)	-	41	-	26
Investments	558	558	-	132	(199)	-	-	491
Segment total	4,991	2,418	(946)	(2,955)	(437)	222	372	(1,326)
Others	560	330	-	15	(157)	-	-	188
Corporate expenses	-	(231)	-	-	-	-	-	(231)
Group total	5,551	2,517	(946)	(2,940)	(594)	222	372	(1,369)

2. SEGMENT INFORMATION (continued)

b. Analysis of inter-segment revenue

	2021			2020		
	Total Revenue HK\$ Million	Inter-segment revenue HK\$ Million	Group Revenue HK\$ Million	Total Revenue HK\$ Million	Inter-segment revenue HK\$ Million	Group Revenue HK\$ Million
Six months ended 30 June						
Investment property	2,746	-	2,746	1,932	-	1,932
Development property	6,704	-	6,704	1,176	-	1,176
Hotels	259	-	259	123	-	123
Logistics	1,361	-	1,361	1,202	-	1,202
Investments	773	-	773	558	-	558
Segment total	<u>11,843</u>	<u>-</u>	<u>11,843</u>	<u>4,991</u>	<u>-</u>	<u>4,991</u>
Others	494	-	494	560	-	560
Group total	<u>12,337</u>	<u>-</u>	<u>12,337</u>	<u>5,551</u>	<u>-</u>	<u>5,551</u>

c. Disaggregation of revenue

	2021	2020
	HK\$ Million	HK\$ Million
Six months ended 30 June		
Revenue recognised under HKFRS 15		
Sale of development properties	6,704	1,176
Management and services income	292	222
Hotels	259	123
Logistics	1,361	1,202
	<u>8,616</u>	<u>2,723</u>
Revenue recognised under other accounting standards		
Rental income under investment property segment		
Fixed	1,490	1,262
Variable	964	448
Investments	773	558
Others	494	560
	<u>3,721</u>	<u>2,828</u>
Group total	<u>12,337</u>	<u>5,551</u>

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 property 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)

d. Geographical information

	Revenue		Operating profit	
	2021	2020	2021	2020
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Six months ended 30 June				
Hong Kong	4,397	1,571	1,712	890
Mainland China	7,820	3,934	2,475	1,586
Others	120	46	114	41
Group total	<u>12,337</u>	<u>5,551</u>	<u>4,301</u>	<u>2,517</u>

3. OPERATING PROFIT

Operating profit is arrived at:

	Six months ended 30 June	
	2021	2020
	HK\$ Million	HK\$ Million
After charging:		
Depreciation and amortisation on		
– Hotel and other property, plant and equipment	316	297
– leasehold land	44	35
– right-of-use assets	20	19
Total depreciation and amortisation	<u>380</u>	<u>351</u>
Staff cost (Note)	913	824
Cost of trading properties for recognised sales	4,084	591
Direct operating expenses of investment properties	<u>955</u>	<u>630</u>
After crediting:		
Gross rental revenue from investment properties	2,746	1,932
Interest income	214	303
Dividend income from other long term investments	<u>773</u>	<u>558</u>

Note:

Staff costs included contributions to defined contribution pension schemes of HK\$102 million (2020: HK\$64 million), which included MPF schemes after a forfeiture of HK\$2 million (2020: HK\$1 million) and no equity-settled share-based payment expenses (2020: HK\$1 million).

4. OTHER NET CHARGE

Other net charge for the period amounted to HK\$1,717 million (2020: HK\$2,940 million) mainly comprises:

- a. Net provision for diminution in value of HK\$2,980 million was made for certain development properties held by subsidiaries in Mainland China (2020: HK\$2,864 million for a development property in Hong Kong).
- b. A gain of HK\$573 million arose from disposal of interests in certain non-core investment properties.
- c. Net exchange loss of HK\$28 million (2020: HK\$200 million), including impacts of foreign exchange contracts.
- d. Net fair value gain of HK\$661 million (2020: HK\$132 million) on other long term investments which was classified as financial assets at fair value through profit or loss.

5. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	HK\$ Million	HK\$ Million
Interest charged on :		
Bank loans and overdrafts	340	493
Other borrowings	137	241
Total interest charge	477	734
Other finance costs	40	28
Less : Amount capitalised	(273)	(243)
	244	519
Fair value loss:		
Cross currency interest rate swaps	20	50
Interest rate swaps	-	25
	20	75
Group total	264	594

Note: The Group's average effective borrowing rate for the period was 1.8% p.a. (2020: 3.4% p.a.).

6. INCOME TAX

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

	Six months ended 30 June	
	2021 HK\$ Million	2020 HK\$ Million
Current income tax		
Hong Kong		
- provision for the period	240	59
- under-/ (over-) provision in respect of prior years	33	(6)
Outside Hong Kong		
- provision for the period	929	275
- over-provision in respect of prior years	(114)	(65)
	<u>1,088</u>	<u>263</u>
Land appreciation tax (“LAT”) in Mainland China	<u>237</u>	<u>121</u>
Deferred tax		
Change in fair value of investment properties	423	(339)
Origination and reversal of temporary differences	231	307
Benefit of previously unrecognised tax losses now recognised	(553)	-
	<u>101</u>	<u>(32)</u>
Group total	<u>1,426</u>	<u>352</u>

- a. The provision for Hong Kong profits tax is based on the profit for the period as adjusted for tax purposes at the rate of 16.5% (2020: 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% (2020: 25%) and up to 10%, respectively.
- c. Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of 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 2021 of HK\$216 million (2020: HK\$219 million) is included in the share of results of associates and joint ventures.

7. EARNINGS / (LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity shareholders for the period of HK\$1,038 million (2020: loss of HK\$1,741 million) and the weighted average of 3,053 million ordinary shares in issue during the period (2020: 3,049 million ordinary shares).

The calculation of diluted earnings/(loss) per share is based on the profit attributable to equity shareholders for the period of HK\$1,038 million (2020: loss of HK\$1,741 million) and the weighted average of 3,053 million (2020: 3,050 million) ordinary shares which is the weighted average number of ordinary shares in issue during the period after adjusting for the effect of deemed issue of shares under the Company's share option scheme. For the prior period, the effect of all share options was excluded from the calculation of diluted loss per share as the conversion of potential ordinary shares in relation to the outstanding share options would have an anti-dilutive effect.

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	Six months ended 30 June			
	2021	2021	2020	2020
	HK\$ per share	HK\$ Million	HK\$ per share	HK\$ Million
First interim dividend declared after the end of the reporting period	0.20	611	0.20	610

- a. The first interim dividend based on 3,056 million (2020: 3,049 million) issued ordinary shares declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.
- b. The second interim dividend of HK\$611 million for 2020 was approved and paid in 2021.

9. TRADE AND OTHER RECEIVABLES

Included in this item are trade receivables (net of allowance for bad and doubtful debts) with an ageing analysis based on the invoice date as at 30 June 2021 as follows:

	30 June 2021 HK\$ Million	31 December 2020 HK\$ Million
Trade receivables		
0 - 30 days	139	164
31 - 60 days	62	48
61 - 90 days	26	16
Over 90 days	169	248
	<u>396</u>	<u>476</u>
Other receivables and prepayments	2,304	1,684
Group total	<u>2,700</u>	<u>2,160</u>

The Group has established credit policies for each of its core businesses. The general credit terms allowed range from 0 to 60 days, except for sale of properties the proceeds from which are receivable pursuant to the terms of the agreements. All the receivables 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 2021 as follows:

	30 June 2021 HK\$ Million	31 December 2020 HK\$ Million
Trade payables		
0 - 30 days	336	369
31 - 60 days	275	302
61 - 90 days	72	23
Over 90 days	295	170
	<u>978</u>	<u>864</u>
Rental and customer deposits	1,376	1,362
Construction costs payable	5,297	6,733
Amounts due to associates	7,755	7,427
Amounts due to joint ventures	1,864	1,761
Other payables	3,615	3,460
Group total	<u>20,885</u>	<u>21,607</u>

11. COMPARATIVE FIGURES

Certain comparative figures on segment reporting have been reclassified to conform to current period's presentation.

12. REVIEW OF UNAUDITED INTERIM FINANCIAL INFORMATION

The unaudited interim financial information for the six months ended 30 June 2021 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 on The Stock Exchange of Hong Kong Limited were met by the Company, with one exception as regards Code Provision A.2.1 providing for the roles of the chairman and chief executive to be performed by different individuals.

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

RELEVANT DATES FOR INTERIM DIVIDEND

Ex-entitlement date	31 August 2021 (Tue)
Latest time to lodge share transfer	4:30 p.m., 1 September 2021 (Wed)
Record date/ time	6:00 p.m., 1 September 2021 (Wed)
Payment date	15 September 2021 (Wed)

In order to qualify for the above-mentioned interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 1 September 2021.

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

Hong Kong, 10 August 2021

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