



# WHARF

*Established 1886*

THE WHARF (HOLDINGS) LIMITED

Stock Code : 0004

INTERIM REPORT 2023





# Feeble Recovery from COVID

## HIGHLIGHTS

- Mainland property market still a big challenge
- Contracted sales dwindled with average selling price in decline
- Interest in office stock and en bloc sales is particularly soft
- Further provision was made for slow-moving stock
- Recovery momentum for retail rent was also below strength

## GROUP RESULTS

Group underlying net profit recovered to HK\$1,811 million (2022: HK\$428 million) mainly due to lower impairment provision of HK\$1,033 million (2022: HK\$2,542 million) on Development Properties (“DP”).

After the inclusion of Investment Properties (“IP”) revaluation deficit and other unrealised accounting losses, Group profit attributable to equity shareholders was HK\$696 million (2022: HK\$57 million).

## INTERIM DIVIDEND

A first interim dividend of HK\$0.20 (2022: HK\$0.20) per share will be paid on 14 September 2023 to Shareholders on record as at 6:00 p.m. on 30 August 2023. This will absorb a total amount of HK\$611 million (2022: HK\$611 million).

## BUSINESS REVIEW

Following the long-awaited removal of COVID restrictions, Mainland China's economy snapped back in the first quarter of this year. However, new signs of weakness emerged as pent-up demand faded and the mixed economic indicators underscored the ongoing challenges faced by the economy. Domestic demand was still frail. Furthermore, foreign trade is disappointing amid faltering global demand and lagging manufacturing growth. Currency translation to Hong Kong dollars also tends to understate year-on-year revenue and profit comparison for the period for Mainland businesses.

Challenges faced by the Mainland property market are still immense. Market sentiment remains soft, with all eyes on further policy incentives. Contracted sales dwindled and average selling price stumbled. The office market is even more sluggish than residential and en bloc sales more sluggish than strata. These resulted in further impairment provisions for slow-moving stocks. Meanwhile, recovery momentum for the retail rental market was also below strength generally.

Emerging from the prolonged pandemic situation, geopolitical tensions, stubbornly high inflation and currency instability are recurring themes hindering global economic recovery and may cause spillover effects to the Group's businesses in both Mainland China and Hong Kong. 2023 marks another year full of challenges.

## HONG KONG PROPERTIES

Impact to the Group from a generally quiet market was limited.

The Group has no project on the market in the mass segment. In the ultra-luxury segment, where selling cycles are in any case very long, a house in the 50%-owned Mount Nicholson was sold for HK\$577 million (attributable HK\$289 million), equivalent to HK\$82,000 per square foot. All projects under development are proceeding according to plan.

On an attributable basis, DP revenue recognised during the period decreased by 48% to HK\$311 million and operating profit by 77% to HK\$94 million. Net order book at period end amounted to HK\$787 million.

## MAINLAND CHINA DEVELOPMENT PROPERTIES

The housing market remained sluggish as it held out for policy incentives. In parallel, the already over-supplied office market deteriorated due to the rush of new supply, with demand recovery remaining fragile. Attributable impairment provisions totalling HK\$1,033 million were made during the period to factor in current market conditions.

Attributable contracted sales amounted to RMB1.4 billion (2022: RMB2.3 billion) for 64,200 square metres. Net order book at the end of June was RMB6.6 billion for 0.22 million square metres (31 December 2022: RMB8.5 billion for 0.28 million square metres). No land replenishment was made during the period and the Group's land bank depleted to 1.6 million square metres.

On an attributable basis, revenue recognised decreased by 33% to HK\$3,328 million and operating profit by 88% to HK\$76 million. Recognised GFA was 0.11 million square metres (2022: 0.16 million square metres) and completed GFA was 0.06 million square metres (2022: 0.24 million square metres).

## **MAINLAND CHINA INVESTMENT PROPERTIES**

Operating environment for the Group's portfolio improved slightly but remained soft. The end of COVID restrictions and growing government support to boost consumer spending sparked hope of a revival of the retail market, but the still-weak employment market and uncertainties capped growth. National retail sales picked up slowly after the initial release of pent-up demand and consumers remained cautious towards discretionary spending. Retail rental recovery was only modest.

Meanwhile, office leasing lacked growth momentum as sluggish economic recovery continued to weigh on business confidence. Absence of sizable demand and new supply coming on stream worsened the ongoing over-supply situation. Rental and occupancy remained under pressure.

As a result, segment revenue declined by 5% to HK\$2,434 million and operating profit by 7% to HK\$1,653 million.

## **WHARF HOTELS**

The Group's managed/owned Niccolo Hotels and Marco Polo Hotels in Hong Kong, Mainland China and the Philippines benefitted from China's relaxation of pandemic control early this year. However, initial rebound in Hong Kong was hindered by flight capacity and manpower challenges. A third hotel brand will be launched when a new 286-room vibrant, lifestyle hotel opens in Changsha in the fourth quarter of this year.

Segment revenue increased by 77% from a low base to HK\$296 million and operating profit enjoyed a turnaround to HK\$44 million.

## **LOGISTICS INFRASTRUCTURE**

Volatile political, military and economic environment continued to weigh on global trade confidence, while business demand has been further affected by the elevated inventory levels spurred by inflation and the significant contraction of consumption in major markets.

Modern Terminals' throughput in Hong Kong decreased by 18% to 1.9 million TEUs. In Shenzhen, its subsidiary DaChan Bay Terminals reported a 7% decline in throughput to 0.9 million TEUs while throughput at its associated company Shekou Container Terminals declined by 7% to 2.7 million TEUs.

Segment revenue decreased by 21% to HK\$1,221 million and operating profit by 49% to HK\$203 million, due to lower throughput and lower container yard operations income.

Associated company Hong Kong Air Cargo Terminals reported a 14% decrease in cargo volume to 0.7 million tonnes.

## FINANCIAL REVIEW

### (I) REVIEW OF 2023 INTERIM RESULTS

Due to weakening of Renminbi (“RMB”), currency translation to Hong Kong dollars tends to understate year-on-year revenue and profit comparison for the period for Mainland businesses.

Group’s underlying net profit recovered to HK\$1,811 million (2022: HK\$428 million) mainly due to lower DP provision of HK\$1,033 million (2022: HK\$2,542 million). DP loss narrowed by 61%. Investment profit increased by 38%, while IP profit decreased by 4% and Logistics decreased by 46%. Group profit attributable to shareholders amounted to HK\$696 million (2022: HK\$57 million).

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

Group revenue decreased by 1% to HK\$8,130 million (2022: HK\$8,209 million) and OP by 10% to HK\$3,139 million (2022: HK\$3,479 million).

IP revenue decreased by 4% to HK\$2,480 million (2022: HK\$2,595 million) and OP by 6% to HK\$1,680 million (2022: HK\$1,788 million).

DP revenue increased by 1% to HK\$2,688 million (2022: HK\$2,674 million) yet OP decreased by 87% to HK\$64 million (2022: HK\$482 million) reflecting a much lower OP margin of 4% (2022: 18%) attained on recognition of Mainland properties.

Hotels revenue rebounded by 77% to HK\$296 million (2022: HK\$167 million) and returned an OP of HK\$44 million (2022: loss of HK\$47 million) on relaxation of travel restrictions.

Logistics revenue decreased by 21% to HK\$1,221 million (2022: HK\$1,542 million) and OP by 49% to HK\$203 million (2022: HK\$396 million) mainly due to lower throughput volume and container yard income.

Investments OP increased by 29% to HK\$1,160 million (2022: HK\$901 million) from increase in dividend income.

### IP revaluation deficit

Including IP held by a joint venture, independent valuation as at 30 June 2023 gave rise to an attributable but unrealised net revaluation deficit (after related deferred tax and non-controlling interests) of HK\$356 million (2022: HK\$421 million), which was charged to the Consolidated Income Statement.

### Other Net Charge

Other net charge of HK\$997 million (2022: HK\$1,358 million) mainly comprised of a fair value loss of HK\$769 million (2022: gain of HK\$256 million) on long term fund investment assets, and impairment provisions for DP subsidiaries totaling HK\$293 million (2022: HK\$1,439 million).

### Finance Costs

Finance costs increased by 45% to HK\$333 million (2022: HK\$229 million) after unrealised mark-to-market gain of HK\$66 million (2022: loss of HK\$73 million) on cross currency and interest rate swaps.

Effective borrowing rate increased to 4.9% (2022: 2.1%) mainly due to higher HIBORs. Excluding the mark-to-market gain/loss, finance costs before capitalisation of HK\$184 million (2022: HK\$178 million) increased by 75% to HK\$583 million (2022: HK\$334 million).

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

Associates' attributable profit amounted to HK\$66 million (2022: loss of HK\$204 million) while joint ventures' attributable loss amounted to HK\$507 million (2022: HK\$296 million), mainly due to impairment provisions for DP projects totaling HK\$740 million (2022: HK\$1,103 million), coupled with lower DP recognition in Hong Kong.

### Taxation

Taxation charge fell by 34% to HK\$676 million (2022: HK\$1,019 million) mainly due to decrease in tax provisions for lower trading profits of Mainland IP and DP.

## Profit to Shareholders

Group underlying net profit (a performance indicator of the Group's major business segments) attained HK\$1,811 million (2022: HK\$428 million). By segment, DP loss narrowed by 61% to HK\$718 million (2022: HK\$1,820 million) and Investments profit increased by 38% to HK\$1,153 million (2022: HK\$834 million), while IP profit decreased by 4% to HK\$1,276 million (2022: HK\$1,331 million) and Logistics decreased by 46% to HK\$174 million (2022: HK\$325 million).

Including the investment revaluation loss of HK\$769 million (2022: gain of HK\$256 million) and net attributable IP valuation deficits of HK\$356 million (2022: HK\$421 million), Group profit attributable to equity shareholders recorded at HK\$696 million (2022: HK\$57 million). Basic earnings per share were HK\$0.23 (2022: HK\$0.02).

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

Total contracted sales fell by 39% to HK\$1,808 million (2022: HK\$2,950 million).

Hong Kong contracted sales increased by 17% to HK\$343 million (2022: HK\$292 million). Net order book amounted to HK\$787 million pending recognition as at 30 June 2023 (December 2022: HK\$733 million).

Mainland contracted sales dropped by 41% to RMB1,351 million (2022: RMB2,273 million). Net order book decreased by 22% to RMB6,622 million (December 2022: RMB8,488 million) following recognition during the period.

### (III) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL COMMITMENTS

#### Shareholders' and Total Equity

As at 30 June 2023, shareholders' equity decreased by 4% to HK\$145.6 billion (December 2022: HK\$151.6 billion), equivalent to HK\$47.65 (December 2022: HK\$49.60) per share, following the exchange reserve deficit on RMB net assets of HK\$1.8 billion and the investment revaluation deficit on listed equities of HK\$4.2 billion.

Total equity including non-controlling interests decreased by 4% to HK\$149.7 billion (December 2022: HK\$155.7 billion).

#### Assets

Total business assets, excluding bank deposits and cash, certain financial and deferred tax assets, stayed flat at HK\$205.5 billion (December 2022: HK\$205.9 billion). Properties, Logistics and Investments assets accounted for 67%, 7%, 26% (December 2022: 69%, 7%, 24%) of the Group total, respectively.

Geographically, Hong Kong business assets increased by 1% to HK\$96.8 billion (December 2022: HK\$95.6 billion), Mainland decreased by 5% to HK\$94.5 billion (December 2022: HK\$99.8 billion); and Overseas (mainly Investments) increased by 35% to HK\$14.2 billion (December 2022: HK\$10.5 billion), representing 47%, 46% and 7% (December 2022: 46%, 49%, 5%) of the Group total, respectively.

#### Investment properties

IP portfolio was stated at HK\$67.4 billion (December 2022: HK\$69.2 billion), representing 33% (December 2022: 34%) of total business assets. This portfolio comprised Hong Kong IP of HK\$14.6 billion (December 2022: HK\$14.6 billion) and Mainland IP of HK\$52.8 billion (December 2022: HK\$54.6 billion).

Net of deferred taxes and non-controlling interests, IP value attributable to the Group was HK\$56.5 billion (December 2022: HK\$58.4 billion), comprising Hong Kong IP of HK\$14.6 billion (December 2022: HK\$14.6 billion) and Mainland IP of HK\$41.9 billion (December 2022: HK\$43.8 billion).

#### Properties for sale

DP assets fell by 4% to HK\$41.1 billion (December 2022: HK\$43.0 billion), comprising Hong Kong DP of HK\$29.0 billion (December 2022: HK\$28.5 billion) and Mainland DP of HK\$12.1 billion (December 2022: HK\$14.5 billion).

## Interests in associates and joint ventures

Interests in associates and joint ventures decreased by 3% to HK\$30.0 billion (December 2022: HK\$30.8 billion).

## Long term investments

Long term investments amounted to HK\$53.1 billion (December 2022: HK\$48.9 billion), among which HK\$45.1 billion (December 2022: HK\$40.3 billion) were listed equity shares, primarily blue chips held for long term capital growth and/or reasonable dividend yield. None of the investments is individually material to the Group's total assets.

During the period, fair value changes on listed investments produced a deficit of HK\$4.2 billion (2022: HK\$0.6 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>30 June 2023</b>	31 December 2022
	<i>HK\$ Billion</i>	<i>HK\$ Billion</i>
<b>Analysed by industry sectors</b>		
Properties	<b>22.5</b>	26.2
New economy	<b>16.6</b>	12.7
Others	<b>14.0</b>	10.0
<b>Group Total</b>	<b>53.1</b>	48.9
<b>Analysed by geographical locations</b>		
Hong Kong	<b>38.9</b>	38.4
Overseas	<b>14.2</b>	10.5
<b>Group Total</b>	<b>53.1</b>	48.9

## Deposits from sale of properties

Deposits from sale of properties decreased by 22% to HK\$6.4 billion (December 2022: HK\$8.2 billion) pending recognition in the coming periods.

## Net Debt and Gearing

Net debt as at 30 June 2023 increased by HK\$9.7 billion to HK\$15.0 billion (December 2022: HK\$5.3 billion) mainly from net acquisition of long term investments during the period. The ratio of net debt to total equity was 10.1% (December 2022: 3.4%).

The Group's net debt combined with HK\$8.9 billion in bank deposits and cash and HK\$23.9 billion in debts. It included Modern Terminals Limited's ("Modern Terminals") net debt of HK\$3.1 billion (December 2022: HK\$3.1 billion), which is non-recourse to the Company and its other subsidiaries. The Group will continue to maintain a reasonable level of surplus cash to facilitate business and investment activities.

## Finance and Availability of Facilities

Total available loan facilities and issued debt securities as at 30 June 2023 totalled HK\$42.6 billion, of which HK\$23.9 billion utilised, are analysed as below:

	<b>Available Facilities HK\$ Billion</b>	<b>Utilised Facilities HK\$ Billion</b>	<b>Un-utilised Facilities HK\$ Billion</b>
<b>Company/wholly-owned subsidiaries</b>			
Committed and uncommitted facilities	<b>30.4</b>	<b>14.8</b>	<b>15.6</b>
Debt securities	<b>6.0</b>	<b>6.0</b>	<b>–</b>
	<b>36.4</b>	<b>20.8</b>	<b>15.6</b>
<b>Non-wholly-owned subsidiaries</b>			
Committed and uncommitted facilities — Modern Terminals	<b>6.2</b>	<b>3.1</b>	<b>3.1</b>
<b>Group total</b>	<b>42.6</b>	<b>23.9</b>	<b>18.7</b>

Of the above debts, HK\$11.0 billion (December 2022: HK\$6.4 billion) was secured by mortgages over certain IP, DP and other property, plant and equipment together with carrying value of HK\$36.4 billion (December 2022: HK\$21.7 billion).

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

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

The Group continued to maintain a strong financial position with ample surplus cash and undrawn committed facilities to facilitate business and investment activities. In addition, the Group also maintained a portfolio of liquid listed investments with an aggregate market value of HK\$45.1 billion (December 2022: HK\$40.3 billion).

### Cash Flows for the Group's Operating and Investing Activities

For the period under review, the Group recorded net operating cash inflow of HK\$2.1 billion (2022: HK\$2.7 billion) before changes in working capital. After payment of Mainland land appreciation tax, the Group generated a total net inflow from operating activities of HK\$0.5 billion (2022: HK\$5.4 billion).

For investing activities, the Group recorded a net outflow of HK\$9.4 billion (2022: HK\$2.0 billion), mainly for net acquisitions of long term investments.

### Major Capital and Development Expenditures

Major expenditures incurred in 2023 are analysed as follows:

	Hong Kong HK\$ Million	Mainland China HK\$ Million	Total HK\$ Million
<b>Properties</b>			
IP	2	27	29
DP	856	1,430	2,286
	<b>858</b>	<b>1,457</b>	<b>2,315</b>
<b>Others</b>	<b>75</b>	<b>95</b>	<b>170</b>
<b>Group total</b>	<b>933</b>	<b>1,552</b>	<b>2,485</b>

- i. DP and IP expenditures included HK\$0.4 billion attributable to the Group for property projects undertaken by associates and joint ventures.
- ii. Other expenditure was mainly related to Modern Terminals' terminal equipment.

## Commitment

As at 30 June 2023, major expenditures to be incurred in the coming periods was estimated at HK\$17.5 billion, of which HK\$7.6 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	<b>73</b>	<b>133</b>	<b>206</b>
<b>DP</b>			
Hong Kong	<b>3,105</b>	<b>8,049</b>	<b>11,154</b>
Mainland China	<b>1,539</b>	<b>1,741</b>	<b>3,280</b>
	<b>4,644</b>	<b>9,790</b>	<b>14,434</b>
<b>Others</b>	<b>2,839</b>	<b>46</b>	<b>2,885</b>
<b>Group total</b>	<b>7,556</b>	<b>9,969</b>	<b>17,525</b>

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 30 June 2023, 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 2023 — Unaudited

	Note	Six months ended 30 June	
		2023 HK\$ Million	2022 HK\$ Million
<b>Revenue</b>	2	<b>8,130</b>	8,209
Direct costs and operating expenses		<b>(3,918)</b>	(3,605)
Selling and marketing expenses		<b>(206)</b>	(184)
Administrative and corporate expenses		<b>(511)</b>	(583)
Operating profit before depreciation, amortisation, interest and tax		<b>3,495</b>	3,837
Depreciation and amortisation		<b>(356)</b>	(358)
<b>Operating profit</b>	2 & 3	<b>3,139</b>	3,479
Increase/(decrease) in fair value of investment properties		<b>43</b>	(198)
Other net charge	4	<b>(997)</b>	(1,358)
Finance costs	5	<b>2,185</b> <b>(333)</b>	1,923 (229)
Share of results after tax of:			
Associates		<b>66</b>	(204)
Joint ventures		<b>(507)</b>	(296)
Profit before taxation		<b>1,411</b>	1,194
Income tax	6	<b>(676)</b>	(1,019)
<b>Profit for the period</b>		<b>735</b>	175
<b>Profit attributable to:</b>			
Equity shareholders		<b>696</b>	57
Non-controlling interests		<b>39</b>	118
		<b>735</b>	175
<b>Earnings per share</b>	7		
Basic and diluted		<b>HK\$0.23</b>	HK\$0.02

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Six Months Ended 30 June 2023 — Unaudited

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$ Million</b>	<b>HK\$ Million</b>
<b>Profit for the period</b>	<b>735</b>	175
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Fair value changes on equity investments	<b>(4,224)</b>	(602)
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange difference on translation of Mainland operations	<b>(1,540)</b>	(2,683)
Share of other comprehensive income of associates/ joint ventures	<b>(387)</b>	(701)
Others	<b>(4)</b>	1
<b>Other comprehensive income for the period</b>	<b>(6,155)</b>	(3,985)
<b>Total comprehensive income for the period</b>	<b>(5,420)</b>	(3,810)
<b>Total comprehensive income attributable to:</b>		
Equity shareholders	<b>(5,368)</b>	(3,774)
Non-controlling interests	<b>(52)</b>	(36)
	<b>(5,420)</b>	(3,810)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 June 2023 — Unaudited

	Note	30 June 2023 HK\$ Million	31 December 2022 HK\$ Million
<b>Non-current assets</b>			
Investment properties		67,425	69,222
Property, plant and equipment		12,133	12,088
Interests in associates		13,653	13,918
Interests in joint ventures		16,304	16,927
Other long term investments		53,129	48,924
Goodwill and other intangible assets		298	298
Deferred tax assets		459	837
Derivative financial assets		44	48
Other non-current assets		21	25
		<b>163,466</b>	162,287
<b>Current assets</b>			
Properties for sale		41,075	42,986
Trade and other receivables	9	1,980	1,755
Derivative financial assets		130	69
Bank deposits and cash		8,858	14,648
		<b>52,043</b>	59,458
<b>Total assets</b>		<b>215,509</b>	221,745
<b>Non-current liabilities</b>			
Derivative financial liabilities		(420)	(464)
Deferred tax liabilities		(14,529)	(14,561)
Other non-current liabilities		(29)	(30)
Bank loans and other borrowings	11	(19,508)	(17,565)
		<b>(34,486)</b>	(32,620)
<b>Current liabilities</b>			
Trade and other payables	10	(19,957)	(20,083)
Deposits from sale of properties		(6,402)	(8,202)
Derivative financial liabilities		(532)	(389)
Taxation payable		(79)	(2,345)
Bank loans and other borrowings	11	(4,396)	(2,399)
		<b>(31,366)</b>	(33,418)
<b>Total liabilities</b>		<b>(65,852)</b>	(66,038)
<b>NET ASSETS</b>		<b>149,657</b>	155,707
<b>Capital and reserves</b>			
Share capital		30,381	30,381
Reserves		115,225	121,204
<b>Shareholders' equity</b>		<b>145,606</b>	151,585
<b>Non-controlling interests</b>		<b>4,051</b>	4,122
<b>TOTAL EQUITY</b>		<b>149,657</b>	155,707

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Six Months Ended 30 June 2023 — Unaudited

	Attributable to equity shareholders of the Company						
	Share capital HK\$ Million	Investments revaluation and other reserves HK\$ Million	Exchange reserves HK\$ Million	Revenue reserves HK\$ Million	Total shareholders' equity HK\$ Million	Non- controlling interests HK\$ Million	Total equity HK\$ Million
<b>At 1 January 2023</b>	<b>30,381</b>	<b>(2,243)</b>	<b>(3,159)</b>	<b>126,606</b>	<b>151,585</b>	<b>4,122</b>	<b>155,707</b>
Changes in equity for the period:							
Profit for the period	-	-	-	696	696	39	735
Other comprehensive income	-	(4,224)	(1,836)	(4)	(6,064)	(91)	(6,155)
<b>Total comprehensive income</b>	<b>-</b>	<b>(4,224)</b>	<b>(1,836)</b>	<b>692</b>	<b>(5,368)</b>	<b>(52)</b>	<b>(5,420)</b>
Transfer to revenue reserves upon de-recognition of equity investments	-	(8)	-	8	-	-	-
Second interim dividend paid for 2022 (Note 8b)	-	-	-	(611)	(611)	-	(611)
Dividend paid to non-controlling interests	-	-	-	-	-	(19)	(19)
<b>At 30 June 2023</b>	<b>30,381</b>	<b>(6,475)</b>	<b>(4,995)</b>	<b>126,695</b>	<b>145,606</b>	<b>4,051</b>	<b>149,657</b>
<b>At 1 January 2022</b>	<b>30,381</b>	<b>(2,234)</b>	<b>2,829</b>	<b>131,044</b>	<b>162,020</b>	<b>4,357</b>	<b>166,377</b>
Changes in equity for the period:							
Profit for the period	-	-	-	57	57	118	175
Other comprehensive income	-	(601)	(3,230)	-	(3,831)	(154)	(3,985)
<b>Total comprehensive income</b>	<b>-</b>	<b>(601)</b>	<b>(3,230)</b>	<b>57</b>	<b>(3,774)</b>	<b>(36)</b>	<b>(3,810)</b>
Transfer to revenue reserves upon de-recognition of equity investments	-	1,319	-	(1,319)	-	-	-
Second interim dividend paid for 2021	-	-	-	(611)	(611)	-	(611)
Dividend paid to non-controlling interests	-	-	-	-	-	(6)	(6)
<b>At 30 June 2022</b>	<b>30,381</b>	<b>(1,516)</b>	<b>(401)</b>	<b>129,171</b>	<b>157,635</b>	<b>4,315</b>	<b>161,950</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For The Six Months Ended 30 June 2023 — Unaudited

	Six months ended 30 June	
	2023 HK\$ Million	2022 HK\$ Million
<b>Operating cash inflow</b>	<b>2,143</b>	2,725
Changes in working capital/others	<b>459</b>	3,730
Tax paid	<b>(2,149)</b>	(1,048)
<b>Net cash generated from operating activities</b>	<b>453</b>	5,407
<b>Investing activities</b>		
Additions to investment properties and property, plant and equipment	<b>(298)</b>	(502)
Other cash used in investing activities	<b>(9,070)</b>	(1,477)
<b>Net cash used in investing activities</b>	<b>(9,368)</b>	(1,979)
<b>Financing activities</b>		
Dividends paid to equity shareholders	<b>(611)</b>	(611)
Other cash generated from/(used in) financing activities	<b>4,039</b>	(7,009)
<b>Net cash generated from/(used in) financing activities</b>	<b>3,428</b>	(7,620)
<b>Decrease in cash and cash equivalents</b>	<b>(5,487)</b>	(4,192)
Cash and cash equivalents at 1 January	<b>14,648</b>	23,559
Effect of exchange rate changes	<b>(303)</b>	(963)
<b>Cash and cash equivalents at 30 June (Note)</b>	<b>8,858</b>	18,404

Note:

Cash and cash equivalents in the condensed consolidated statement of cash flows

	2023 HK\$ Million	2022 HK\$ Million
Bank deposits and cash	<b>8,858</b>	18,404

## 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 (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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 2022. The unaudited interim financial information and notes thereon do not include all the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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

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

Amendments to HKAS 1	Classification of liabilities as current or non-current
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies
Amendments to HKAS 8	Definition of accounting estimates
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction

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.

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

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 2022 that is included in this unaudited interim financial information as comparative information does not constitute the Company's statutory annual financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Companies Ordinance (Cap 622 of the laws of Hong Kong) ("Companies Ordinance") is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

## 2. Segment Information

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

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

Development properties segment encompasses activities relating to the acquisition, development, sales and marketing of the Group's trading properties primarily in Hong Kong and Mainland China.

Hotels segment includes hotel management in Asia. The Group operates 16 hotels in Asia, four of which wholly or partly owned by the Group.

Logistics segment mainly includes the container terminal operations in Hong Kong and Mainland China undertaken by Modern Terminals, 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 (continued)

### a. Analysis of segment revenue and results

For the six months ended	Revenue HK\$ Million	Operating profit/ (loss) HK\$ Million	Increase/ (decrease) in fair value of investment properties HK\$ Million	Other net charge HK\$ Million	Finance costs HK\$ Million	Share of results after tax of associates HK\$ Million	Share of results after tax of joint ventures HK\$ Million	Profit/ (loss) before taxation HK\$ Million
30 June 2023								
Investment properties	2,480	1,680	43	3	(140)	-	32	1,618
Hong Kong	46	27	(1)	-	(4)	-	-	22
Mainland China	2,434	1,653	44	3	(136)	-	32	1,596
Development properties	2,688	64	-	(173)	5	(53)	(546)	(703)
Hong Kong	-	(46)	-	-	5	(1)	119	77
Mainland China	2,688	110	-	(173)	-	(52)	(665)	(780)
Hotels	296	44	-	-	-	-	5	49
Logistics	1,221	203	-	(26)	(65)	119	2	233
Terminals	1,209	191	-	(5)	(65)	80	2	203
Others	12	12	-	(21)	-	39	-	30
Investments	1,160	1,160	-	(769)	(6)	-	-	385
Segment total	7,845	3,151	43	(965)	(206)	66	(507)	1,582
Others	285	152	-	(32)	(127)	-	-	(7)
Corporate expenses	-	(164)	-	-	-	-	-	(164)
<b>Group total</b>	<b>8,130</b>	<b>3,139</b>	<b>43</b>	<b>(997)</b>	<b>(333)</b>	<b>66</b>	<b>(507)</b>	<b>1,411</b>
30 June 2022								
Investment properties	2,595	1,788	(198)	(2)	(108)	-	8	1,488
Hong Kong	34	13	46	-	(24)	-	-	35
Mainland China	2,561	1,775	(244)	(2)	(84)	-	8	1,453
Development properties	2,674	482	-	(1,503)	-	(356)	(304)	(1,681)
Hong Kong	-	(3)	-	(547)	-	-	339	(211)
Mainland China	2,674	485	-	(956)	-	(356)	(643)	(1,470)
Hotels	167	(47)	-	-	-	(2)	(5)	(54)
Logistics	1,542	396	-	(12)	(44)	154	5	499
Terminals	1,540	394	-	(8)	(44)	99	5	446
Others	2	2	-	(4)	-	55	-	53
Investments	901	901	-	256	-	-	-	1,157
Segment total	7,879	3,520	(198)	(1,261)	(152)	(204)	(296)	1,409
Others	330	183	-	(97)	(77)	-	-	9
Corporate expenses	-	(224)	-	-	-	-	-	(224)
<b>Group total</b>	<b>8,209</b>	<b>3,479</b>	<b>(198)</b>	<b>(1,358)</b>	<b>(229)</b>	<b>(204)</b>	<b>(296)</b>	<b>1,194</b>

## 2. Segment Information (continued)

### b. Disaggregation of revenue

	Six months ended 30 June	
	2023 HK\$ Million	2022 HK\$ Million
<b>Revenue recognised under HKFRS 15</b>		
Sale of development properties	2,688	2,674
Management and services income	297	290
Hotels	296	167
Logistics	1,221	1,542
	<b>4,502</b>	4,673
<b>Revenue recognised under other accounting standards</b>		
Rental income under investment properties segment		
— Fixed	1,480	1,571
— Variable	703	734
Investments	1,160	901
Others	285	330
	<b>3,628</b>	3,536
<b>Group total</b>	<b>8,130</b>	8,209

The Group has applied the practical expedient in paragraph 121 of HKFRS 15, Revenue from Contracts 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.

### c. Geographical information

	Six months ended 30 June			
	Revenue		Operating profit	
	2023 HK\$ Million	2022 HK\$ Million	2023 HK\$ Million	2022 HK\$ Million
Hong Kong	2,149	2,117	1,301	1,203
Mainland China	5,876	6,031	1,736	2,222
Others	105	61	102	54
<b>Group total</b>	<b>8,130</b>	8,209	<b>3,139</b>	3,479

### 3. Operating Profit

Operating profit is arrived at:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>HK\$ Million</b>	HK\$ Million
<b>After charging:</b>		
Depreciation and amortisation on		
— hotel and other property, plant and equipment	<b>292</b>	298
— leasehold land	<b>40</b>	42
— right-of-use assets	<b>24</b>	18
Total depreciation and amortisation	<b>356</b>	358
Staff costs (Note (i))	<b>825</b>	837
Cost of trading properties for recognised sales	<b>2,496</b>	2,107
Direct operating expenses of investment properties	<b>800</b>	802
Loss on disposal of property, plant and equipment	<b>—</b>	1
<b>After crediting:</b>		
Gross revenue from investment properties	<b>2,480</b>	2,595
Interest income	<b>186</b>	212
Dividend income from other long term investments	<b>1,160</b>	901
Gain on disposal of property, plant and equipment	<b>6</b>	—
Government grants (Note (ii))	<b>—</b>	18

Notes:

- (i) Staff costs included contributions to defined contribution pension schemes of HK\$101 million (2022: HK\$97 million), which included MPF schemes after a forfeiture of HK\$1 million (2022: HK\$1 million).
- (ii) In 2022, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Government of the Hong Kong Special Administrative Region of the People's Republic of China. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees of the concerned business units.

#### 4. Other Net Charge

Other net charge for the period amounted to HK\$997 million (2022: HK\$1,358 million) mainly comprises:

- a. Provision for diminution in value of HK\$293 million was made for certain development properties held by subsidiaries in Mainland China (2022: HK\$1,439 million for certain development properties held by subsidiaries in Mainland China and Hong Kong).
- b. Net exchange loss of HK\$39 million (2022: HK\$167 million), including impacts of foreign exchange contracts.
- c. Net fair value loss of HK\$769 million (2022: gain of HK\$256 million) on other long term investments which were classified as financial assets at fair value through profit or loss.

#### 5. Finance Costs

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>HK\$ Million</b>	HK\$ Million
Interest charged on:		
Bank loans and overdrafts	<b>317</b>	224
Other borrowings	<b>249</b>	57
Total interest charge	<b>566</b>	281
Other finance costs	<b>17</b>	53
Less: Amount capitalised	<b>(184)</b>	(178)
	<b>399</b>	156
Fair value (gain)/loss:		
Cross currency interest rate swaps	<b>(51)</b>	(12)
Interest rate swaps	<b>(15)</b>	85
	<b>(66)</b>	73
<b>Group total</b>	<b>333</b>	229

- a. The Group's average effective borrowing rate for the period was 4.9% p.a. (2022: 2.1% p.a.).
- b. The above interest charge has taken into account the interest paid/receipts in respect of interest rate swaps and cross currency interest rate swaps.

## 6. Income Tax

Taxation charged to the consolidated income statement represents:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
<b>Current tax</b>		
Hong Kong		
— provision for Profits tax for the period	<b>46</b>	253
— (over)/under-provision in respect of prior years	<b>(9)</b>	2
Outside Hong Kong		
— provision for the period	<b>279</b>	455
— (over)/under-provision in respect of prior years	<b>(552)</b>	7
	<b>(236)</b>	717
<b>Current tax</b>		
Mainland China		
— Land appreciation tax ("LAT") (Note c)	<b>180</b>	124
<b>Deferred tax</b>		
Change in fair value of investment properties	<b>242</b>	74
Origination and reversal of temporary differences	<b>490</b>	104
	<b>732</b>	178
<b>Group total</b>	<b>676</b>	1,019

- 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% (2022: 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% (2022: 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 2023 of HK\$78 million (2022: HK\$349 million) is included in the share of results of associates and joint ventures.

## 7. Earnings Per Share

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders for the period of HK\$696 million (2022: HK\$57 million) and the weighted average of 3,056 million shares (2022: 3,056 million shares) in issue during the period.

## 8. Dividends Attributable to Equity Shareholders

	Six months ended 30 June			
	2023	2023	2022	2022
	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	611

- a. The first interim dividend based on 3,056 million issued shares (2022: 3,056 million shares) declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.
- b. The second interim dividend of HK\$611 million for 2022 was approved and paid in 2023.

## 9. Trade and Other Receivables

Included in this item are trade receivables (net of loss allowance for bad and doubtful debts) with an ageing analysis based on the invoice date as at 30 June 2023 as follows:

	<b>30 June 2023</b>	31 December 2022
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Trade receivables		
0–30 days	<b>131</b>	104
31–60 days	<b>23</b>	33
61–90 days	<b>18</b>	23
Over 90 days	<b>69</b>	84
	<b>241</b>	244
Other receivables and prepayments	<b>1,739</b>	1,511
<b>Group total</b>	<b>1,980</b>	1,755

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

## 10. Trade and Other Payables

Included in this item are trade payables with an ageing analysis based on the invoice date as at 30 June 2023 as follows:

	<b>30 June 2023</b>	31 December 2022
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Trade payables		
0–30 days	<b>329</b>	364
31–60 days	<b>224</b>	218
61–90 days	<b>16</b>	95
Over 90 days	<b>209</b>	116
	<b>778</b>	793
Rental and customer deposits	<b>1,619</b>	1,356
Construction costs payable	<b>4,392</b>	4,708
Amounts due to associates	<b>8,019</b>	7,675
Amounts due to joint ventures	<b>2,453</b>	2,298
Other payables	<b>2,696</b>	3,253
<b>Group total</b>	<b>19,957</b>	20,083

## 11. Bank Loans and Other Borrowings

	<b>30 June 2023</b>	31 December 2022
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Bonds and notes (unsecured)	<b>6,038</b>	7,359
Bank loans (secured)	<b>11,009</b>	6,374
Bank loans (unsecured)	<b>6,857</b>	6,231
<b>Total bank loans and other borrowings</b>	<b>23,904</b>	19,964
<b>Analysis of maturities of the above borrowings:</b>		
<b>Current borrowings</b>		
Due within 1 year	<b>4,396</b>	2,399
<b>Non-current borrowings</b>		
Due after more than 1 year but not exceeding 5 years	<b>12,935</b>	14,759
Due after more than 5 years	<b>6,573</b>	2,806
	<b>19,508</b>	17,565
<b>Total bank loans and other borrowings</b>	<b>23,904</b>	19,964

## 12. Fair Value Measurement of Financial Instruments

### a. Assets and liabilities carried at fair value

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

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

## 12. Fair Value Measurement of Financial Instruments (continued)

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

#### *Financial instruments carried at fair value*

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

	At 30 June 2023				At 31 December 2022			
	Level 1 HK\$ Million	Level 2 HK\$ Million	Level 3 HK\$ Million	Total HK\$ Million	Level 1 HK\$ Million	Level 2 HK\$ Million	Level 3 HK\$ Million	Total HK\$ Million
<b>Assets</b>								
Other long term investments:								
— Equity investments	45,104	-	-	45,104	40,273	-	-	40,273
— Unlisted investments	-	-	8,025	8,025	-	-	8,651	8,651
Derivative financial instruments:								
— Forward foreign exchange contracts	-	8	-	8	-	19	-	19
— Interest rate swaps	-	75	-	75	-	80	-	80
— Cross currency interest rate swaps	-	91	-	91	-	18	-	18
	45,104	174	8,025	53,303	40,273	117	8,651	49,041
<b>Liabilities</b>								
Derivative financial instruments:								
— Forward foreign exchange contracts	-	212	-	212	-	138	-	138
— Interest rate swaps	-	245	-	245	-	291	-	291
— Cross currency interest rate swaps	-	495	-	495	-	424	-	424
Bank loans and other borrowings:								
— Bonds and notes	-	3,705	-	3,705	-	4,638	-	4,638
— Bank loans	-	405	-	405	-	442	-	442
	-	5,062	-	5,062	-	5,933	-	5,933

During the six months ended 30 June 2023 and 2022, there were no transfers of instruments between Level 1 and Level 2. The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event of change in circumstances that caused the transfer.

## 12. Fair Value Measurement of Financial Instruments (continued)

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

#### *Valuation techniques and inputs used in Level 2 fair value measurements:*

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

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

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

#### *Valuation techniques and inputs used in Level 3 fair value measurements:*

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

## 12. Fair Value Measurement of Financial Instruments (continued)

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

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

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

	<b>2023</b> <b>HK\$ Million</b>
<b>Unlisted investments</b>	
At 1 January	<b>8,651</b>
Payment for purchases	<b>276</b>
Disposals	<b>(133)</b>
Net unrealised losses recognised in the Consolidated Income Statement during the period	<b>(769)</b>
<b>At 30 June</b>	<b>8,025</b>

#### *Transfer out of level 3*

The Group held certain unlisted investments in equity shares with fair value totalled HK\$Nil as at the date of transfer (2022: HK\$18 million). The fair value of these investments was categorised at Level 3 at 31 December 2022 (for information on the valuation technique, see above). This was because the shares were not listed on any stock exchange markets and there were no recent observable arm's length transactions in the shares.

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

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

### b. Assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial assets and liabilities carried at amortised cost are not materially different from their fair values as at 30 June 2023 and 31 December 2022.

### 13. Material Related Party Transactions

Material transactions between the Group and other related parties during the period ended 30 June 2023 are as follows:

- a. There was rental income totalling HK\$49 million (2022: HK\$54 million) from various tenants which are wholly or partly owned by companies which in turn are wholly-owned by the family interests of close family members of, or by a trust the settlor of which is a close family member of the chairman of Wheelock and Company Limited (“WAC”).
- b. There were in existence agreement with subsidiaries of Wharf Real Estate Investment Company Limited (“Wharf REIC”) for the management, marketing, project management and technical services on Wharf REIC’s hotel operations. Total fees receivable under this arrangement during the current period amounted to HK\$25 million (2022: HK\$8 million). Such transaction also constitutes a continuing connected transaction as defined under Listing Rules.
- c. The Group paid property services fees in respect of the Group’s property projects totaling HK\$72 million (2022: HK\$87 million). Of which, HK\$39 million (2022: HK\$57 million) was paid to subsidiaries of WAC and Wharf REIC and constitutes a continuing connected transaction as defined under the Listing Rules.
- d. The Group recognised capitalised rent totalling HK\$146 million (2022: HK\$107 million) for the provision of rental services provided by Wharf REIC to the Group. Such transaction also constitutes a continuing connected transaction as defined under the Listing Rules.
- e. There were in existence agreements with subsidiaries of Wharf REIC for the provision of property services on Wharf REIC’s property projects. Total fee receivable under this agreement during the current period amount to HK\$Nil (2022: HK\$9 million). Such transaction also constitutes a continuing connected transaction as defined under the Listing Rules.

## 14. Contingent Liabilities

As at 30 June 2023, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to overdrafts, short term loans and credit facilities, bonds and notes of up to HK\$36,835 million (31 December 2022: HK\$33,489 million). There were also contingent liabilities in respect of guarantees given by the Company on behalf of associates and joint ventures of HK\$5,750 million (31 December 2022: HK\$5,627 million) where the banking facilities had been drawn.

As at 30 June 2023, there were guarantees of HK\$1,155 million (31 December 2022: HK\$1,746 million) provided by the Group to the financial institutions in favour of their customers in respect of the mortgage loans provided by the financial institutions to those customers for the purchase of the Group's development properties. There were also mortgage loan guarantees of HK\$1,361 million (31 December 2022: HK\$2,286 million) provided by associates and joint ventures of the Group to the financial institutions in favour of their customers.

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

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

## 15. Commitments

The Group's outstanding commitments as at 30 June 2023 are detailed as below:

	30 June 2023			31 December 2022		
	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million
<b>(I) Properties</b>						
<b>Investment properties</b>						
Mainland China	73	133	206	89	158	247
	73	133	206	89	158	247
<b>Development properties</b>						
Hong Kong	3,105	8,049	11,154	3,174	11,396	14,570
Mainland China	1,539	1,741	3,280	2,041	1,890	3,931
	4,644	9,790	14,434	5,215	13,286	18,501
<b>Properties total</b>						
Hong Kong	3,105	8,049	11,154	3,174	11,396	14,570
Mainland China	1,612	1,874	3,486	2,130	2,048	4,178
	4,717	9,923	14,640	5,304	13,444	18,748
<b>(II) Others</b>	2,839	46	2,885	2,859	47	2,906
	2,839	46	2,885	2,859	47	2,906
<b>Group total</b>	<b>7,556</b>	<b>9,969</b>	<b>17,525</b>	<b>8,163</b>	<b>13,491</b>	<b>21,654</b>

The expenditure for development properties included attributable amounts for developments undertaken by associates and joint ventures totalled HK\$1,714 million (31 December 2022: HK\$2,227 million).

## 16. Review of Unaudited Interim Financial Information

The unaudited interim financial information for the six months ended 30 June 2023 has been reviewed with no disagreement by the Audit Committee of the Company.

## CORPORATE GOVERNANCE CODE

During the financial period under review, the Company has applied all the principles and complied with all the code provisions of the Corporate Governance Code contained in Appendix 14 of the Listing Rules, with one exception as regards Code Provision C.2.1 providing for the roles of chairman and chief executive to be performed by different individuals.

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

## CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

## DIRECTORS' INTERESTS IN SHARES

At 30 June 2023, Directors had the following beneficial interests, all being long positions, in the shares of the Company and Modern Terminals (the Company's subsidiary). The percentages which the relevant shares represented to the total number of shares in issue of the two companies respectively are also set out below:

	Quantity held (percentage)	Nature of Interest
<b>The Company</b>		
Stephen T H Ng	4,185,445 (0.1370%)	Personal Interest
Paul Y C Tsui	300,000 (0.0098%)	Personal Interest
Y T Leng	1,050,000 (0.0344%)	Personal Interest
Kevin K P Chan	350,000 (0.0115%)	Personal Interest
Vincent K Fang	580,000 (0.0190%)	Personal Interest
David Muir Turnbull	95,000 (0.0031%)	Personal Interest
<b>Modern Terminals</b>		
Hans Michael Jebesen	3,787 (5.40%)	Corporate Interest

Note:

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

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange by the Directors and/or Chief Executive of the Company pursuant to the SFO or the Model Code (or any other applicable code), there were no interests, whether long or short positions, held or deemed to be interested as at 30 June 2023 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), nor had there been any rights to subscribe for any shares, underlying shares or debentures of the Company and its associated corporations held or deemed to be interested by any of them as at 30 June 2023.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties, other than person(s) who is/are Director(s), who/which were, directly or indirectly, interested in 5% or more of any class of voting shares of the Company as at 30 June 2023, and the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register"):

<b>Names</b>	<b>No. of Ordinary Shares</b> (percentage based on total number of shares in issue)
(i) Wheelock and Company Limited	2,093,500,651 (68.50%)
(ii) HSBC Trustee (C.I.) Limited ("HSBC Trustee")	2,093,500,651 (68.50%)

Notes:

- (1) For the avoidance of doubt and double counting, it should be noted that the shareholdings stated against parties (i) and (ii) above represented the same block of shares.
- (2) As recorded in the Register, the deemed shareholding interests of WAC and HSBC Trustee of 2,093,500,651 shares (68.50%) as at 30 June 2023 stated above included interests (of 5% or more) held through WAC's wholly-owned subsidiaries as below:

<b>Names</b>	<b>No. of Ordinary Shares</b> (percentage based on total number of shares in issue)
(i) Lynchpin Limited ("LL")	265,576,072 (8.69%)
(ii) WF Investment Partners Limited ("WIPL")	711,224,579 (23.27%)
(iii) High Fame Investments Limited ("HFIL")	537,558,100 (17.59%)
(iv) Crystal Pond Limited ("CPL")	575,872,900 (18.84%)
(v) Kowloon Wharf Pte Limited ("KWPL")	*2,092,820,651 (68.48%)

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

All the interests stated above represented long positions. As at 30 June 2023, there were no short position interests recorded in the Register.

## SHARE OPTION SCHEME

The Company has a share option scheme (the “Share Option Scheme”) which was approved and adopted by the Shareholders of the Company at the annual general meeting held on 11 May 2023.

During the financial period ended 30 June 2023, no share option was granted under the Share Option Scheme. Accordingly, as at 30 June 2023, there was no share option outstanding under the Share Option Scheme and no shares of the Company that might be issued pursuant thereto.

The total number of share options available for grant under the scheme mandate of the Share Option Scheme upon its adoption on 11 May 2023 and as at 30 June 2023 were both 305,602,732.

## CHANGES IN INFORMATION OF DIRECTORS

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

<b>Director(s)</b>	<b>Salary and various allowances HK\$'000</b>		<sup>Note</sup> <b>Discretionary annual bonus in cash HK\$'000</b>	
Stephen T H Ng	5,587	<i>(2022: 5,460)</i>	9,000	<i>(2022: 9,000)</i>
Paul Y C Tsui	2,429	<i>(2022: 2,374)</i>	5,600	<i>(2022: 3,400)</i>
Y T Leng	3,240	<i>(2022: 2,920)</i>	2,000	<i>(2022: 1,800)</i>
Kevin K P Chan	4,098	<i>(2022: 3,978)</i>	5,000	<i>(2022: 5,000)</i>
Kevin C Y Hui	2,574	<i>(2022: 2,516)</i>	1,050	<i>(2022: 1,050)</i>

Note:

*The amounts of such discretionary annual bonuses was fixed/decided unilaterally by the employers.*

- (II) Given below are changes in other information of the Directors required to be disclosed pursuant to paragraphs (a) to (e) of rule 13.51(2) under the Listing Rules since the publication of the last annual report of the Company:

	<b>Effective Date</b>
<b>Stephen T H Ng</b>	
<ul style="list-style-type: none"><li>Employers' Federation of Hong Kong<ul style="list-style-type: none"><li>– ceased to be council member, vice chairman of General Committee and member of Executive Committee</li></ul></li></ul>	25 May 2023
<b>Hans Michael Jebsen</b>	
<ul style="list-style-type: none"><li>Hong Kong-Europe Business Council of the Hong Kong Trade Development Council<ul style="list-style-type: none"><li>– appointed as chairman</li></ul></li></ul>	1 February 2023
<ul style="list-style-type: none"><li>Asian Cultural Council Hong Kong<ul style="list-style-type: none"><li>– ceased to be chairman</li></ul></li></ul>	12 April 2023
<ul style="list-style-type: none"><li>Hysan Development Company Limited<ul style="list-style-type: none"><li>– retired as non-executive director</li></ul></li></ul>	16 May 2023
<ul style="list-style-type: none"><li>Hong Kong Red Cross<ul style="list-style-type: none"><li>– ceased to be advisory board member</li></ul></li></ul>	31 August 2023
<b>Elizabeth Law</b>	
<ul style="list-style-type: none"><li>Starlite Holdings Limited<ul style="list-style-type: none"><li>– appointed as INED</li></ul></li></ul>	1 April 2023
<ul style="list-style-type: none"><li>Wise Ally International Holdings Limited<ul style="list-style-type: none"><li>– appointed as INED</li></ul></li></ul>	1 June 2023

**Richard Y S Tang**

- The Government of the Hong Kong Special Administrative Region  
– awarded the Honour of Gold Bauhinia Star 1 July 2023

**Nancy S L Tse**

- Link Asset Management Limited (as manager of Link Real Estate Investment Trust)  
– retired as INED 19 July 2023
- Prince Philip Dental Hospital  
– retired as member of Board of Governors 31 July 2023

**David Muir Turnbull**

- Pacific Basin Shipping Limited  
– retired as chairman and executive director 18 April 2023

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

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

Hong Kong, 9 August 2023

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

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