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# WHARF

*Established 1886*

**THE WHARF (HOLDINGS) LIMITED**

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 4)

## **2022 Final Results Announcement**

### **Pandemic woes caused \$10 billion NAV erosion**

#### **HIGHLIGHTS**

- All segments in Hong Kong and the Mainland slowed down
- Total property sales decreased by 74% to HK\$6 billion
- Impairment provisions made against unsold stock totaled nearly HK\$6 billion
- Rental income fell by 11%
- Net asset value declined by HK\$10 billion or 6% to HK\$152 billion (HK\$49.60 per share)

#### **GROUP RESULTS**

Group underlying net profit for the year decreased by 92% to HK\$303 million (2021: HK\$3,646 million), equivalent to HK\$0.10 (2021: HK\$1.19) per share.

After the inclusion of Investment Properties (“IP”) revaluation deficit of HK\$735 million (2021: HK\$31 million) and other non-cash items, the Group reported a loss attributable to equity shareholders of HK\$1,705 million (2021: profit of HK\$6,019 million). Basic loss per share was HK\$0.56 (2021: basic earnings per share of HK\$1.97).

#### **DIVIDENDS**

A first interim dividend of HK\$0.20 per share was paid on 15 September 2022. In lieu of a final dividend, a second interim dividend of HK\$0.20 per share will be paid on 27 April 2023 to Shareholders on record as at 6:00 p.m. on 12 April 2023. Total distribution for the year 2022 will amount to HK\$0.40 (2021: HK\$0.40) per share.

## **2022 BUSINESS REVIEW**

### **HONG KONG PROPERTIES**

On an attributable basis, full year sales totaled HK\$1,025 million and net order book at year end amounted to HK\$733 million. Development Properties (“DP”) revenue recognised in 2022 decreased by 79% to HK\$905 million and operating profit by 59% to HK\$616 million.

### **MAINLAND CHINA DEVELOPMENT PROPERTIES**

Market illiquidity and high profile defaults reported for debt-ridden developers had a significant impact on homebuyer sentiment and residential transactions. The Group’s attributable contracted sales decreased by 70% to RMB4.2 billion (2021: RMB13.9 billion), mainly from projects in Hangzhou and Suzhou.

Including joint ventures and associates on an attributable basis, revenue recognised in 2022 decreased by 50% to HK\$14,308 million and operating profit by 56% to HK\$1,688 million. Recognised GFA was 430,700 square metres (2021: 773,700 square metres) and completed GFA was 516,600 square metres (2021: 947,100 square metres).

Net order book at year end amounted to RMB8.5 billion for 278,200 square metres (2021: RMB16.7 billion for 536,400 square metres). Land bank was 1.7 million square metres. No land replenishment was made during the year.

### **MAINLAND CHINA INVESTMENT PROPERTIES**

National retail sales was stagnant in 2022 due to stringent lockdown measures that crippled local economy and slowed consumer spending. Sentiment towards discretionary spending was especially weak in December when infection spread after lifting of lockdown measures. Additionally, office leasing demand was also hindered by the moderating economy and volatile business environment, leading to soft rental and occupancy in an already oversupplied market.

Consequently, the Group’s Mainland China IP portfolio experienced its first reversal in revenue in recent years, with a more severe impact in the second half of the year. Revenue decreased by 11% to HK\$4,798 million and operating profit by 9% to HK\$3,226 million.

### **WHARF HOTELS**

Lockdown measures in Mainland China and quarantine requirement in Hong Kong restricted mobility throughout most of 2022. This led to a decrease in segment revenue of 26% to HK\$369 million and an operating loss of HK\$27 million was reported.

## **LOGISTICS INFRASTRUCTURE**

Global demand weakened starting in mid-year due to inflation and economic slowdown. Furthermore, COVID-19 and stringent precautionary measures in Mainland China seriously disrupted the supply chain. Segment revenue decreased by 1% to HK\$2,964 million and operating profit by 1% to HK\$763 million.

### **Modern Terminals (“MTL”)**

In Hong Kong, cross-border trucking was curtailed due to pandemic measures imposed in Mainland China. As a result, throughput decreased by 11% to 4.4 million TEUs.

In Shenzhen, throughput at DaChan Bay increased by 19% to 2.0 million TEUs while that at associated company Shekou Container Terminals increased by 5% to 6.0 million TEUs.

### **Hong Kong Air Cargo Terminals (“HACTL”)**

Total cargo handled by the 20.8%-owned HACTL decreased by 18% to 1.6 million tonnes. Throughput was affected by weakened cargo demand, the Ukraine-Russia war and cross-border trucking restrictions. The intense competition during market slowdown is a challenge to the Group’s business.

## FINANCIAL REVIEW

### (I) Review of 2022 Final Results

Beset by weak markets, Group underlying net profit decreased by 92% to HK\$303 million (2021: HK\$3,646 million). Group loss attributable to shareholders amounted to HK\$1,705 million (2021: profit of HK\$6,019 million).

#### Revenue and Operating Profit (“OP”)

Group revenue decreased by 19% to HK\$18,064 million (2021: HK\$22,378 million) and OP by 23% to HK\$6,603 million (2021: HK\$8,536 million).

Against the backdrop of intermittent bursts of the pandemic in the Mainland, IP revenue decreased by 11% to HK\$4,871 million (2021: HK\$5,467 million) and OP by 9% to HK\$3,247 million (2021: HK\$3,575 million) while Hotels revenue dropped by 26% to HK\$369 million (2021: HK\$497 million) and operating loss of HK\$27 million (2021: profit of HK\$39 million) was reported.

DP revenue retreated by 33% to HK\$7,462 million (2021: HK\$11,193 million) and OP by 68% to HK\$935 million (2021: HK\$2,939 million) representing a lower OP margin of 13% (2021: 24%) attained on recognition of Mainland properties, and no recognition in Hong Kong.

Logistics revenue decreased by 1% to HK\$2,964 million (2021: HK\$3,002 million) and OP by 1% to HK\$763 million (2021: HK\$771 million) mainly due to throughput volume and mix.

The sole improvement was reported by Investment, with an increase in OP of 14% to HK\$1,517 million (2021: HK\$1,331 million), from increase in dividend income.

#### IP Revaluation Deficit

Including IP held by a joint venture, independent valuation as at 31 December 2022 gave rise to an attributable but unrealised net revaluation deficit (after related deferred tax and non-controlling interests) of HK\$735 million (2021: HK\$31 million), which was charged to the consolidated income statement.

#### Other Net Charge

Other net charge of HK\$5,367 million (2021: HK\$1,019 million) mainly comprised of impairment provisions of HK\$4,240 million (2021: HK\$3,336 million) for DP held by subsidiaries and HK\$433 million for hotel properties under development (2021: Nil), and the fair value loss of HK\$432 million (2021: gain of HK\$1,226 million) on long term fund investment assets.

#### Finance Costs

Finance costs leaped by 143% to HK\$646 million (2021: HK\$266 million) after unrealised mark-to-market loss of HK\$173 million (2021: gain of HK\$135 million) on cross currency and interest rate swaps.

Effective borrowing rate increased to 2.6% (2021: 1.8%) reflecting interest rate hike in the last quarter of the year. Excluding the mark-to-market gain/loss, finance costs before capitalisation of HK\$355 million (2021: HK\$547 million) decreased by 13% to HK\$828 million (2021: HK\$948 million).

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

Associates' attributable profit amounted to HK\$21 million (2021: HK\$719 million) and joint ventures' attributable loss amounted to HK\$121 million (2021: profit of HK\$249 million), mainly due to impairment provisions of HK\$1,497 million (2021: HK\$889 million) for Mainland DP, partly compensated by higher profit recognition from DP project in Hong Kong.

#### Taxation

Taxation charge fell by 43% to HK\$1,660 million (2021: HK\$2,898 million), including deferred tax of HK\$194 million (2021: HK\$852 million) for revaluation surplus of Mainland IP.

Excluding the above deferred taxation, tax charge decreased by 28% to HK\$1,466 million (2021: HK\$2,046 million) mainly due to decrease in tax provisions including land appreciation tax for Mainland DP.

#### Profit to Shareholders

Group underlying net profit (a performance indicator of the Group's major business segments) decreased by 92% to HK\$303 million (2021: HK\$3,646 million). By segment, DP loss widened to HK\$4,054 million (2021: HK\$1,252 million), comprising HK\$726 million (after impairment provision of HK\$1,245 million) for Hong Kong and HK\$3,328 million (after impairment provision of HK\$4,492 million) for Mainland. IP profit declined by 10% to HK\$2,556 million (2021: HK\$2,826 million) and Logistics by 8% to HK\$596 million (2021: HK\$648 million). Investments profit alone increased by 20% to HK\$1,451 million (2021: HK\$1,213 million).

Including the investment revaluation loss of HK\$432 million (2021: gain of HK\$1,226 million), impairment loss on hotel properties under development HK\$433 million and net attributable IP revaluation deficit of HK\$735 million (2021: HK\$31 million), Group loss attributable to equity shareholders was HK\$1,705 million (2021: profit of HK\$6,019 million). Basic loss per share was HK\$0.56, based on weighted average of 3,056 million shares (2021: profit of HK\$1.97 based on 3,055 million shares).

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

Total contracted sales fell by 74% to HK\$5,678 million (2021: HK\$21,864 million).

Mainland contracted sales dropped by 70% to RMB4,156 million (2021: RMB13,858 million). Net order book decreased by 49% to RMB8,488 million (December 2021: RMB16,657 million) following recognition during the year.

Hong Kong contracted sales decreased by 79% to HK\$1,025 million (2021: HK\$4,914 million) with no disposal gains from non-core IP in the reporting period. Net order book amounted to HK\$733 million (December 2021: HK\$600 million) pending for recognition as at 31 December 2022.

### **(III) Liquidity, Financial Resources and Capital Commitments**

#### Shareholders' and Total Equity

As at 31 December 2022, shareholders' equity decreased by 6% to HK\$151.6 billion (2021: HK\$162.0 billion), equivalent to HK\$49.60 (2021: HK\$53.02) per share. The decrease amounted to HK\$10.4 billion or HK\$3.42 per share. Major factors included the exchange reserve deficit on Renminbi ("RMB") net assets of HK\$6.0 billion and the investment revaluation deficit of HK\$1.5 billion.

Total equity including non-controlling interests decreased by 6% to HK\$155.7 billion (2021: HK\$166.4 billion).

#### Assets

Total business assets, excluding bank deposits and cash, certain financial and deferred tax assets, decreased by 10% to HK\$205.9 billion (2021: HK\$228.6 billion). Properties, Logistics and Investments assets accounted for 69%, 7%, 24% (2021: 70%/7%/23%) of the Group total, respectively.

Geographically, Mainland business assets fell by 17% to HK\$99.8 billion (2021: HK\$120.0 billion); Hong Kong increased slightly by 1% to HK\$95.6 billion (2021: HK\$94.6 billion) and Overseas, mainly Investments, decreased by 25% to HK\$10.5 billion (2021: HK\$14.0 billion), representing 46%, 49% and 5% (2021: 53%/41%/6%) of the Group total, respectively.

#### Investment properties

IP portfolio was stated at independent valuation of HK\$69.2 billion (2021: HK\$76.5 billion), representing 34% (2021: 33%) of total business assets. This portfolio comprised Mainland IP of HK\$54.6 billion (2021: HK\$59.7 billion) and Hong Kong IP of HK\$14.6 billion (2021: HK\$16.8 billion).

Net of deferred taxes and non-controlling interests, IP value attributable to the Group was HK\$58.4 billion (2021: HK\$65.2 billion), comprising Mainland IP of HK\$43.8 billion (2021: HK\$48.4 billion) and Hong Kong IP of HK\$14.6 billion (2021: HK\$16.8 billion).

#### Properties for sale

DP assets (after impairment provisions) fell by 11% to HK\$43.0 billion (2021: HK\$48.5 billion), comprising Mainland DP of HK\$14.5 billion (2021: HK\$24.9 billion) and Hong Kong DP of HK\$28.5 billion (2021: HK\$23.6 billion) with the reclassification of Kowloon Godown project as properties for sale.

### Interests in associates and joint ventures

Interests in associates and joint ventures (after impairment provisions) declined by 14% to HK\$30.8 billion (2021: HK\$35.9 billion).

### Long term investments

Long term investments amounted to HK\$48.9 billion (2021: HK\$52.9 billion), among which HK\$40.3 billion were listed equity shares (2021: HK\$44.1 billion), 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\$14.3 billion with net deficit of HK\$1.5 billion (2021: surplus of HK\$5.4 billion) being recycled to revenue reserves upon derecognition. Fair value changes on listed investments produced deficit of HK\$1.5 billion (2021: HK\$4.1 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:

	<b>31 December 2022</b>	<b>31 December 2021</b>
	<b>HK\$ Billion</b>	<b>HK\$ Billion</b>
<u>Analysed by industry sectors</u>		
Properties	26.2	22.6
New economy	12.7	21.4
Others	10.0	8.9
Total	<u>48.9</u>	<u>52.9</u>
<u>Analysed by geographical locations</u>		
Hong Kong	38.4	38.8
Overseas	10.5	14.1
Total	<u>48.9</u>	<u>52.9</u>

### Deposits from sale of properties

Deposits from sale of properties decreased by 15% to HK\$8.2 billion (2021: HK\$9.6 billion) pending for recognition in the coming years.

### Net Debt and Gearing

Net debt as at 31 December 2022 decreased by 60% to HK\$5.3 billion (31 December 2021: HK\$13.2 billion) mainly from disposal of long term investments and Mainland DP sales less construction costs during the year, partly offset by land premium paid for Kowloon Godown.

The Group's net debt comprised of HK\$14.6 billion in bank deposits and cash and HK\$19.9 billion in debts. It included MTL's net debt of HK\$3.1 billion (2021: HK\$4.2 billion), which is non-recourse to the Company and its other subsidiaries. At 31 December 2022, the ratio of net debt to total equity further declined to 3.4% (2021: 7.9%). The Group will continue to maintain a reasonable level of surplus cash to facilitate business and investment activities.

#### Finance and Availability of Facilities

Total available loan facilities and issued debt securities as at 31 December 2022 totalled HK\$35.9 billion, of which HK\$19.9 billion had been utilised, are analysed as below:

	<b>Available Facilities HK\$ Billion</b>	<b>Utilised Facilities HK\$ Billion</b>	<b>Un-utilised Facilities HK\$ Billion</b>
<u>Company/wholly-owned subsidiaries</u>			
Committed and uncommitted facilities	21.1	9.4	11.7
Debt securities	7.4	7.4	-
	<u>28.5</u>	<u>16.8</u>	<u>11.7</u>
<u>Non-wholly-owned subsidiaries</u>			
Committed and uncommitted facilities			
- MTL	7.4	3.1	4.3
Group total	<u>35.9</u>	<u>19.9</u>	<u>16.0</u>

Of the above debts, HK\$6.4 billion (2021: HK\$12.8 billion) was secured by mortgages over certain IP, DP and other property, plant and equipment together with carrying value of HK\$21.7 billion (2021: HK\$30.9 billion).

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

The use of derivative financial instruments is strictly monitored and controlled. 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\$40.3 billion (2021: HK\$44.1 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\$5.1 billion (2021: HK\$7.5 billion) before changes in working capital. An increase in working capital of HK\$1.6 billion (2021: decrease of HK\$4.0 billion) from decrease in properties for sale generating a total net inflow from operating activities of HK\$6.2 billion (2021: HK\$2.6 billion). For investing activities, the Group recorded a net inflow of HK\$4.3 billion (2021: HK\$11.3 billion), mainly for net disposals of long term investments and decrease in advance to a Hong Kong DP joint venture.

## Major Capital and Development Expenditures

Major expenditures incurred in 2022 are analysed as follows:

	<b>Hong Kong HK\$ Million</b>	<b>Mainland China HK\$ Million</b>	<b>Total HK\$ Million</b>
<b>Properties</b>			
IP	1,068	95	1,163
DP	3,106	3,440	6,546
	<u>4,174</u>	<u>3,535</u>	<u>7,709</u>
<b>Others</b>	<u>72</u>	<u>124</u>	<u>196</u>
<b>Group total</b>	<u>4,246</u>	<u>3,659</u>	<u>7,905</u>

- i. IP expenditures mainly included construction cost accrued for No. 1 Plantation Road upon completion. DP expenditures in Hong Kong mainly included HK\$2.1 billion land modification premium payments for Kowloon Godown for redevelopment for residential use.
- ii. Above DP and IP expenditures included HK\$1.4 billion for property projects undertaken by associates and joint ventures.
- iii. Others expenditure was mainly related to MTL's terminal equipment.

## Commitment

As at 31 December 2022, major expenditures to be incurred in the coming years was estimated at HK\$21.7 billion, of which HK\$8.2 billion was committed, analysed by segment as below:

	<b>Committed HK\$ Million</b>	<b>Uncommitted HK\$ Million</b>	<b>Total HK\$ Million</b>
<b>IP</b>			
Mainland China	<u>89</u>	<u>158</u>	<u>247</u>
<b>DP</b>			
Hong Kong	<u>3,174</u>	<u>11,396</u>	<u>14,570</u>
Mainland China	<u>2,041</u>	<u>1,890</u>	<u>3,931</u>
	<u>5,215</u>	<u>13,286</u>	<u>18,501</u>
<b>Others</b>	<u>2,859</u>	<u>47</u>	<u>2,906</u>
<b>Group total</b>	<u>8,163</u>	<u>13,491</u>	<u>21,654</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 6,200 employees as at 31 December 2022, including about 1,100 employed by managed operations. Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the respective group's achievement and results.

**CONSOLIDATED INCOME STATEMENT**  
**For The Year Ended 31 December 2022**

	Note	2022 HK\$ Million	2021 HK\$ Million
<b>Revenue</b>	2	<b>18,064</b>	22,378
Direct costs and operating expenses		<b>(9,221)</b>	(11,064)
Selling and marketing expenses		<b>(445)</b>	(671)
Administrative and corporate expenses		<b>(1,078)</b>	(1,353)
Operating profit before depreciation, amortisation, interest and tax		<b>7,320</b>	9,290
Depreciation and amortisation		<b>(717)</b>	(754)
<b>Operating profit</b>	2 & 3	<b>6,603</b>	8,536
(Decrease)/increase in fair value of investment properties		<b>(264)</b>	1,018
Other net charge	4	<b>(5,367)</b>	(1,019)
		<b>972</b>	8,535
Finance costs	5	<b>(646)</b>	(266)
Share of results after tax of:			
Associates		<b>21</b>	719
Joint ventures		<b>(121)</b>	249
Profit before taxation		<b>226</b>	9,237
Income tax	6	<b>(1,660)</b>	(2,898)
<b>(Loss)/profit for the year</b>		<b>(1,434)</b>	<b>6,339</b>
<b>(Loss)/profit attributable to:</b>			
Equity shareholders		<b>(1,705)</b>	6,019
Non-controlling interests		<b>271</b>	320
		<b>(1,434)</b>	<b>6,339</b>
<b>(Loss)/earnings per share</b>	7		
Basic and diluted		<b>(HK\$0.56)</b>	HK\$1.97

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For The Year Ended 31 December 2022**

	<b>2022</b>	2021
	<b>HK\$ Million</b>	HK\$ Million
<b>(Loss)/profit for the year</b>	<u><b>(1,434)</b></u>	<u>6,339</u>
<b>Other comprehensive income</b>		
<b>Item that will not be reclassified to profit or loss:</b>		
Fair value changes on equity investments	<b>(1,520)</b>	(4,054)
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange difference on translation of Mainland operations	<b>(5,035)</b>	1,929
Share of other comprehensive income of associates/joint ventures	<u><b>(1,252)</b></u>	<u>544</u>
<b>Other comprehensive income for the year</b>	<u><b>(7,807)</b></u>	<u>(1,581)</u>
<b>Total comprehensive income for the year</b>	<u><b>(9,241)</b></u>	<u>4,758</u>
<b>Total comprehensive income attributable to:</b>		
Equity shareholders	<b>(9,213)</b>	4,313
Non-controlling interests	<b>(28)</b>	445
	<u><b>(9,241)</b></u>	<u>4,758</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**At 31 December 2022**

		<b>31 December 2022</b>	31 December 2021
	Note	<b>HK\$ Million</b>	HK\$ Million
<b>Non-current assets</b>			
Investment properties		<b>69,222</b>	76,525
Property, plant and equipment		<b>12,088</b>	12,967
Interests in associates		<b>13,918</b>	15,845
Interests in joint ventures		<b>16,927</b>	20,014
Other long term investments		<b>48,924</b>	52,902
Goodwill and other intangible assets		<b>298</b>	298
Deferred tax assets		<b>837</b>	830
Derivative financial assets		<b>48</b>	116
Other non-current assets		<b>25</b>	25
		<b>162,287</b>	179,522
<b>Current assets</b>			
Properties for sale		<b>42,986</b>	48,485
Trade and other receivables	9	<b>1,755</b>	1,886
Derivative financial assets		<b>69</b>	248
Bank deposits and cash		<b>14,648</b>	23,559
		<b>59,458</b>	74,178
<b>Total assets</b>		<b>221,745</b>	253,700
<b>Non-current liabilities</b>			
Derivative financial liabilities		<b>(464)</b>	(369)
Deferred tax liabilities		<b>(14,561)</b>	(15,264)
Other non-current liabilities		<b>(30)</b>	(36)
Bank loans and other borrowings		<b>(17,565)</b>	(33,081)
		<b>(32,620)</b>	(48,750)
<b>Current liabilities</b>			
Trade and other payables	10	<b>(20,083)</b>	(21,754)
Deposits from sale of properties		<b>(8,202)</b>	(9,644)
Derivative financial liabilities		<b>(389)</b>	(60)
Taxation payable		<b>(2,345)</b>	(3,451)
Bank loans and other borrowings		<b>(2,399)</b>	(3,664)
		<b>(33,418)</b>	(38,573)
<b>Total liabilities</b>		<b>(66,038)</b>	(87,323)
<b>NET ASSETS</b>		<b>155,707</b>	166,377
<b>Capital and reserves</b>			
Share capital		<b>30,381</b>	30,381
Reserves		<b>121,204</b>	131,639
<b>Shareholders' equity</b>		<b>151,585</b>	162,020
<b>Non-controlling interests</b>		<b>4,122</b>	4,357
<b>TOTAL EQUITY</b>		<b>155,707</b>	166,377

## 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 2021 except for the changes mentioned below.

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

Amendments to HKAS 16	Property, plant and equipment: Proceeds before intended use
Amendments to HKAS 37	Provisions, contingent liabilities and contingent assets: Onerous contracts - cost of fulfilling a contract

The Group has assessed the impact of the adoption of the above amendments and considered that there was no significant impact on the Group’s results and financial position or any substantial changes in the Group’s accounting policies.

The Group has not 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 2022 and 2021 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 2021 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 2022 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 16 hotels in Asia, four of which are owned by the Group.

Logistics segment mainly includes the container terminal operations in Hong Kong and Mainland China undertaken by Modern Terminals Limited, and Hong Kong Air Cargo Terminals Limited.

Investments segment includes a diversified portfolio of listed equity investments in Hong Kong and overseas and unlisted investments, mainly property and new economy companies. The performance of the portfolio is assessed and monitored by top management regularly.

Management evaluates performance primarily based on operating profit as well as the equity share of results of associates and joint ventures of each segment. Inter-segment pricing is generally determined on an arm's length basis.

Segment business assets principally comprise all tangible assets, intangible assets and current assets directly attributable to each segment with the exception of bank deposits and cash, deferred tax assets and 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 2022	Revenue HK\$ Million	Operating profit/ (loss) HK\$ Million	(Decrease)/ increase in fair value of Investment properties HK\$ Million	Other net (charge)/ income 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	4,871	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
For the year ended 31 December 2021								
Investment properties	5,467	3,575	1,018	1	(192)	-	190	4,592
Hong Kong	101	46	97	-	(34)	-	-	109
Mainland China	5,366	3,529	921	1	(158)	-	190	4,483
Development properties	11,193	2,939	-	(3,355)	(3)	423	53	57
Hong Kong	3,860	1,151	-	(360)	-	-	283	1,074
Mainland China	7,333	1,788	-	(2,995)	(3)	423	(230)	(1,017)
Hotels	497	39	-	-	-	1	(2)	38
Logistics	3,002	771	-	(32)	(108)	295	8	934
Terminals	2,997	766	-	9	(108)	170	8	845
Others	5	5	-	(41)	-	125	-	89
Investments	1,331	1,331	-	1,226	(93)	-	-	2,464
Segment total	21,490	8,655	1,018	(2,160)	(396)	719	249	8,085
Others	888	306	-	1,141	130	-	-	1,577
Corporate expenses	-	(425)	-	-	-	-	-	(425)
Group total	22,378	8,536	1,018	(1,019)	(266)	719	249	9,237

## 2. SEGMENT INFORMATION

### b. Disaggregation of revenue

	2022	2021
	HK\$ Million	HK\$ Million
<b>Revenue recognised under HKFRS 15</b>		
Sale of development properties	7,462	11,193
Management and services income	569	634
Hotels	369	497
Logistics	2,964	3,002
	<b>11,364</b>	<b>15,326</b>
<b>Revenue recognised under other accounting standards</b>		
Rental income under investment properties segment		
- Fixed	2,985	3,033
- Variable	1,317	1,800
Investments	1,517	1,331
Others	881	888
	<b>6,700</b>	<b>7,052</b>
Group total	<b>18,064</b>	<b>22,378</b>

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 fees under investment properties segment as the Group recognises revenue at the amount to which it has a right to invoice, which corresponds directly with the value to the customer of the Group's performance completed to date.

## 2. SEGMENT INFORMATION

### c. Analysis of segment business assets

	2022 HK\$ Million	2021 HK\$ Million
Investment properties	70,169	77,586
Hong Kong	14,840	17,099
Mainland China	55,329	60,487
Development properties	69,984	80,350
Hong Kong	36,834	32,794
Mainland China	33,150	47,556
Hotels	2,419	2,423
Logistics	14,373	15,357
Terminals	13,687	14,641
Others	686	716
Investments	48,924	52,902
Total segment business assets	205,869	228,618
Unallocated corporate assets	15,876	25,082
Group total assets	221,745	253,700

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:

	2022 HK\$ Million	2021 HK\$ Million
Development properties	26,419	31,308
Logistics	4,426	4,551
Group total	30,845	35,859

2. SEGMENT INFORMATION  
d. Other segment information

	Capital expenditure		Increase in interests in associates and joint ventures		Depreciation and amortisation	
	2022	2021	2022	2021	2022	2021
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	Million	Million	Million	Million	Million	Million
Investment properties	<b>1,163</b>	827	-	-	<b>83</b>	91
Hong Kong	<b>1,068</b>	448	-	-	<b>6</b>	7
Mainland China	<b>95</b>	379	-	-	<b>77</b>	84
Development properties	-	-	<b>175</b>	3,928	-	-
Hong Kong	-	-	<b>68</b>	3,701	-	-
Mainland China	-	-	<b>107</b>	227	-	-
Hotels	<b>1</b>	-	-	-	<b>91</b>	95
Logistics - Terminals	<b>195</b>	124	-	-	<b>500</b>	528
Investments	-	-	-	-	-	-
Segment total	<b>1,359</b>	951	<b>175</b>	3,928	<b>674</b>	714
Others	-	-	-	-	<b>43</b>	40
Group total	<b>1,359</b>	951	<b>175</b>	3,928	<b>717</b>	754

The Group had no significant non-cash expenses other than (i) net provision of HK\$6,170 million (2021: HK\$4,225 million) made for hotel properties under development and certain development projects undertaken by subsidiaries, joint ventures and associates, and (ii) depreciation and amortisation.

## 2. SEGMENT INFORMATION

### e. Geographical information

	Revenue		Operating Profit	
	2022	2021	2022	2021
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	<b>3,978</b>	7,718	<b>2,182</b>	3,205
Mainland China	<b>13,977</b>	14,461	<b>4,323</b>	5,145
Others	<b>109</b>	199	<b>98</b>	186
Group total	<b>18,064</b>	22,378	<b>6,603</b>	8,536
	<b>Specified non-current assets</b>		<b>Total business assets</b>	
	2022	2021	2022	2021
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	<b>28,406</b>	31,700	<b>95,580</b>	94,554
Mainland China	<b>84,047</b>	93,949	<b>99,776</b>	120,036
Others	-	-	<b>10,513</b>	14,028
Group total	<b>112,453</b>	125,649	<b>205,869</b>	228,618

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:

	2022 HK\$ Million	2021 HK\$ Million
<b>After charging:</b>		
Depreciation and amortisation on		
- Hotel and other property, plant and equipment	592	629
- leasehold land	82	85
- right-of-use assets	43	40
Total depreciation and amortisation	<u>717</u>	<u>754</u>
Provision of loss allowances of trade receivables	11	-
Staff costs (Note a)	1,646	1,804
Auditors' remuneration		
- audit services	17	16
- other services	1	1
Cost of trading properties for recognised sales	6,280	7,748
Direct operating expenses of investment properties	1,619	1,889
Loss of disposal of property, plant and equipment	<u>11</u>	<u>-</u>
<b>After crediting:</b>		
Gross rental revenue from investment properties	4,871	5,467
Rental income under operating leases in respect of owned plant and equipment	9	9
Interest income (Note b)	662	425
Dividend income from other long term investments	1,517	1,331
Government grants (Note c)	26	-
Reversal of loss allowances for trade receivables	<u>-</u>	<u>9</u>

#### Notes:

- a. Staff costs include contributions to defined contribution pension schemes of HK\$190 million (2021: HK\$199 million), which included MPF schemes after a forfeiture of HK\$3 million (2021: HK\$4 million).
- b. Interest income of HK\$662 million (2021: HK\$425 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 is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group was required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees of the concerned business units.

#### 4. OTHER NET CHARGE

Other net charge for the year amounted to HK\$5,367 million (2021: HK\$1,019 million) mainly comprises:

- a. Impairment provision totaled HK\$4,240 million (2021: HK\$3,336 million) made for certain development properties held by subsidiaries in Mainland China and Hong Kong.
- b. Impairment provision of HK\$433 million was 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 has 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.

- c. Net fair value loss of HK\$432 million (2021: gain of HK\$1,226 million) on other long term investments which are classified as financial assets at fair value through profit or loss.
- d. Net exchange loss of HK\$208 million (2021: HK\$69 million) which included a fair value loss on forward foreign exchange contracts of HK\$28 million (2021: HK\$156 million).
- e. The amount for 2021 included net gain of HK\$697 million from disposals of certain investment properties and a gain of HK\$408 million from disposals of subsidiaries relating to residential property management business in Mainland China.

#### 5. FINANCE COSTS

	2022 HK\$ Million	2021 HK\$ Million
Interest charged on:		
Bank loans and overdrafts	511	643
Other borrowings	196	218
Lease liabilities	2	2
Total interest charge	<u>709</u>	<u>863</u>
Other finance costs	119	85
Less: Amount capitalised	<u>(355)</u>	<u>(547)</u>
	473	401
Fair value loss/(gain):		
Cross currency interest rate swaps	140	(138)
Interest rate swaps	33	3
	<u>173</u>	<u>(135)</u>
Group total	<u>646</u>	<u>266</u>

## 6. INCOME TAX

Taxation charged to the consolidated income statement includes:

	2022 HK\$ Million	2021 HK\$ Million
<b>Current tax</b>		
Hong Kong		
- provision for Profits tax for the year	300	414
- (over)/under-provision in respect of prior years	(7)	10
Outside Hong Kong		
- provision for the year	892	1,181
- under/(over)-provision in respect of prior years	7	(114)
	<u>1,192</u>	<u>1,491</u>
<b>Current tax</b>		
Mainland China		
- Land appreciation tax (“LAT”) (Note c)	<u>97</u>	<u>479</u>
<b>Deferred tax</b>		
Change in fair value of investment properties	194	852
Origination and reversal of temporary differences	177	76
	<u>371</u>	<u>928</u>
Group total	<u>1,660</u>	<u>2,898</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% (2021: 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% (2021: 25%) and up to 10% (2021: 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 the 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 2022 of HK\$544 million (2021: HK\$987 million) is included in the share of results of associates and joint ventures.

## 7. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share is based on the loss attributable to equity shareholders for the year of HK\$1,705 million (2021: profit of HK\$6,019 million) and the weighted average of 3,056 million shares (2021: 3,055 million shares) in issue during the year.

## 8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2022 HK\$ per share	2022 HK\$ Million	2021 HK\$ per share	2021 HK\$ Million
First interim dividend declared and paid	<b>0.20</b>	<b>611</b>	0.20	611
Second interim dividend declared after the end of the reporting period (notes a and b)	<b>0.20</b>	<b>611</b>	0.20	611
Group total	<b>0.40</b>	<b>1,222</b>	0.40	1,222

- a. The second interim dividend based on 3,056 million issued shares (2021: 3,056 million shares) declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.
- b. The second interim dividend of HK\$611 million for 2021 was approved and paid in 2022.

## 9. TRADE AND OTHER RECEIVABLES

Included in this item are trade receivables (net of allowance for bad and doubtful debts) with an ageing analysis based on the invoice date as at 31 December 2022 as follows:

	<b>2022</b>	2021
	<b>HK\$ Million</b>	HK\$ Million
Trade receivables		
0 - 30 days	<b>104</b>	162
31 - 60 days	<b>33</b>	53
61 - 90 days	<b>23</b>	22
Over 90 days	<b>84</b>	73
	<b>244</b>	310
Other receivables and prepayments	<b>1,511</b>	1,576
Group total	<b>1,755</b>	1,886

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

## 10. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis based on the invoice date as at 31 December 2022 as follows:

	<b>2022</b>	2021
	<b>HK\$ Million</b>	HK\$ Million
Trade payables		
0 - 30 days	<b>364</b>	420
31 - 60 days	<b>218</b>	226
61 - 90 days	<b>95</b>	36
Over 90 days	<b>116</b>	268
	<b>793</b>	950
Rental and customer deposits	<b>1,356</b>	1,352
Construction costs payable	<b>4,708</b>	5,280
Amounts due to associates	<b>7,675</b>	8,794
Amounts due to joint ventures	<b>2,298</b>	2,130
Other payables	<b>3,253</b>	3,248
Group total	<b>20,083</b>	21,754

## 11. REVIEW OF FINANCIAL RESULTS

The financial results for the year ended 31 December 2022 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 2022 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 2022, all the code provisions set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited were met by the Company, with one exception as regards Code Provision C.2.1 providing for the roles of the chairman and chief executive to be performed by different individuals.

Such deviation is deemed appropriate as it is considered to be more efficient to have one single person to be Chairman of the Company as well as to discharge the executive functions of a chief executive thereby enabling more effective planning and better execution of long-term strategies. The Board of Directors (the “Board”) of the Company believes that the balance of power and authority is adequately ensured by the operations and governance of the Board which comprises experienced and high calibre individuals, with more than half of them being Independent Non-executive Directors (“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	11 April 2023 (Tue)
Latest time to lodge share transfer	4:30 p.m., 12 April 2023 (Wed)
Record date/ time	6:00 p.m., 12 April 2023 (Wed)
Payment date	27 April 2023 (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, 12 April 2023.

### Annual General Meeting (“AGM”)

Ex-entitlement date	4 May 2023 (Thu)
Latest time to lodge share transfer	4:30 p.m., 5 May 2023 (Fri)
Book closure period	8 May 2023 (Mon) to 11 May 2023 (Thu), both days inclusive
Record date	8 May 2023 (Mon)
AGM date/ time	11:15 a.m., 11 May 2023 (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, 5 May 2023.

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

Hong Kong, 9 March 2023

*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.*

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