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# WHARF

*Established 1886*

## **WHARF REAL ESTATE INVESTMENT COMPANY LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 1997

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

### **Rental Income Remains Depressed**

#### **HIGHLIGHTS**

- Hong Kong retail sales recover but rental income remains depressed
- Economic uncertainty and new work culture dampen office demand
- Hotels bleed with strict border control still in force

#### **GROUP RESULTS**

Unaudited Group underlying net profit for the half-year period ended 30 June 2021 decreased by 15% to HK\$3,272 million (2020: HK\$3,844 million), equivalent to HK\$1.08 (2020: HK\$1.27) per share.

Inclusive of net Investment Properties (“IP”) revaluation deficit, net of non-controlling interest, of HK\$278 million (2020: HK\$7,350 million), Group profit attributable to equity shareholders amounted to HK\$2,970 million (2020: loss of HK\$4,454 million). Basic earnings per share were HK\$0.98 (2020: loss of HK\$1.47).

#### **INTERIM DIVIDEND**

An interim dividend of HK\$0.67 (2020: HK\$0.78) per share will be paid on 9 September 2021 to Shareholders on record as at 6:00 p.m. on 26 August 2021. The distribution will amount to HK\$2,034 million (2020: HK\$2,368 million), representing 65% of underlying net profit from IP and hotels in Hong Kong.

## **BUSINESS REVIEW**

With strict border control still in force due to the COVID-19 pandemic, 2021 saw a rebuild of local consumption on the back of an improving GDP and unemployment rate from last year's low base.

The Group's premier portfolio captured a bigger share of local spending power through proactive marketing initiatives. Retail tenants in Harbour City and Times Square achieved above-market sales growth. However, although retail sales have bottomed, the entire sector remains under tremendous pressure until border control relaxes. Prevailing vacancies and weaker market rent continue to depress rental income.

In the meantime, hotels are still bleeding in the absence of inbound visitors, particularly with most of the government's relief programmes having ended, including the substantial amounts from Employment Support Scheme ("ESS"). In spite of a notable year-on-year increase in revenue, basic operating costs still cannot be covered and recovery remains uncertain.

Office demand continues to be soft due to the economic uncertainty and work from home practices. With new completions inflating supply, the existing oversupply may take some time to be digested.

The Group reported a revenue growth of 10%, with the drop in operating profit and underlying net profit narrowed to 11% and 15%, respectively, through a series of proactive strategies against the pandemic hit. In view of the stabilising market conditions, the Group's IP revaluation registered a narrowed unrealised deficit of HK\$278 million.

While borders remain effectively closed, no early recovery can be assumed for the IP and hospitality sectors.

### **Harbour City**

Overall revenue (including hotels) decreased by 11% and operating profit by 17%.

#### ***Retail***

Harbour City embraces a proactive stance by investing promptly in marketing and promotion to drive patronage and sales, but the market remained weak. As a result, retail revenue decreased by 11% and operating profit by 19%.

Constant re-tenanting and stringent selection criteria remain pivotal to maintain a desirable high-quality tenant base. Occupancy rate maintained 91% at the end of June 2021.

Brands debuting in Hong Kong/ Kowloon include *Valentino Beauty*, *MEMO*, *Moncler Enfant*, *Rituals*, *Annoushka*, *Aerie*, *KEF*, *Kakao Friends Concept Store*, *Mark Fast*, and *SHOUT Art Hub & Gallery*. Brands such as *alexanderwang*, *Delvaux*, *Maison Margiela*, *Max Mara*, and *Van Cleef & Arpels* either upgraded or expanded. *Valmont*, *Michael Kors*, *National Geographic*, *Ports International*, and *Roger Dubuis* also tapped the opportunity to open doors.

Harbour City has fortified its F&B offerings, which show resilient demand. New delectable dining options include *HONBO*, a popular homegrown American style burger eatery, the soon-to-open *Sushi Hisayoshi*, a high-end Japanese restaurant, *Grill Manten-Boshi*, an authentic Japanese-western restaurant, *Chicha San Chen*, an award-winning Taiwanese bubble tea chain, and *Ricky's Spicy Kitchen*, a contemporary Chinese restaurant.

Targeting to strengthen its critical mass, Harbour City spares no efforts in its successful spending reward scheme to encourage repeat purchases and dining out. The coupon redemption programme and other limited-time shopping offers continue to be well received by shoppers and tenants. In parallel, great emphasis has been placed on top-notch service and irresistible member privileges to enhance VIP loyalty and attract new local spenders.

### ***Office***

Office leasing activity in Tsim Sha Tsui was relatively muted due to the contraction or relocation of some multinational corporations and increased new supply in various districts. Occupancy rate edged down to 82% at the end of June 2021.

Faced with the soft leasing demand, revenue decreased by 13% and operating profit by 15%.

### ***Hotels and Club***

Marco Polo Hongkong Hotel and Gateway Hotel proactively expanded foothold in the local market by launching staycation and dining packages featuring signature experiences.

Prince Hotel is closed for a complete overhaul and is ready to re-open with a fresh look upon relaxation of border control and travel restrictions.

### ***Times Square***

Overall revenue decrease narrowed to 8% and operating profit decreased by 25%.

### ***Retail***

Gradual recovery of local consumption is supporting sales activities at Times Square, yet retailers remain cautious in expansion and some consolidate their presence in Hong Kong. Retail revenue decreased by 11% and operating profit by 36% due to increased investment in marketing.

Curation of the irresistible marketing programmes and enticing fresh experience started to bear fruits. Tenants sales growth at Times Square turned positive since the last quarter of 2020 and outperformed the market for the third consecutive quarter.

A spate of young and aspirational brands seized the opportunity to establish a presence in Times Square, adding new impetus to revive the shopping and dining experience. Occupancy rate was 92% at the end of June 2021.

To stand out from the competition, Times Square continues to be proactive in sales-driven marketing initiatives. In particular, the spending reward scheme and shopping surprise offers have proven to be successful. On top of theme-based promotions, the mall also formed innovative collaborations to create a lineup of exhibitions and character-themed events, which aim to draw footfall and reinforce brand awareness of the mall.

### ***Office***

Corporates remain cautious about office operation and rental costs. Inspection activities for pocket-sized units mildly recovered, yet sizable demand was relatively low. Occupancy rate slightly improved to 88% at the end of June 2021. Revenue and operating profit decreased slightly by 1%.

### **Central Portfolio**

The Group's premium portfolio in Central continues to show resilience on the back of its diversified tenant base. Wheelock House offices achieved occupancy of 95% at the end of June 2021 while Crawford House offices were 94% occupied. Both retail premises were fully occupied. In view of the adjusted market rent, revenue decreased by 3% and operating profit by 4%.

Undaunted by the impact of the COVID-19 crisis, The Murray, Hong Kong, achieved an outperforming revenue yield per room among its direct competitors by providing themed staycation programmes and enticing dining packages targeting local guests. However, events and banquets were still badly hit due to the social distancing measures.

### **Plaza Hollywood**

Plaza Hollywood enjoyed relatively stable footfall and demand from locals throughout the disruption of social unrest and COVID-19. However, revenue decreased by 10% and operating profit by 14%. Occupancy rate was 96% at the end of June 2021.

Following the full commission of the MTR's Tuen Ma Line in June this year, Diamond Hill Station has become a new transportation hub for East Kowloon as an interchange station for the Kwun Tong Line and Tuen Ma Line, which amplifies the geographical advantage of the mall.

### **Singapore Portfolio**

Retail market in Singapore witnessed a notable recovery in the first quarter. However, the Phase 2 (heightened alert) safe management measures, which kicked in from 16 May to 13 June 2021, affected the retail market in the second quarter.

Strategically located in the heart of Orchard Road's premier shopping belt, retail occupancy at Wheelock Place climbed to 96% whilst Scotts Square mall retail was 86% occupied at the end of June 2021. Wheelock Place office tower maintains stable occupancy at 91%.

## FINANCIAL REVIEW

### (I) Review of 2021 Interim Results

The prolonged COVID-19 pandemic continued to put tremendous pressure on the Group, particularly on Investment Properties (“IP”) and Hotel segments. Underlying net profit decreased by 15% to HK\$3,272 million (2020: HK\$3,844 million) with IP profit decreasing by 14% to HK\$3,321 million and Hotel continuing to report a loss. Group profit attributable to equity shareholders was HK\$2,970 million (2020: loss of HK\$4,454 million).

#### Revenue and Operating Profit

Group revenue increased by 10% to HK\$7,485 million (2020: HK\$6,775 million) mainly attributable to the recognition of Development Properties (“DP”) sales for listed subsidiary Harbour Centre Development Limited (“HCDL”) but operating profit decreased by 11% to HK\$4,428 million (2020: HK\$4,966 million) mainly resulting from weaker performance in IP.

IP revenue decreased by 10% to HK\$5,483 million (2020: HK\$6,089 million) and operating profit by 17% to HK\$4,310 million (2020: HK\$5,211 million), mainly resulting from a softer market and increased investment in marketing.

Hotel revenue increased by 34% to HK\$343 million (2020: HK\$256 million) and operating loss narrowed to HK\$208 million (2020: HK\$243 million). Occupancy improved with focus on the domestic market.

DP revenue increased to HK\$1,402 million (2020: HK\$303 million) and operating profit to HK\$146 million (2020: loss of HK\$3 million), primarily attributable to sales recognition by HCDL.

Investment operating profit primarily from dividend income increased by 139% to HK\$232 million (2020: HK\$97 million).

#### Fair Value Change of IP

IP assets were stated at HK\$245.1 billion based on independent valuation, representing a revaluation deficit of HK\$284 million. Attributable unrealised loss was HK\$278 million.

#### Other Net Charge

Other net charge was HK\$62 million (2020: HK\$1,148 million) after impairment provision of HK\$67 million (2020: HK\$1,043 million) for hotel properties.

## Finance Costs

Finance costs amounted to HK\$359 million (2020: HK\$677 million) after interest capitalisation of HK\$4 million (2020: HK\$8 million) for DP and an unrealised mark-to-market gain of HK\$10 million (2020: loss of HK\$123 million) on cross currency and interest rate swaps in accordance with prevailing accounting standards.

The effective borrowing rate declined to 1.4% (2020: 2.3%) primarily due to a lower HIBOR.

## Income Tax

Taxation charge increased by 82% to HK\$709 million (2020: HK\$389 million) principally due to a one-off DP tax write-back of HK\$494 million for HCDL in 2020.

## Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders for the period amounted to HK\$2,970 million (2020: loss of HK\$4,454 million). Basic earnings per share were HK\$0.98, based on 3,036 million ordinary shares in issue (2020: loss per share of HK\$1.47 based on 3,036 million ordinary shares in issue).

Underlying Net Profit (excluding the attributable net IP revaluation deficit, impairment provision on hotel properties and other accounting mark-to-market differences on certain financial instruments) decreased by 15% to HK\$3,272 million (2020: HK\$3,844 million). Underlying earnings per share were HK\$1.08 (2020: HK\$1.27).

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

### Shareholders' and Total Equity

As at 30 June 2021, shareholders' equity increased by HK\$2.6 billion to HK\$207.2 billion (2020: HK\$204.6 billion), equivalent to HK\$68.25 per share (2020: HK\$67.38). Total equity including non-controlling interests increased by HK\$2.8 billion to HK\$212.2 billion (2020: HK\$209.4 billion).

### Assets

Total assets amounted to HK\$278.3 billion (2020: HK\$277.9 billion), 92% (2020: 92%) of which was in Hong Kong. Total business assets, excluding bank deposit and cash, derivative financial assets and deferred tax assets, were HK\$274.1 billion (2020: HK\$274.1 billion).

## IP

IP assets totalled HK\$245.1 billion (2020: HK\$245.5 billion), representing 89% (2020: 90%) of business assets. Harbour City (excluding the three hotels which were stated at cost) was valued at HK\$163.7 billion and Times Square at HK\$52.9 billion.

## Hotels

Hotel properties were stated at cost less accumulated depreciation & impairment losses at HK\$7.6 billion (2020: HK\$7.5 billion). Valuation of these hotels amounted to HK\$14.6 billion at 30 June 2021.

## DP

DP assets, including interests in an associate and joint ventures, amounted to HK\$5.1 billion (2020: HK\$6.3 billion).

## Other Long Term Investments

Other long term investments were valued at HK\$14.9 billion (2020: HK\$13.0 billion), including a portfolio of blue chips held for long term growth and reasonable dividend return. The portfolio performed overall in line with the market and each investment within it is individually not material to the Group's total assets. Revaluation on these investments during the period produced an attributable net surplus of HK\$1.8 billion as reflected in the other comprehensive income. The attributable accumulated surplus balance at period-end was HK\$3.3 billion (2020: HK\$1.5 billion).

## Debts and Gearing

Net debt decreased to HK\$50.4 billion (2020: HK\$52.0 billion). It comprised debts of HK\$53.3 billion and bank deposits/ cash of HK\$2.9 billion.

An analysis of net debt is depicted below:

	<b>30 June 2021</b>	31 December 2020
<b><u>Net debt</u></b>	<b>HK\$ Billion</b>	HK\$ Billion
Group (excluding HCDL)	<b>49.1</b>	50.5
HCDL	<b>1.3</b>	1.5
Total	<b>50.4</b>	52.0

The ratio of net debt to total equity fell slightly to 23.8% (2020: 24.8%).

## Finance and Availability of Facilities

Total available loan facilities amounted to HK\$76.8 billion, of which HK\$53.3 billion was utilised, depicted as follows:

	<b>30 June 2021</b>		
	<b>Available Facility HK\$ Billion</b>	<b>Total Debt HK\$ Billion</b>	<b>Undrawn Facility HK\$ Billion</b>
Committed and uncommitted bank facilities Group (excluding HCDL)	71.9	50.9	21.0
HCDL	4.9	2.4	2.5
<b>Total</b>	<b>76.8</b>	<b>53.3</b>	<b>23.5</b>

Certain banking facilities were secured by bank deposits of HK\$355 million (2020: HK\$356 million).

The debt portfolio was largely denominated in United States dollar, Hong Kong dollar and Singapore dollar. The respective funds available were mainly utilised 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\$14.9 billion (2020: HK\$13.0 billion).

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

For the period under review, the Group recorded net cash inflow (before changes in working capital and tax payment) of HK\$4.4 billion (2020: HK\$5.0 billion) primarily generated from rental income. Changes in working capital and profits tax payment reduction generated the net cash inflow from operating activities to HK\$3.7 billion (2020: HK\$1.0 billion). For investing activities, the Group recorded a net cash outflow of HK\$0.3 billion (2020: HK\$7.4 billion).

## Capital Commitments

As at 30 June 2021, major planned expenditures for the coming years were estimated at HK\$1.6 billion, of which HK\$0.4 billion was committed. A breakdown (by segment) is as follows:

	<b>As at 30 June 2021</b>		
	<b>Committed HK\$ Million</b>	<b>Uncommitted HK\$ Million</b>	<b>Total HK\$ Million</b>
<b>Properties</b>			
<b>IP</b>			
Hong Kong	67	452	519
<b>DP</b>			
Mainland China	360	667	1,027
	<u>427</u>	<u>1,119</u>	<u>1,546</u>
<b>Hotels</b>			
Hong Kong	<u>19</u>	<u>1</u>	<u>20</u>
<b>Group total</b>	<u>446</u>	<u>1,120</u>	<u>1,566</u>

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 totalling HK\$1.0 billion, which will be funded by its own financial resources.

### **(III) Human Resources**

The Group had approximately 2,900 employees as at 30 June 2021. 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 six months ended 30 June 2021 - Unaudited**

		<b>Six months ended 30 June</b>	
	Note	<b>2021</b>	2020
		<b>HK\$ Million</b>	HK\$ Million
<b>Revenue</b>	2	<b>7,485</b>	6,775
Direct costs and operating expenses		<b>(2,259)</b>	(1,395)
Selling and marketing expenses		<b>(516)</b>	(124)
Administrative and corporate expenses		<b>(121)</b>	(139)
Operating profit before depreciation, amortisation, interest and tax		<b>4,589</b>	5,117
Depreciation and amortisation		<b>(161)</b>	(151)
<b>Operating profit</b>	2 & 3	<b>4,428</b>	4,966
Decrease in fair value of investment properties		<b>(284)</b>	(7,529)
Other net charge	4	<b>(62)</b>	(1,148)
Finance costs	5	<b>(359)</b>	(677)
Share of results after tax of an associate		<b>(60)</b>	(76)
Profit/(loss) before taxation		<b>3,663</b>	(4,464)
Income tax	6	<b>(709)</b>	(389)
<b>Profit/(loss) for the period</b>		<b>2,954</b>	(4,853)
<b>Profit/(loss) attributable to :</b>			
Equity shareholders		<b>2,970</b>	(4,454)
Non-controlling interests		<b>(16)</b>	(399)
		<b>2,954</b>	(4,853)
<b>Earnings/(loss) per share</b>	7		
Basic		<b>HK\$0.98</b>	(HK\$1.47)
Diluted		<b>HK\$0.98</b>	(HK\$1.47)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the six months ended 30 June 2021 - Unaudited**

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$ Million</b>	<b>HK\$ Million</b>
<b>Profit/(loss) for the period</b>	<u>2,954</u>	<u>(4,853)</u>
<b>Other comprehensive income</b>		
<b>Item that will not be reclassified to profit or loss:</b>		
Fair value changes on equity investments at fair value through other comprehensive income	1,976	(1,021)
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange difference on translation of the operations outside Hong Kong		
- subsidiaries	(75)	(232)
Share of reserves of an associate	13	(15)
Others	<u>1</u>	<u>2</u>
<b>Other comprehensive income for the period</b>	<u>1,915</u>	<u>(1,266)</u>
<b>Total comprehensive income for the period</b>	<u><b>4,869</b></u>	<u><b>(6,119)</b></u>
<b>Total comprehensive income attributable to:</b>		
Equity shareholders	4,741	(5,456)
Non-controlling interests	<u>128</u>	<u>(663)</u>
	<u><b>4,869</b></u>	<u><b>(6,119)</b></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2021 - Unaudited**

		<b>30 June 2021</b>	31 December 2020
	Note	<b>HK\$ Million</b>	HK\$ Million
<b>Non-current assets</b>			
Investment properties		<b>245,149</b>	245,473
Hotel and club properties, plant and equipment		<b>7,869</b>	7,700
Interest in an associate		<b>1,011</b>	1,059
Interest in joint ventures		<b>49</b>	23
Other long term investments		<b>14,912</b>	13,041
Deferred tax assets		<b>125</b>	303
Derivative financial assets		<b>686</b>	965
Other non-current assets		<b>66</b>	66
		<b>269,867</b>	268,630
<b>Current assets</b>			
Properties for sale		<b>4,088</b>	5,207
Inventories		<b>18</b>	19
Trade and other receivables	9	<b>1,248</b>	1,675
Prepaid tax		<b>126</b>	122
Derivative financial assets		<b>8</b>	1
Bank deposits and cash		<b>2,948</b>	2,260
		<b>8,436</b>	9,284
<b>Total assets</b>		<b>278,303</b>	277,914
<b>Non-current liabilities</b>			
Derivative financial liabilities		<b>(439)</b>	(365)
Deferred tax liabilities		<b>(2,587)</b>	(2,534)
Other deferred liabilities		<b>(333)</b>	(333)
Bank loans and other borrowings		<b>(51,275)</b>	(48,171)
		<b>(54,634)</b>	(51,403)
<b>Current liabilities</b>			
Trade and other payables	10	<b>(7,696)</b>	(8,185)
Pre-sale deposits and proceeds		<b>(1,075)</b>	(2,044)
Derivative financial liabilities		<b>(9)</b>	(226)
Taxation payable		<b>(645)</b>	(540)
Bank loans and other borrowings		<b>(2,075)</b>	(6,107)
		<b>(11,500)</b>	(17,102)
<b>Total liabilities</b>		<b>(66,134)</b>	(68,505)
<b>NET ASSETS</b>		<b>212,169</b>	209,409
<b>Capital and reserves</b>			
Share capital		<b>304</b>	304
Reserves		<b>206,893</b>	204,247
<b>Shareholders' equity</b>		<b>207,197</b>	204,551
<b>Non-controlling interests</b>		<b>4,972</b>	4,858
<b>TOTAL EQUITY</b>		<b>212,169</b>	209,409

## NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

### 1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

The financial information included in this interim results announcement is extracted from the unaudited interim financial information which has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The preparation of the unaudited interim financial information in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The unaudited interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2020. The unaudited interim financial information and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies and methods of computation used in the preparation of the unaudited interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2020 except for the changes mentioned below.

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

Amendments to HKFRS 9, HKFRS 7, Interest Rate Benchmark Reform – phase 2  
HKFRS 4, HKFRS 16 and HKAS 39

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.

The Group has not applied any new standards 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 property, development property, hotel and investment. No operating segments have been aggregated to form the reportable segments.

Investment property 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 and Singapore.

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

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 of assets attributable to those segments.

## 2. SEGMENT INFORMATION

### a. Analysis of segment revenue and results

Six months ended	Revenue HK\$ Million	Operating profit HK\$ Million	Decrease in fair value of investment properties HK\$ Million	Other net (charge)/ income HK\$ Million	Finance costs HK\$ Million	Share of results after tax of an associate HK\$ Million	Profit/ (loss) before taxation HK\$ Million
30 June 2021							
Investment property	5,483	4,310	(284)	-	(312)	-	3,714
Development property	1,402	146	-	1	(3)	(60)	84
Hotel	343	(208)	-	(67)	(10)	-	(285)
Investment	232	232	-	-	(44)	-	188
Inter-segment revenue	(15)	-	-	-	-	-	-
Segment total	7,445	4,480	(284)	(66)	(369)	(60)	3,701
Others	40	(24)	-	4	10	-	(10)
Corporate expenses	-	(28)	-	-	-	-	(28)
Group total	7,485	4,428	(284)	(62)	(359)	(60)	3,663
30 June 2020							
Investment property	6,089	5,211	(7,529)	-	(517)	-	(2,835)
Development property	303	(3)	-	-	-	(76)	(79)
Hotel	256	(243)	-	(1,043)	(24)	-	(1,310)
Investment	97	97	-	-	(12)	-	85
Inter-segment revenue	(20)	-	-	-	-	-	-
Segment total	6,725	5,062	(7,529)	(1,043)	(553)	(76)	(4,139)
Others	50	(8)	-	(105)	(124)	-	(237)
Corporate expenses	-	(88)	-	-	-	-	(88)
Group total	6,775	4,966	(7,529)	(1,148)	(677)	(76)	(4,464)

## 2. SEGMENT INFORMATION

### b. Disaggregation of revenue

	Six months ended 30 June	
	2021 HK\$ Million	2020 HK\$ Million
<b>Revenue recognised under HKFRS 15</b>		
Management and services income	527	561
Other rental related income	230	194
Hotel and club operations	343	256
Sale of development properties	1,402	303
	<u>2,502</u>	<u>1,314</u>
<b>Revenue recognised under other accounting standards</b>		
Rental income		
– Fixed	4,382	5,154
– Variable	329	160
	<u>4,711</u>	<u>5,314</u>
Investment	232	97
Others	40	50
	<u>4,983</u>	<u>5,461</u>
Total revenue	<u>7,485</u>	<u>6,775</u>

### c. Analysis of inter-segment revenue

	Six months ended 30 June					
	2021			2020		
	Total Revenue HK\$ Million	Inter-segment revenue HK\$ Million	Group Revenue HK\$ Million	Total Revenue HK\$ Million	Inter-segment revenue HK\$ Million	Group Revenue HK\$ Million
Investment property	5,483	(15)	5,468	6,089	(20)	6,069
Development property	1,402	-	1,402	303	-	303
Hotel	343	-	343	256	-	256
Investment	232	-	232	97	-	97
Others	47	(7)	40	58	(8)	50
Group total	<u>7,507</u>	<u>(22)</u>	<u>7,485</u>	<u>6,803</u>	<u>(28)</u>	<u>6,775</u>

### d. Geographical information

	Six months ended 30 June			
	Revenue		Operating profit	
	2021 HK\$ Million	2020 HK\$ Million	2021 HK\$ Million	2020 HK\$ Million
Hong Kong	5,729	6,263	4,058	4,864
Outside Hong Kong	1,756	512	370	102
Group total	<u>7,485</u>	<u>6,775</u>	<u>4,428</u>	<u>4,966</u>

### 3. OPERATING PROFIT

Operating profit is arrived at:

	Six months ended 30 June	
	2021	2020
	HK\$ Million	HK\$ Million
<b>After charging:</b>		
Depreciation and amortisation on		
– hotel and club properties, plant and equipment	157	147
– leasehold land	4	4
Total depreciation and amortisation	<u>161</u>	<u>151</u>
Staff cost (Note)	417	442
Cost of trading properties for recognised sales	1,199	281
Direct operating expenses of investment properties	<u>1,148</u>	<u>834</u>
<b>After crediting:</b>		
Gross rental revenue from investment properties	5,468	6,069
Interest income	7	18
Dividend income from other long term investments	<u>232</u>	<u>97</u>

Note:

Staff costs included contributions to defined contribution pension schemes of HK\$24 million (2020: HK\$24 million), which included MPF schemes after a forfeiture of HK\$1 million (2020: HK\$ 1 million).

### 4. OTHER NET CHARGE

Other net charge for the period amounted to HK\$62 million (2020: HK\$1,148 million) mainly comprises:

- a. Impairment provision of HK\$67 million (2020: HK\$1,043 million) made for hotel properties.
- b. Net foreign exchange loss of HK\$41 million (2020: HK\$89 million) which included the impact of foreign exchange contracts.

## 5. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>HK\$ Million</b>	HK\$ Million
Interest charged on:		
Bank loans and overdrafts	126	358
Other borrowings	204	179
Total interest charge	<u>330</u>	<u>537</u>
Other finance costs	43	25
Less : Amount capitalised	<u>(4)</u>	<u>(8)</u>
	<b>369</b>	554
Fair value loss:		
Cross currency interest rate swaps	34	(6)
Interest rate swaps	<u>(44)</u>	<u>129</u>
Total	<b><u>359</u></b>	<b><u>677</u></b>

## 6. INCOME TAX

Taxation charged to the consolidated statement of profit or loss includes:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>HK\$ Million</b>	HK\$ Million
<b>Current income tax</b>		
Hong Kong		
- provision for the period	591	701
Outside Hong Kong		
- provision for the period	21	25
	<u>612</u>	<u>726</u>
<b>Land appreciation tax (“LAT”) (Note c)</b>	<u>12</u>	<u>(494)</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	85	157
Total	<b><u>709</u></b>	<b><u>389</u></b>

- a. The provision for Hong Kong profits tax is based on the profit for the period as adjusted for tax purposes at a rate of 16.5% (2020: 16.5%).
- b. Income tax on assessable profits outside Hong Kong is mainly China corporate income tax calculated at a rate of 25%, China withholding tax on dividend at a rate of up to 10% and Singapore income tax at a rate of 17% for the period ended 30 June 2021 and 2020.
- 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 on sales of properties less deductible expenditures including cost of land use rights, borrowings costs and all property development expenditures.
- d. There was no tax attributable to an associate for the period ended 30 June 2021 (2020: HK\$18 million) 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 equity shareholders for the period of HK\$2,970 million (2020: loss of HK\$4,454 million) and 3,036 million ordinary shares in issue during the period (2020: 3,036 million ordinary shares in issue).

There are no potential dilutive ordinary shares in issue during the period ended 30 June 2021 and 2020.

## 8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	Six months ended 30 June			
	2021 HK\$ Per share	2021 HK\$ Million	2020 HK\$ Per share	2020 HK\$ Million
First interim dividend declared after the end of the reporting period	<b>0.67</b>	<b>2,034</b>	0.78	2,368

- a. The first interim dividend based on 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\$2,095 million for 2020 was approved and paid in 2021.

## 9. TRADE AND OTHER RECEIVABLES

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

	30 June 2021 HK\$ Million	31 December 2020 HK\$ Million
Trade receivables		
0 - 30 days	<b>189</b>	152
31 – 60 days	<b>23</b>	82
61 – 90 days	<b>4</b>	36
Over 90 days	<b>62</b>	114
	<b>278</b>	384
Other receivables and prepayments	<b>970</b>	1,291
	<b>1,248</b>	1,675

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.

## 10. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis based on the invoice date as at 30 June 2021 as follows:

	<b>30 June 2021 HK\$ Million</b>	31 December 2020 HK\$ Million
Trade payables		
0 - 30 days	<b>64</b>	284
31 - 60 days	<b>13</b>	7
61 - 90 days	<b>7</b>	10
Over 90 days	<b>12</b>	16
	<b>96</b>	317
Rental and customer deposits	<b>3,315</b>	3,482
Construction costs payable	<b>2,122</b>	2,245
Other payables	<b>2,163</b>	2,141
	<b>7,696</b>	8,185

## 11. REVIEW OF UNAUDITED INTERIM FINANCIAL INFORMATION

The unaudited interim financial information for the six months ended 30 June 2021 has been reviewed with no disagreement by the Audit Committee of the Company.

## **CORPORATE GOVERNANCE CODE**

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

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

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

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

## **RELEVANT DATES FOR INTERIM DIVIDEND**

Ex-entitlement date	25 August 2021 (Wed)
Latest time to lodge share transfer	4:30 p.m., 26 August 2021 (Thu)
Record date/ time	6:00 p.m., 26 August 2021 (Thu)
Payment date	9 September 2021 (Thu)

In order to qualify for the above-mentioned interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 26 August 2021.

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

Hong Kong, 5 August 2021

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