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WHARF

Established 1886

WHARF REAL ESTATE INVESTMENT COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1997

2023 Final Results Announcement

Core Businesses Stabilise Amidst Doubling of Interest Cost

HIGHLIGHTS

- Full year revenue from core businesses Investment Properties (“IP”) and Hotels increased by 8% and operating profit by 12%
- Segmental underlying net profit decreased by 3% due to doubling of borrowing cost
- With profit stabilisation in second half, 2023 second interim dividend is unchanged from 2022
- Total IP valuation decreased by 0.4% to HK\$228 billion to account for 93% of Group assets and was virtually unchanged in the second half
- Net debt decreased by HK\$8.8 billion and gearing decreased to 18.6%

GROUP RESULTS

Underlying net profit decreased by 3% to HK\$6,011 million (2022: HK\$6,175 million), equivalent to HK\$1.98 (2022: HK\$2.03) per share.

Inclusive of net IP revaluation deficit of HK\$1,174 million (2022: HK\$14,875 million), Group profit attributable to equity shareholders was HK\$4,766 million (2022: loss of HK\$8,856 million). Basic earnings per share were HK\$1.57 (2022: loss per share of HK\$2.92).

DIVIDENDS

A first interim dividend of HK\$0.67 per share was paid on 12 September 2023. In lieu of a final dividend, a second interim dividend of HK\$0.61 per share will be paid on 23 April 2024 to Shareholders on record as at 6:00 p.m. on 8 April 2024. Total distribution for the year of 2023 will amount to HK\$1.28 (2022: HK\$1.31) per share, representing 65% of underlying net profit from IP and Hotels in Hong Kong.

BUSINESS REVIEW

The lifting of border restrictions in early 2023 stimulated the gradual recovery of Hong Kong's tourism and retail sectors. However, visitor arrivals reached only 52% and retail sales 84% of the pre-pandemic benchmark in 2018. This recovery pace fell short of market expectations due to various constraints, including feeble global economy, high interest rate, strong local currency, slow ramp up of flight capacity, as well as overall shortage of labour.

Against this backdrop, the Group reinforced its premier IP portfolio by introducing sought-after tenants and leveraging large-scale themed events to attract both locals and tourists.

Harbour City also strategically realigned brands on its Canton Road high-fashion frontage, finding favour with shoppers and attracting long queues. Retail rent has stabilised and is positioned to improve as sales recover further.

Office occupancy and rent remained under pressure from oversupply and weak demand. Hotels demonstrated a visible rebound thanks to the returning tourists and event business, yet full recovery in visitor arrivals remains to be seen.

Although business operations strengthened over the year, high interest rate weighed heavily on the Group's bottom line financial performance. Debt and interest rate management place the Group in a better position to cope with the stubborn interest rate.

Harbour City

Harbour City (including hotels) delivered a 10% increase in overall revenue and a 13% rise in operating profit.

Retail

Retail revenue increased by 10%, supported by tenant mix optimisation and large-scale promotional events capturing foot traffic exceeding 2019.

During the year, key luxury tenants expanded or strategically relocated within Harbour City, including vertical expansions of *Gucci* and *Celine*, as well as new flagships of *De Beers*, *Fendi* and *Van Cleef & Arpels* on the Canton Road frontage. This unrivalled 530-meter high-fashion frontage showcases 16 luxury brands contiguously, some of which reported double-digit sales growth versus pre-COVID and achieved the highest total store sales in the world. Leveraging on its critical mass, strategic location and track record of productivity, leasing demand was strong at Harbour City, with an optimised tenant mix to cater to the needs of both tourists and locals comprehensively. Retail occupancy improved to 97% at the end of the year.

In alignment with the government's night vibes campaign, Harbour City organised large-scale instagrammable events and series of promotion activities to capture traffic and stimulate spending. Overwhelming response was received for "Disney 100" and "Merry Spacemas" events.

Office

Underpinned by its connectivity to Mainland China through the nearby high speed rail station, Harbour City captured leasing opportunities amid the resurgence of business travellers and tourism. Demand from insurance and travel sectors improved. Given the overall soft market, Harbour City's office prioritised tenant retention amid the challenging leasing environment. Occupancy was 88% at the end of the year. Revenue decreased by 6%.

Hotels

Prince Hotel fully reopened in August following renovation, to greet the return of tourists. The other two Marco Polo hotels on Canton Road reported partial recovery. However, inbound tourism appeared to lose steam in the second half of the year, and overall hotel demand faced increasing erosion due to the convenience of Shenzhen as a provider of consumer choice for the budget conscious. To encourage business in the face of intensifying competition, enticing room offers and culinary delights were diligently introduced during festive seasons.

In recognition of Marco Polo Hongkong Hotel's excellence in hospitality, it was named Recommended Hotel in the Forbes Travel Guide 2023 Awards for the fourth year in a row.

Times Square

Times Square saw a decrease in total revenue of 3% while operating profit held steady.

Retail

Retail revenue increased by 3% as the landmark mall refined its tenant mix.

Times Square maintains its position as one of the most desirable retail destinations in Causeway Bay for both locals and tourists, featuring an exclusive array of global brands and dining offerings. Occupancy improved to 95%, reflecting rising leasing demand.

During the year, Times Square continued to refine its luxury tenant mix by welcoming new additions such as *Franck Muller* and *Girard Perregaux*, as well as shop expansions of renowned international brands such as *Polo Ralph Lauren*, *Fila* and *Tommy Hilfiger*.

Office

While the office segment faces near-term headwinds from slower economic growth and tenants' cost-consciousness, Times Square's office has been prioritising long-term commitment over short-term deals, and proactively engaging with tenants to understand their evolving workspace needs, which skewed toward flexible smaller-space arrangements. Times Square's office occupancy was 88% at the end of the year. Revenue decreased by 14%.

Singapore Assets

Wheelock Place and the freehold Scotts Square mall are nestled in the heart of prestigious Orchard Road shopping belt. Retail occupancies were 100% and 96% respectively at the end of the year. Office occupancy at Wheelock Place stayed firm at 100%. The precinct consistently attracts a high level of footfall. With the Singapore government's plan to rejuvenate the Orchard district, the properties are poised for rental upside and capital appreciation.

OUTLOOK

While 2024 may see positive signs such as potential interest rate pivot, expansion of Individual Visit Scheme to more cities in the Mainland, and further recovery in passenger traffic, uncertainties like global economic slowdown, geopolitical tensions and U.S. presidential election could spark volatility. Furthermore, evolving consumption behaviours and increasing regional competition are impacting the retail and hotel recovery path, while office sector grapples with weak demand and flight-to-quality trend.

The Group shall enhance the tenant offerings and promotional activities in collaboration with the government's campaigns to stimulate tourists and locals' spending amid competition. Through the joint effort, Hong Kong will navigate and overcome the present headwinds together.

FINANCIAL REVIEW

(I) Review of 2023 Full Year Results

Underlying net profit decreased by 3% to HK\$6,011 million (2022: HK\$6,175 million) against the backdrop of higher interest rates. Hotels returned to a profit of HK\$183 million while IP profit decreased by 9% to HK\$5,795 million. Profit attributable to equity shareholders was HK\$4,766 million (2022: loss of HK\$8,856 million), after taking into account the revaluation deficits of IP.

Revenue and Operating Profit

Group revenue and operating profit increased by 7% to HK\$13,306 million (2022: HK\$12,459 million) and 13% to HK\$9,993 million (2022: HK\$8,841 million) respectively, as driven by the improvement of IP and Hotels after the borders reopened in early 2023.

IP revenue increased by 2% to HK\$10,916 million (2022: HK\$10,662 million) and operating profit increased by 6% to HK\$9,247 million (2022: HK\$8,699 million) to account for 82% (2022: 86%) and 93% (2022: 98%) of Group total, respectively.

Hotel revenue improved significantly by 67% to HK\$1,561 million (2022: HK\$932 million). Operating profit of HK\$209 million was recorded, turning from a loss of HK\$230 million in 2022.

Within the IP and Hotel segments, total revenue and operating profit of Harbour City (including hotels) rose by 10% to HK\$8,952 million (2022: HK\$8,175 million) and 13% to HK\$7,175 million (2022: HK\$6,345 million) respectively, representing 67% (2022: 66%) of Group revenue and 72% (2022: 72%) of Group operating profit.

Development Properties (“DP”) revenue decreased by 16% to HK\$238 million (2022: HK\$282 million) and operating profit of HK\$28 million (2022: loss of HK\$48 million) was reported.

Investment operating profit, primarily from dividend income, decreased by 10% to HK\$465 million (2022: HK\$515 million).

Fair Value Change of IP

IP assets were stated at HK\$227.6 billion based on independent valuation, giving rise to a revaluation deficit of 0.5% at HK\$1,147 million. Unrealised valuation loss attributable to equity shareholders, net of non-controlling interests, was HK\$1,174 million (2022: HK\$14,875 million).

Other Net Loss

Other net loss amounted to HK\$726 million (2022: income of HK\$426 million), which mainly comprised net fair value loss of certain financial instruments and the write-downs of HK\$493 million of the DP projects held by the Group’s listed subsidiary, Harbour Centre Development Limited (“HCDL”).

Finance Costs

Finance costs increased to HK\$2,170 million (2022: HK\$1,861 million) after including a mark-to-market gain of HK\$163 million (2022: loss of HK\$633 million) on cross currency and interest rate swaps in accordance with applicable accounting standards.

Effective borrowing rate rose to 5.4% (2022: 2.5%) primarily due to higher HIBOR.

Income Tax

Taxation charge for the year reduced by 17% to HK\$1,138 million (2022: HK\$1,368 million).

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders amounted to HK\$4,766 million (2022: loss of HK\$8,856 million). Basic earnings per share were HK\$1.57 (2022: loss of HK\$2.92), based on 3,036 million ordinary shares in issue.

Underlying net profit (excluding the impacts of IP revaluation and mark-to-market of certain financial instruments) decreased by 3% to HK\$6,011 million (2022: HK\$6,175 million). Underlying earnings per share were HK\$1.98 (2022: HK\$2.03).

(II) Liquidity, Financial Resources and Capital Commitments

Shareholders' and Total Equity

Shareholders' equity increased by HK\$1.0 billion to HK\$191.4 billion as at 31 December 2023 (2022: HK\$190.4 billion), equivalent to HK\$63.05 per share (2022: HK\$62.70). Total equity including non-controlling interests increased by HK\$0.7 billion to HK\$195.6 billion (2022: HK\$194.9 billion).

Assets

Total assets amounted to HK\$245.3 billion (2022: HK\$255.3 billion), 95% (2022: 92%) of which were in Hong Kong. Total business assets, excluding bank deposits and cash, derivative financial assets and deferred tax assets, were HK\$243.4 billion (2022: HK\$253.0 billion).

IP

IP assets totalled HK\$227.6 billion (2022: HK\$228.6 billion), representing 93% (2022: 90%) of business assets. Harbour City (excluding the three hotels which were stated at cost) was valued at HK\$154.5 billion and Times Square at HK\$47.4 billion.

Hotels

Hotel properties were stated at cost less accumulated depreciation and impairment (if any) at HK\$7.2 billion (2022: HK\$7.1 billion). Valuation of these hotels amounted to HK\$14.2 billion at 31 December 2023.

DP

DP assets (all held by HCDL), including interests in an associate and joint ventures, amounted to HK\$1.7 billion (2022: HK\$2.6 billion).

Other Long Term Investments

Other long term investments were stated at market value at HK\$5.8 billion (2022: HK\$13.1 billion), after disposals totalling HK\$7.2 billion to reduce borrowings. An attributable mark-to-market surplus of HK\$45 million (2022: deficit of HK\$2.7 billion) was reflected in other comprehensive income and a gain on disposal of HK\$885 million (2022: HK\$163 million) was recorded as a transfer to revenue reserves in the statement of changes in equity. The portfolio included blue chips held for long term capital appreciation and reasonable dividend return and each portfolio holding is individually not material to the Group's total assets.

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

	31 December 2023 HK\$ Million	31 December 2022 HK\$ Million
Analysed by industry sector:		
- Properties	5,356	9,462
- Others	404	3,668
Total	<u>5,760</u>	<u>13,130</u>
Analysed by geographical location:		
- Hong Kong	3,384	4,215
- Outside of Hong Kong	2,376	8,915
Total	<u>5,760</u>	<u>13,130</u>

Debts and Gearing

Net debt decreased by HK\$8.8 billion to HK\$36.3 billion as at 31 December 2023 (2022: HK\$45.2 billion), to its lowest level since the Company was listed, to mitigate the increase in borrowing cost. It comprised debts of HK\$37.4 billion and bank deposits and cash of HK\$1.1 billion.

An analysis of net debt is depicted below:

<u>Net debt</u>	31 December 2023 HK\$ Billion	31 December 2022 HK\$ Billion
Group (excluding HCDL)	36.1	44.7
HCDL	0.2	0.5
Total	36.3	45.2

The ratio of net debt to total equity dropped to 18.6% (2022: 23.2%).

Listed HCDL is an independent credit entity and the Group (excluding HCDL) is not contractually exposed to HCDL's debts. HCDL's ratio of net debt to total equity as at 31 December 2023 was 1.0% (2022: 3.0%).

Finance and Availability of Facilities

Total available loan facilities and issued debt securities as at 31 December 2023 amounted to HK\$52.1 billion, of which HK\$37.4 billion was utilised. The breakdown is depicted below:

	31 December 2023		
	Available Facility HK\$ Billion	Total Debt HK\$ Billion	Undrawn Facility HK\$ Billion
Committed and uncommitted			
Group (excluding HCDL)	50.5	36.9	13.6
HCDL	1.6	0.5	1.1
Total	52.1	37.4	14.7

Certain banking facilities extended to HCDL were secured by hotel and DP in the Mainland of RMB1.3 billion (equivalent to HK\$1.4 billion) (31 December 2022: RMB1.3 billion (equivalent to HK\$1.5 billion)).

The debt portfolio was principally denominated in United States dollar, Hong Kong dollar, Singapore dollar and Renminbi ("RMB"). The respective funds were mainly used to finance the Group's IP.

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

The Group continued to adhere to a high level of financial discipline with a strong financial position. Financial resources are well prepared to support business and investment activities. In addition, the Group also maintained a portfolio of liquid listed investments with an aggregate market value of HK\$5.8 billion (2022: HK\$13.1 billion).

Cash Flows for the Group's Operating and Investing Activities

For the year under review, the Group recorded operating cash inflow of HK\$9.7 billion (2022: HK\$8.6 billion) primarily generated from rental income. Together with the changes in working capital and others of HK\$3.8 billion (2022: HK\$1.9 billion), the net cash inflow from operating activities amounted to HK\$5.9 billion (2022: HK\$6.7 billion). For investing activities, the Group recorded a net cash inflow of HK\$7.2 billion (2022: outflow of HK\$2.2 billion).

Capital Commitments

As at 31 December 2023, major planned expenditures for the coming years were estimated at HK\$0.9 billion, of which HK\$0.3 billion was committed. A breakdown (by segment) is as follows:

	As at 31 December 2023		
	Committed	Uncommitted	Total
	HK\$ Million	HK\$ Million	HK\$ Million
IP			
Hong Kong	82	214	296
DP			
Mainland China	231	336	567
	313	550	863
Hotels			
Hong Kong	16	-	16
Group total	329	550	879

These expenditures will be funded by internal financial resources, including existing cash and surplus from operations, as well as bank loans and other borrowings. Other available resources include monetisation of the Group's equity investments.

Included in the above are HCDL's expenditures totaling HK\$0.6 billion, which will be funded by its own financial resources.

(III) Human Resources

The Group had approximately 2,900 employees as at 31 December 2023. Employees are remunerated according to their job responsibilities and market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the Group's achievement and results.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2023

	Note	2023 HK\$ Million	2022 HK\$ Million
Revenue	2	13,306	12,459
Direct costs and operating expenses		(2,622)	(2,481)
Selling and marketing expenses		(274)	(562)
Administrative and corporate expenses		(171)	(295)
Operating profit before depreciation, amortisation, interest and tax		10,239	9,121
Depreciation and amortisation		(246)	(280)
Operating profit	2 & 3	9,993	8,841
Decrease in fair value of investment properties		(1,147)	(14,913)
Other net (loss)/income	4	(726)	426
Finance costs	5	(2,170)	(5,646)
Share of results after tax of an associate		(168)	(68)
Profit/(loss) before taxation		5,782	(7,575)
Income tax	6	(1,138)	(1,368)
Profit/(loss) for the year		4,644	(8,943)
Profit/(loss) attributable to:			
Shareholders of the Company		4,766	(8,856)
Non-controlling interests		(122)	(87)
		4,644	(8,943)
Earnings/(loss) per share	7		
Basic		HK\$1.57	(HK\$2.92)
Diluted		HK\$1.57	(HK\$2.92)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2023

	2023	2022
	HK\$ Million	HK\$ Million
Profit/(loss) for the year	4,644	(8,943)
Other comprehensive income		
Item that will not be reclassified to profit or loss:		
Fair value changes on equity investments at fair value through other comprehensive income	(146)	(2,746)
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of subsidiaries outside Hong Kong	125	(92)
Share of other comprehensive income of an associate and joint ventures	(11)	(79)
Others	(5)	(8)
Other comprehensive income for the year	(37)	(2,925)
Total comprehensive income for the year	4,607	(11,868)
Total comprehensive income attributable to:		
Shareholders of the Company	4,929	(11,674)
Non-controlling interests	(322)	(194)
	4,607	(11,868)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	31 December 2023 HK\$ Million	31 December 2022 HK\$ Million
Non-current assets			
Investment properties		227,586	228,559
Hotel and club properties, plant and equipment		7,406	7,315
Interest in an associate		591	815
Interest in joint ventures		10	20
Other long term investments		5,760	13,130
Deferred tax assets		225	226
Derivative financial assets		202	304
Other non-current assets		60	64
		241,840	250,433
Current assets			
Properties for sale		1,118	1,793
Inventories		17	16
Trade and other receivables	9	1,221	1,338
Prepaid tax		2	6
Derivative financial assets		-	1
Bank deposits and cash		1,124	1,340
		3,482	4,494
Non-current assets classified as held for sale		-	322
		3,482	4,816
Total assets		245,322	255,249
Non-current liabilities			
Derivative financial liabilities		(2,188)	(3,074)
Deferred tax liabilities		(2,666)	(2,715)
Other deferred liabilities		(352)	(342)
Bank loans and other borrowings		(29,832)	(42,909)
		(35,038)	(49,040)
Current liabilities			
Liabilities directly associated with the non-current assets classified as held for sale		-	(9)
Trade and other payables	10	(6,256)	(6,812)
Pre-sale deposits and proceeds		(78)	(222)
Derivative financial liabilities		(364)	(156)
Taxation payable		(386)	(549)
Bank loans and other borrowings		(7,593)	(3,580)
		(14,677)	(11,328)
Total liabilities		(49,715)	(60,368)
NET ASSETS		195,607	194,881
Capital and reserves			
Share capital		304	304
Reserves		191,108	190,060
Shareholders' equity		191,412	190,364
Non-controlling interests		4,195	4,517
TOTAL EQUITY		195,607	194,881

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”) and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

The HKICPA has issued a number of new or amended HKFRSs that are first effective starting from 1 January 2023. Of these, the following developments are relevant to the Group’s consolidated financial statements:

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

The Group has assessed the impact of the adoption of the above developments and considered that there was no significant impact on the Group’s results and financial position.

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

2. SEGMENT INFORMATION

The Group manages its diversified businesses according to the nature of services and products provided. Management has determined four reportable operating segments for measuring performance and allocating resources. The segments are investment properties, development properties, hotel and investment. No operating segments have been aggregated to form the reportable segments.

Investment properties segment primarily entails property leasing and management operations. Currently, the Group's investment properties portfolio, which mainly consists of retail, office and serviced apartments, is primarily located in Hong Kong.

Development properties segment encompasses activities relating to the acquisition of land, development, construction and sales of trading properties mainly in Mainland China.

Hotel segment includes hotel operations in Hong Kong and Mainland China.

Investment segment represents equity investments in global capital markets.

Management evaluates performance primarily based on operating profit as well as the equity share of results of an associate 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 and current assets directly attributable to each segment with the exception of bank deposits and cash, derivative financial assets and deferred tax 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 and amortisation of assets attributable to those segments.

2. SEGMENT INFORMATION

a. Analysis of segment revenue and results

	Revenue	Operating profit/ (loss)	Decrease in fair value of investment properties	Other net (loss)/ income	Finance costs	Share of results after tax of an associate	Profit/ (loss) before taxation
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	Million	Million	Million	Million	Million	Million	Million
2023							
Investment properties	10,916	9,247	(1,147)	-	(2,170)	-	5,930
Development properties	238	28	-	(493)	(13)	(168)	(646)
Hotel	1,561	209	-	-	(7)	-	202
Investment	465	465	-	-	(138)	-	327
Inter-segment revenue	(38)	-	-	-	-	-	-
Segment total	13,142	9,949	(1,147)	(493)	(2,328)	(168)	5,813
Others	164	113	-	(233)	158	-	38
Corporate expenses	-	(69)	-	-	-	-	(69)
Group total	13,306	9,993	(1,147)	(726)	(2,170)	(168)	5,782
2022							
Investment properties	10,662	8,699	(14,913)	-	(1,023)	-	(7,237)
Development properties	282	(48)	-	(86)	(17)	(68)	(219)
Hotel	932	(230)	-	-	(13)	-	(243)
Investment	515	515	-	-	(174)	-	341
Inter-segment revenue	(33)	-	-	-	-	-	-
Segment total	12,358	8,936	(14,913)	(86)	(1,227)	(68)	(7,358)
Others	101	(34)	-	512	(634)	-	(156)
Corporate expenses	-	(61)	-	-	-	-	(61)
Group total	12,459	8,841	(14,913)	426	(1,861)	(68)	(7,575)

2. SEGMENT INFORMATION

b. Disaggregation of revenue

	2023 HK\$ Million	2022 HK\$ Million
Revenue recognised under HKFRS 15		
Management and services income	1,196	1,129
Other rental related income	191	231
Revenue under investment property segment	1,387	1,360
Hotel and club operations	1,561	932
Sale of development properties	238	282
	3,186	2,574
Revenue recognised under other accounting standards		
Rental income		
– Fixed	8,451	8,603
– Variable	1,040	666
	9,491	9,269
Investment income	465	515
Others	164	101
	10,120	9,885
Total revenue	13,306	12,459

2. SEGMENT INFORMATION

c. Analysis of inter-segment revenue

	2023			2022		
	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
Investment properties	10,916	(38)	10,878	10,662	(33)	10,629
Development properties	238	-	238	282	-	282
Hotel	1,561	-	1,561	932	-	932
Investment	465	-	465	515	-	515
Others	175	(11)	164	114	(13)	101
Group total	13,355	(49)	13,306	12,505	(46)	12,459

d. Analysis of segment business assets

	2023 HK\$ Million	2022 HK\$ Million
Investment properties	228,376	229,442
Development properties	1,758	2,995
Hotel	7,491	7,375
Investment	5,791	13,192
Total segment business assets	243,416	253,004
Unallocated corporate assets	1,906	2,245
Total assets	245,322	255,249

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

2. SEGMENT INFORMATION

e. Geographical information

	Revenue		Operating profit	
	2023	2022	2023	2022
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	12,329	11,457	9,475	8,418
Outside Hong Kong	977	1,002	518	423
Group total	13,306	12,459	9,993	8,841
	Specified non-current assets		Total business assets	
	2023	2022	2023	2021
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	227,497	229,036	231,750	234,174
Outside Hong Kong	8,096	7,673	11,666	18,830
Group total	235,593	236,709	243,416	253,004

Specified non-current assets excludes deferred tax assets, other long term investments, 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 sale are made and in the case of other long term investments, where they are listed. The geographical location of specified non-current assets and total business assets is based on the physical location of operations.

3. OPERATING PROFIT

Operating profit is arrived at:

	2023 HK\$ Million	2022 HK\$ Million
After charging:		
Depreciation and amortisation on		
– hotel and club properties, plant and equipment	230	277
– leasehold land	16	3
Total depreciation and amortisation	<u>246</u>	<u>280</u>
Impairment loss on trade receivables	9	16
Staff cost (Note (i))	1,012	950
Auditors' remuneration		
– audit services	9	9
– non-audit services	1	1
Cost of trading properties for recognised sales	165	255
Direct operating expenses of investment properties	<u>1,598</u>	<u>1,875</u>
After crediting:		
Gross revenue from investment properties	10,878	10,629
Government grants (Note (ii))	1	48
Interest income (Note (iii))	38	17
Dividend income from other long term investments	<u>465</u>	<u>515</u>

Notes:

- (i) Staff costs included defined contribution pension schemes costs of HK\$52 million (2022: HK\$53 million), which included MPF schemes after a forfeiture of HK\$2 million (2022: HK\$2 million) and equity settled share-based payment expenses of HK\$5 million (2022: Nil).
- (ii) 2022's amount mainly represented the subsidy from the Employment Support Scheme.
- (iii) Interest income for the year ended 31 December 2023 of HK\$38 million (2022: HK\$17 million) are generated in respect of financial assets (mainly comprising bank deposits) stated at amortised cost.

4. OTHER NET (LOSS)/INCOME

Other net loss for the year amounted to HK\$726 million (2022: income of HK\$426 million) mainly comprising:

- a. Write-down of HK\$493 million (2022: HK\$77 million) in relation to development property projects in Mainland China.
- b. Net foreign exchange loss of HK\$233 million (2022: gain of HK\$378 million) which included the impact arising from forward foreign exchange contracts.

5. FINANCE COSTS

	2023	2022
	HK\$ Million	HK\$ Million
Interest charged on:		
- Bank loans and overdrafts	649	409
- Other borrowings	1,612	733
Total interest charge	2,261	1,142
Other finance costs	72	86
	2,333	1,228
Fair value (gain)/loss:		
- Cross currency interest rate swaps	(86)	601
- Interest rate swaps	(77)	32
	(163)	633
Total	2,170	1,861

6. INCOME TAX

Taxation charged/(credited) to the consolidated statement of profit or loss includes:

	2023 HK\$ Million	2022 HK\$ Million
Current income tax		
Hong Kong		
- Provision for the year	1,113	1,190
- Under/(over)-provision in respect of prior years	23	(1)
Outside Hong Kong		
- Provision for the year	44	56
- Over-provision in respect of prior years	-	(11)
	<u>1,180</u>	<u>1,234</u>
Land appreciation tax (“LAT”) (Note c)	<u>7</u>	<u>8</u>
Deferred tax		
Origination and reversal of temporary differences	<u>(49)</u>	<u>126</u>
Total	<u><u>1,138</u></u>	<u><u>1,368</u></u>

- a. The provision for Hong Kong Profits Tax is based on the profit for the year as adjusted for tax purposes at a rate of 16.5% (2022: 16.5%).
- b. Income tax on assessable profits outside Hong Kong is mainly Mainland China corporate income tax calculated at a rate of 25% (2022: 25%), Mainland China withholding tax on dividend at a rate of up to 10% (2022: 10%) and Singapore income tax at a rate of 17% (2022: 17%).
- c. Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of the land value, being the proceeds on sales of properties less deductible expenditure including cost of land use rights, borrowings costs and all property development expenditure.
- d. Tax attributable to an associate for the year ended 31 December 2023 of HK\$118 million (2022: HK\$67 million) is included in the share of results of an associate.

7. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit attributable to ordinary equity shareholders for the year of HK\$4,766 million (2022: loss of HK\$8,856 million) and 3,036 million ordinary shares in issue during the year (2022: 3,036 million ordinary shares in issue).

There are no dilutive potential ordinary shares in issue during the years ended 31 December 2023 and 2022.

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2023	2023	2022	2022
	HK\$	HK\$	HK\$	HK\$
	Per share	Million	Per share	Million
First interim dividend declared and paid	0.67	2,034	0.70	2,125
Second interim dividend declared after the end of the reporting period (Note (b))	0.61	1,852	0.61	1,852
	1.28	3,886	1.31	3,977

(a) The second interim dividend based on 3,036 million (2022: 3,036 million) ordinary shares in issue 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\$1,852 million for 2022 was approved and paid in 2023.

9. TRADE AND OTHER RECEIVABLES

Included in this item are trade receivables (net of allowance) with an ageing analysis based on the invoice date as follows:

	2023	2022
	HK\$ Million	HK\$ Million
Trade receivables		
0 – 30 days	229	170
31 – 60 days	9	20
61 – 90 days	4	8
Over 90 days	16	13
	258	211
Other receivables and prepayments	963	1,127
	1,221	1,338

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 from which the proceeds are receivable pursuant to the terms of the agreements. All the trade and other receivables are expected to be recoverable within one year, except for other receivable of HK\$266 million (2022: HK\$295 million), which is expected to be utilised after more than one year.

10. TRADE AND OTHER PAYABLES

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

	2023	2022
	HK\$ Million	HK\$ Million
Trade payables		
0 - 30 days	75	65
31 - 60 days	19	13
61 - 90 days	7	13
Over 90 days	9	12
	<u>110</u>	<u>103</u>
Rental and customer deposits	3,067	3,093
Construction costs payable	1,158	1,502
Amount due to an associate	14	-
Other payables	1,907	2,114
	<u>6,256</u>	<u>6,812</u>

11. REVIEW OF FINANCIAL RESULTS

The financial results for the year ended 31 December 2023 have been reviewed with no disagreement by the Audit Committee of the Company. The figures in respect of the Group's financial results in this announcement for the year ended 31 December 2023 have been agreed by the Company's Auditors to the amounts set out in the Group's consolidated financial statements for the year.

CORPORATE GOVERNANCE CODE

During the financial year ended 31 December 2023, the Company has applied all the principles and complied with all the code provisions of the Corporate Governance Code contained in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, with one exception as regards Code Provision C.2.1 providing for the roles of the chairman and chief executive to be performed by different individuals.

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

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	5 April 2024 (Fri)
Latest time to lodge share transfer	4:30 p.m., 8 April 2024 (Mon)
Record date/ time	6:00 p.m., 8 April 2024 (Mon)
Payment date	23 April 2024 (Tue)

In order to qualify for the above-mentioned second interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Monday, 8 April 2024.

Annual General Meeting ("AGM")

Ex-entitlement date	29 April 2024 (Mon)
Latest time to lodge share transfer	4:30 p.m., 30 April 2024 (Tue)
Book closure period	2 May 2024 (Thu) to 7 May 2024 (Tue), both days inclusive
Record date	2 May 2024 (Thu)
AGM date/ time	11:15 a.m., 7 May 2024 (Tue)

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 Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Tuesday, 30 April 2024.

By Order of the Board of
Wharf Real Estate Investment Company Limited
Kevin C. Y. Hui
Company Secretary

Hong Kong, 7 March 2024

As at the date of this announcement, the Board comprises Mr. Stephen T. H. Ng, Mr. Paul Y. C. Tsui, Ms. Y. T. Leng and Mr. Horace W. C. Lee, together with eight Independent Non-executive Directors, namely Mr. Alexander S. K. Au, Mr. Tak Hay Chau, Ms. Lai Yuen Chiang, Hon. Andrew K. Y. Leung, Mr. Desmond L. P. Liu, Mr. R. Gareth Williams, Dr. Glenn S. Yee and Professor E. K. Yeoh.