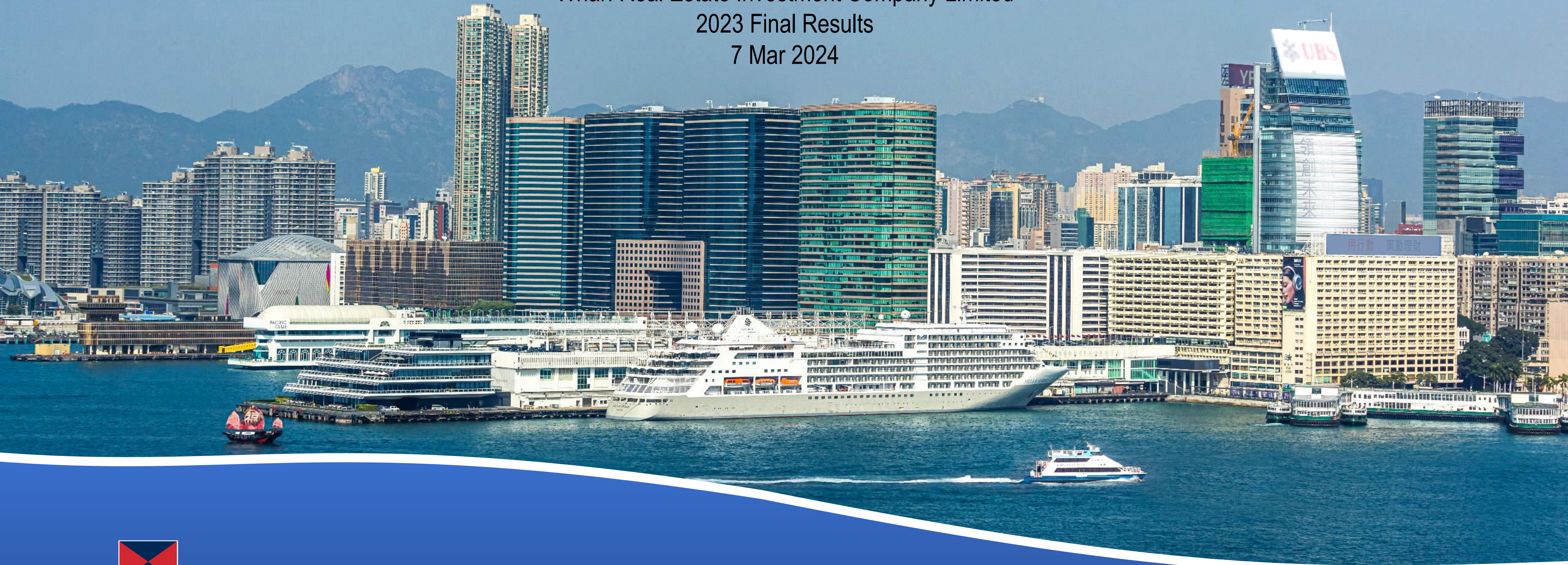


# Core Businesses Stabilise Amidst Doubling of Interest Cost

Wharf Real Estate Investment Company Limited  
2023 Final Results  
7 Mar 2024



WHARF

*Established 1886*



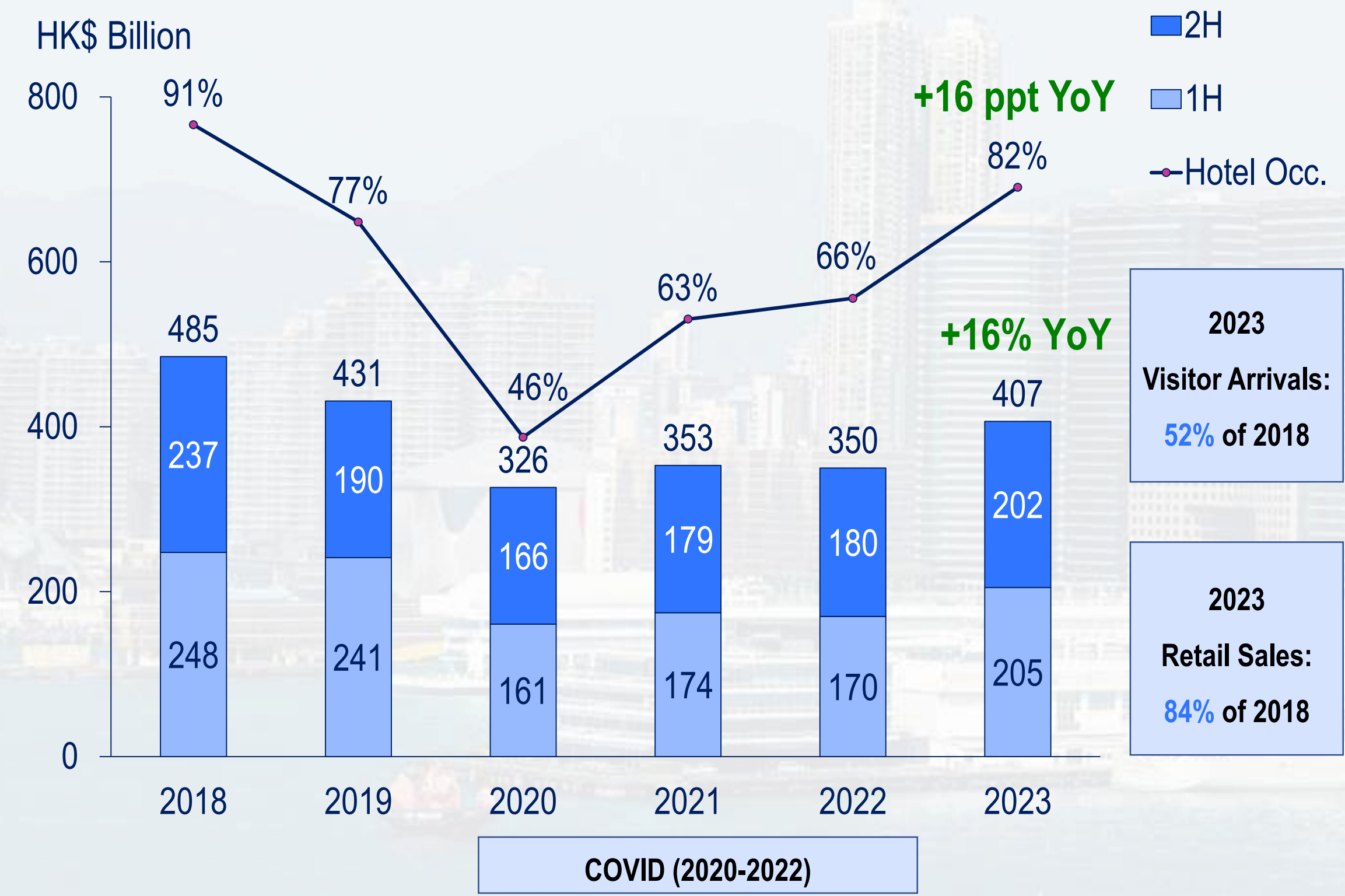
# Results Highlights

- Full Year Revenue from Core Businesses (IPs & Hotels) +8% & Operating Profit +12%
- Segmental UNP -3% due to Doubling of Borrowing Cost
- With Profit Stabilisation in 2H, 2023 Second Interim Dividend is Unchanged from 2022
- Total IP Valuation -0.4% to \$228B to Account for 93% of Group Assets & was Virtually Unchanged in 2H
- Net Debt Decreased by \$8.8B & Gearing Decreased to 18.6%



# Deep V Recovery or Shallow?

HK Retail Sales & Hotel Average Occupancy



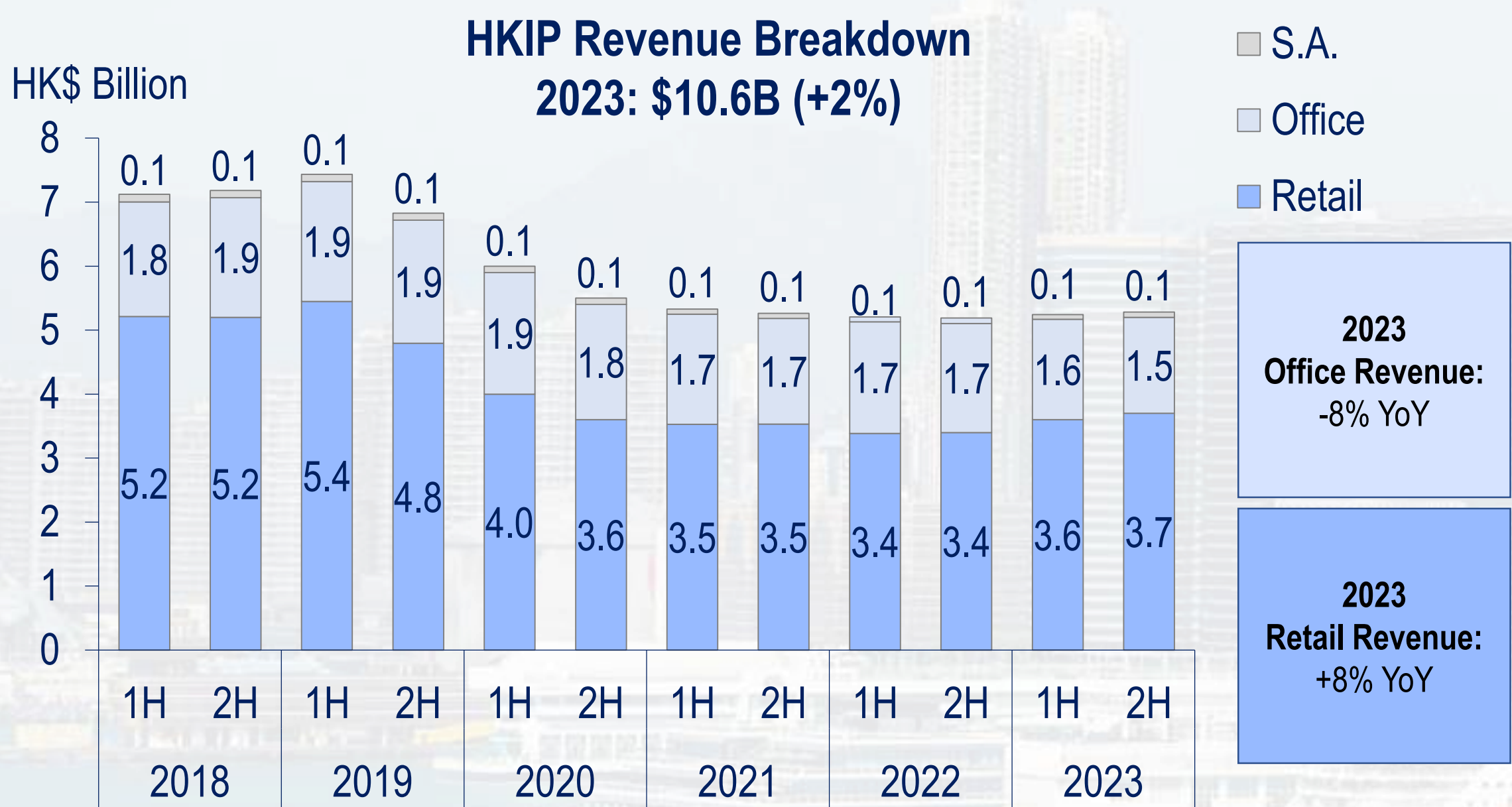
## Seizing Opportunities Amid HK's Revival

- Proven Track Record & Prime Locations Drive Leasing Demand
- Strategic Realignment of Brands & Marketing to Fuel Productivity
- Debt & Interest Rate Mgmt. to Mitigate High Interest Rates

Source: Census and Statistics Department, Hong Kong Tourism Board



# Regaining Positive Growth



- Outperforming YoY Retail Sales Growth
- Retail Revenue +8% YoY
  - Spot Rent Stabilised
  - T/O Rent % Increased
  - Amortisation of Rent Relief Substantially Completed
- Office Rental Sagged in Weak Market



# Financial Highlights

HK\$M	2023	2022	% Chg.
Group Revenue	13,306	12,459	+7%
- IP/Hotels	12,477	11,594	+8%
Operating Profit	9,993	8,841	+13%
- IP/Hotels	9,456	8,469	+12%
Underlying Net Profit (UNP)*	6,011	6,175	-3%
- IP/Hotels	5,979	6,178	-3%
Net IP Fair Value Change	(1,174)	(14,875)	NA
Profit/(Loss) After IP Fair Value Change	4,766	(8,856)	NA
Earnings/(Loss) Per Share (HK\$)			
- Attributable to Shareholders	1.57	(2.92)	NA
- Underlying*	1.98	2.03	-2%
Dividend Per Share (HK\$)	1.28	1.31	-2%

\*Excl. IP Revaluation Deficit and Exceptional Items

- Group Revenue +7%; IPs & Hotels +8%
- Group OP +13%; IPs & Hotels +12%
- Group UNP -3%; IPs & Hotels -3%
  - Borrowing Cost ↑ to \$2.3B (FY22: \$1.2B) Due to Increase in HIBOR
  - Avg 1-mth HIBOR 3.5% in 1H; 5.0% in 2H
- Full Year DPS \$1.28 (65% of Core UNP)
- IP Valuation Stabilised, Cap Rate Stable



# 2H Financial Performance

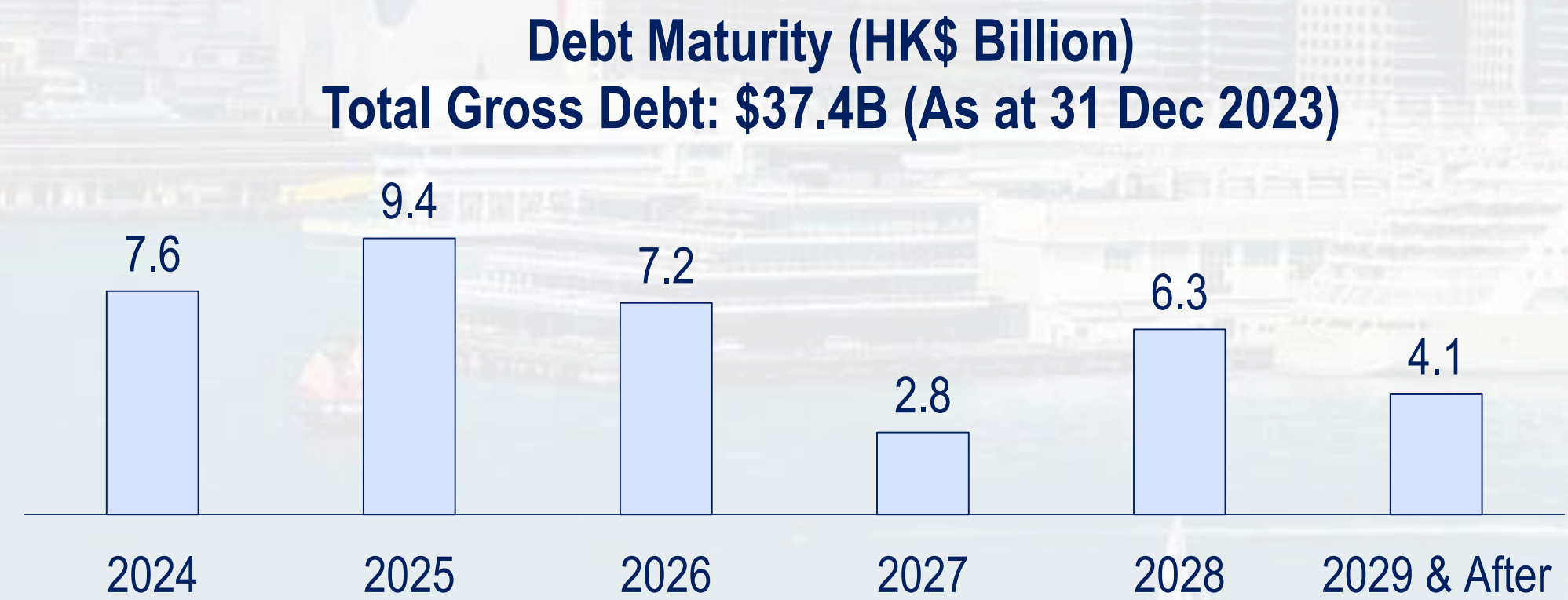
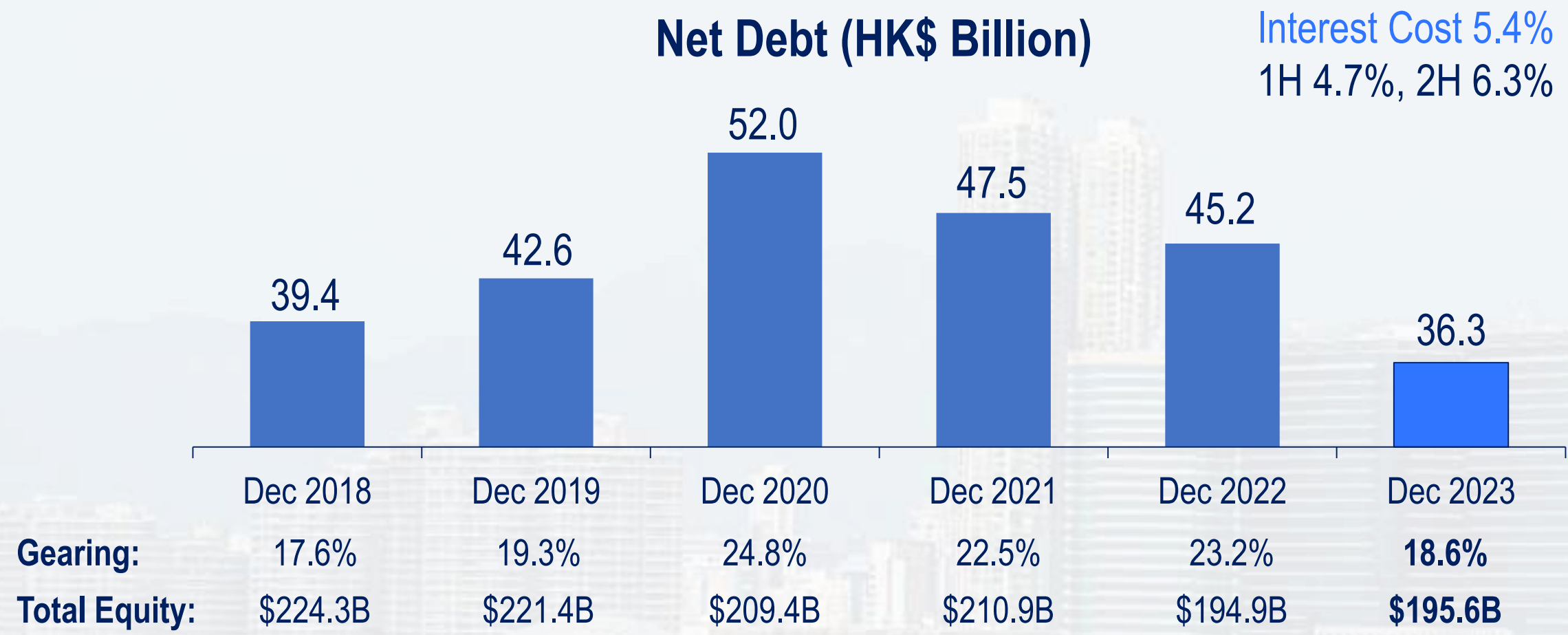
HK\$M	2H23	YoY Chg	1H23	YoY Chg
Group Revenue	6,833	+9%	6,473	+4%
- IP/Hotels	6,325	+8%	6,152	+7%
Operating Profit	5,053	+15%	4,940	+11%
- IP/Hotels	4,712	+12%	4,744	+12%
Underlying Net Profit (UNP)*	2,952	+5%	3,059	-9%
- IP/Hotels	2,845	-1%	3,134	-5%
Net IP Fair Value Change	(41)	NA	(1,133)	NA
Profit After IP Fair Value Change	2,961	NA	1,805	NA
Earnings Per Share (HK\$)				
- Attributable to Shareholders	0.98	NA	0.59	NA
- Underlying*	0.97	+5%	1.01	-9%
Dividend Per Share (HK\$)	0.61	Flat	0.67	-4%

\*Excl. IP Revaluation Deficit and Exceptional Items

- Group Revenue +9%; IPs & Hotels +8%
- Group OP +15%; IPs & Hotels +12%
- Group UNP +5%; IPs & Hotels -1%
- Second Interim DPS \$0.61, Unchanged from 2022
- IP Valuation +0.1% HoH



# Prudent Treasury Management



**Moody's A2 Rating**  
(Stable Outlook)

**Consistent Div. Policy**  
65% of HKIP & Hotel UNP

**Net Debt \$36.3B**  
↓ \$8.8B YoY; Lowest Since Listing

**Gearing 18.6%**  
↓ 4.6 ppts YoY

**Adj. Floating/Fixed Mix**  
Changing Partial to Fixed-rate;  
Majority Floating-rate

**Interest Cover 4.4x**  
Stable Recurring Income



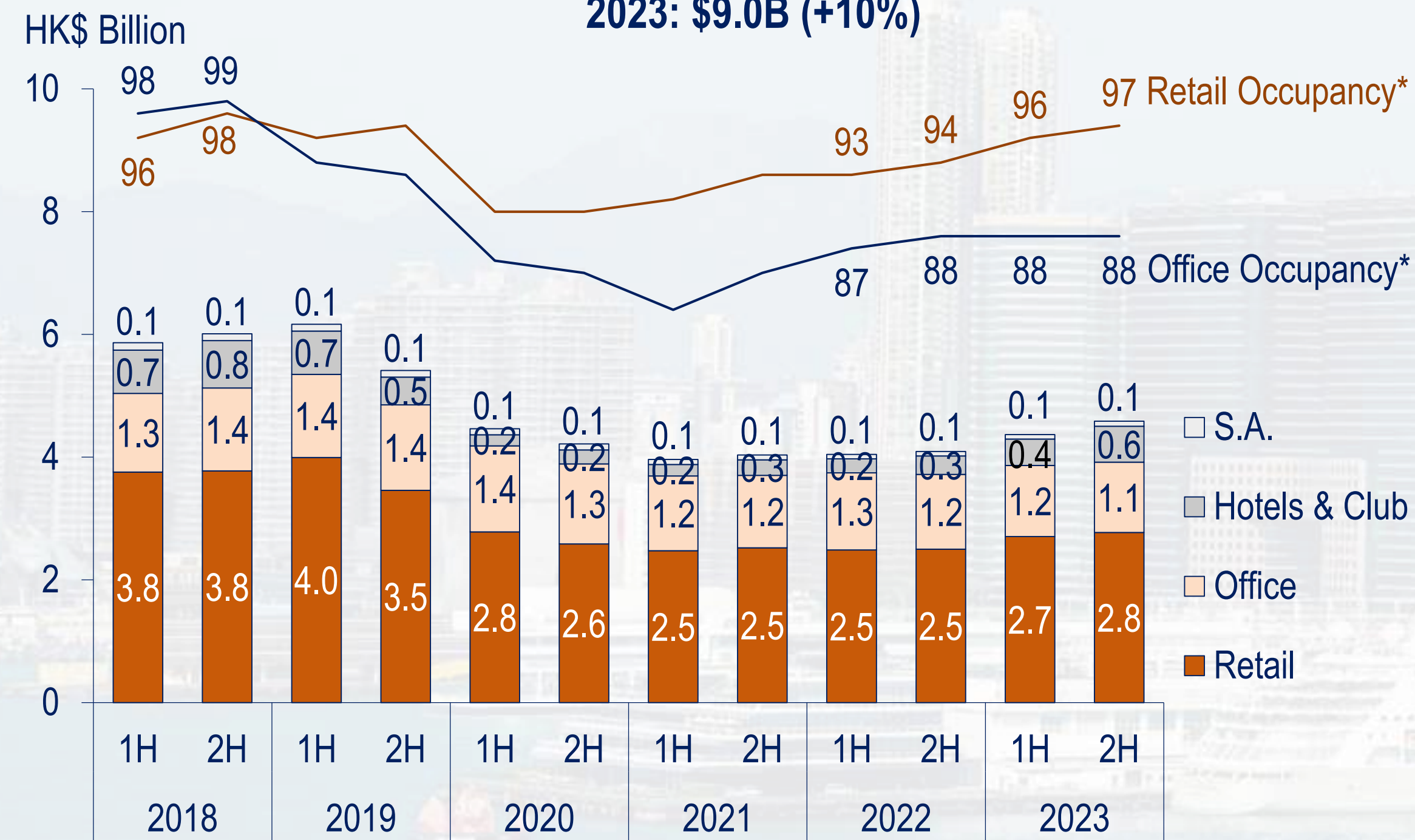
# Harbour City





# Seizing Opportunities

HC Revenue Breakdown  
2023: \$9.0B (+10%)



\*Period-end Occupancy Rate (%)

- Retail: Optimised Tenant Mix & Major Crowd-drawing Events
  - Key Luxury Brands Expanded or Strategically Relocated
  - High Double-digit Sales Growth vs 2018 for Certain Luxury Brands
  - Retail Rent Stabilised & Gradually Increasing
- Office: Benefit from Drawing Power of Mall
  - Demand from Insurance Sector Improved



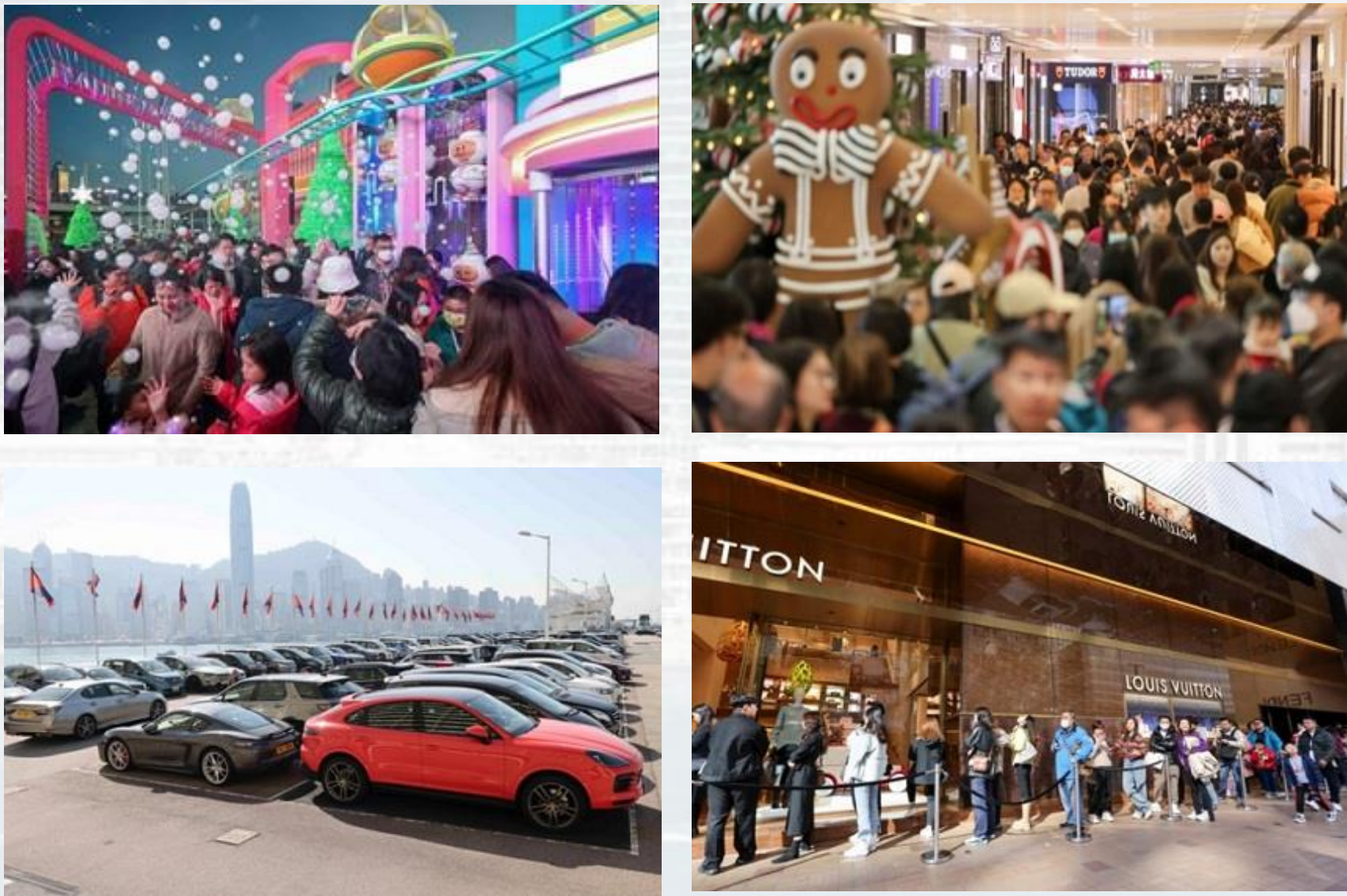
# Dedicated Efforts Boosting Productivity

## Rebound in Footfall

“Disney 100” in Summer  
Weekend Daily Foot Traffic of  
**200,000** People



“Merry Spacemas” in Christmas  
Weekend Daily Foot Traffic of  
**280,000** People



## Retail Rental Growth at HC

**HC Retail Rental Category Breakdown**  
**2023: \$4.9B (+10%)**

Fashion 31%	Leather Goods 28%	F&B & Ent. 6%	
		Dept. Store 5%	
		Sportswear 3%	
Jewellery, Beauty & Accs. 22%		Kid's Related 2%	Electronics 1%
		Others 2%	





## Exquisite Collection of Top Luxury Brands

DIOR

CHANEL

LOUIS VUITTON

FENDI

GUCCI

DE BEERS  
JEWELLERS

PRADA

FERRAGAMO

MIU MIU

Van Cleef & Arpels

PIAGET

DOLCE & GABBANA

MONCLER

HERMÈS  
PARIS

EMPORIO ARMANI

GIORGIO ARMANI

530-meter Canton Rd Frontage

16 Luxury Brands

>HK\$10B Sales (2.5% of HK Total)



# Escalating Retail Leasing Demand

New Openings  
on Canton Road



**FENDI**  
ROMA

Van Cleef & Arpels  
(3-storey flagship)



DE BEERS  
JEWELLERS  
(2-storey flagship)



## Selected Brands & Restaurants Openings

Debut Brands	 <b>ami</b> <small>alexandre mattiussi</small>	<b>DOLCE &amp; GABBANA</b> BEAUTY	<b>Re-Nutriv</b> ESTÉE LAUDER	<b>ALBION</b>	<b>LINDBERG</b> by PUYI OPTICAL	<b>miki HOUSE</b>	<b>CATALO Beauty+</b>	<b>Acne Studios</b>	<b>LEONARD</b> PARIS
Jewellery & Accs.	<b>PANERAI</b>	<i>Cartier</i>	<b>FRED</b>	<b>qeelin</b>	Fashion / Leather Goods	<b>GUCCI</b>	<b>CELINE</b>	 <b>VALENTINO</b>	<b>COACH</b>
Beauty / Lifestyle	<b>DIOR</b> Beauty	<b>JO MALONE</b> LONDON	<b>RIMOWA</b>	 <b>Columbia</b>	F&B	 <b>JIANG NAN</b> BY CRYSTAL JADE	 <b>Sips;iban</b>	<i>Charcoal Bar</i> Grill and Seafood	<b>KEW+</b>

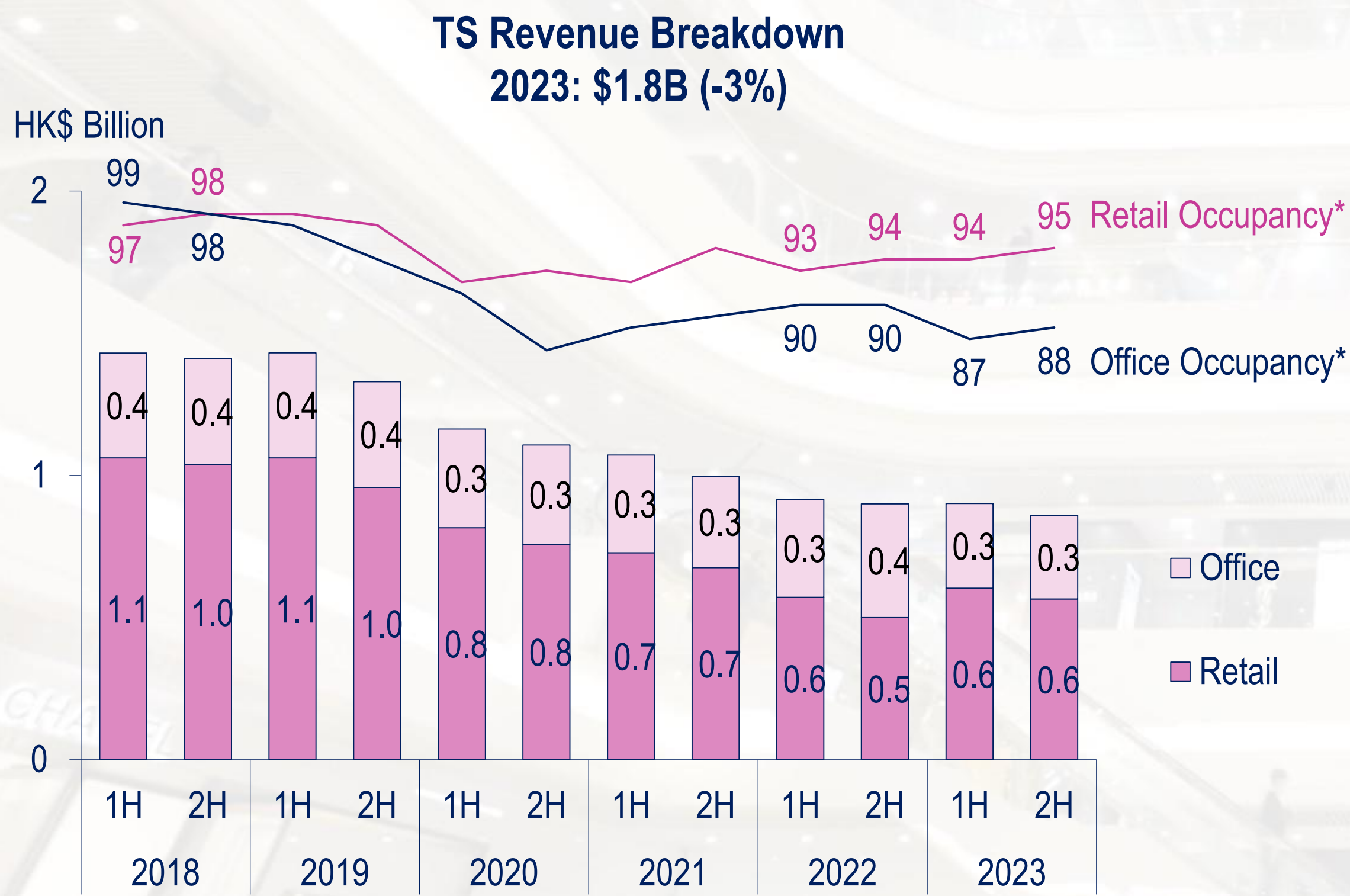


# Times Square





# Combating Headwinds & Competition



\*Period-end Occupancy Rate (%)

- Highly Competitive Landscape in Causeway Bay
- Retail: Refined Luxury Tenant Mix, Improving Leasing Demand
- Office: Weak Demand, Mostly Pocket-sized Units

New Openings in 2023





# Hotels





# The Murray & Marco Polo Hotels

## The Murray, Hong Kong



Forbes Travel Guide  
Five-Star Award  
For the Second Year

- Partial Recovery & Turned Around to Operating Profit
  - Notable Uptick for Room Rate, Occupancy & Event Bookings
  - Yet, Increasing Erosion from Shenzhen Among Budget Conscious Consumers

## Marco Polo Hotels on Canton Road



New Design Concept  
Fully Reopened in Aug

- The Murray: Favoured by Both Business Travellers & Tourists
- Marco Polo Hotels: Prime Location in Canton Rd. Tourist Hotspot



# Outlook





# Evolving Post-Pandemic Trends

- Positives: Potential Interest Rate Pivot, IVS\* Expansion, Further Recovery in Visitor Arrivals
- Uncertainties: Geopolitical & Economic Uncertainties, U.S. Presidential Election
- Retail & Hotel: Evolving Behaviours & Increasing Regional Competition
- Office: Weak Demand & New Supply
- Remain Vigilant on Latest Market Development & Adjust Strategy to Seize Opportunities

\*Individual Visit Scheme: Mainland Residents in the Eligible Cities are Allowed to Visit HK in their Individual Capacity. No. of Eligible Cities Increased from 49 to 51 on 6 Mar 2024



# Sustainability





# 2030 Environmental Targets

2023  
Performance



Total General Refuse  
Decreased by Over 15% (2019 Baseline)



Purchased Electricity of HK Operations  
Decreased by 8% (2019 Baseline)

2030  
Targets\*



Overall GHG Emissions  
To Reduce 30% by 2030



Electricity Intensity  
To Reduce 27% at HKIP by 2030



Water Consumption  
To Reduce 18% at HK operations by 2030



Waste Diversion  
To Divert Waste Away from Landfills

2023 Progress:  
On Track

*\*Using 2014 as Baseline*








# ESG Performances & Recognitions

Ratings & Awards	<div>Hang Seng Corporate Sustainability Index (AA+ Rating)</div> <div>Hang Seng ESG 50 Index</div> <div>MSCI ESG Rating (BBB Rating)</div> <div>CDP – Climate (Management Band Score of B-)</div> <div>Sustainalytics ESG Risk Rating (Low Risk)</div> <div></div> <div></div>
	ESG Certifications
ESG Reporting Standard/ Recommendations	<div><div>ESG Reporting Guide</div></div> <div><div>TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES</div></div> <div>Referencing:  <b>SASB STANDARDS</b> Now part of IFRS Foundation</div>
	<div>Sustainability Financing</div> <div><div>By End of 2023, the Group Had Arranged</div><div>\$3.6B</div><div>Sustainability-linked Loan</div><div>KPIs Related to HSI ESG Rating &amp; Key Environmental Performance</div></div>



# Environmental: Asset Enhancements & Renewable Energy

<b>Solar-powered Systems</b>	<ul style="list-style-type: none"><li>• <b>320 Solar Photovoltaic Panels</b> Installed at HC to support RE development &amp; FiT* Scheme</li><li>• <b>100 Sets of Solar Thermal Heater System</b> Installed at Gateway Apt. since 2009, Offset 27+ Tonnes of CO2 Emissions (<i>Equivalent to planting ~1,200 trees/ yr</i>)</li></ul> <div></div>	<b>Electricity-free Cooling Technology</b>	<ul style="list-style-type: none"><li>• <b>Cooling Paint on Condenser Water Pipes</b> to Lower Condenser Water Temperature</li><li>• Saving ~52 Tonnes of CO2 Emissions in TS (<i>Equivalent to planting ~2,400 trees/ yr</i>)</li></ul> <div></div>
<b>Ongoing System Upgrades</b>	<div><ul style="list-style-type: none"><li>• Heat, Ventilation, A/C Upgrade</li><li>• Lighting Upgrade</li></ul><div></div></div> <div><ul style="list-style-type: none"><li>• Chiller Upgrade</li><li>• Retro-commissioning</li></ul><div></div></div>	<b>The “Star” Ferry</b>	<ul style="list-style-type: none"><li>• <b>Low-emission Green Ferry</b> Powered by Diesel-electric Propulsion System<ul style="list-style-type: none"><li>- World Star (2016)</li><li>- Morning Star (2020)</li><li>- Silver Star (2021)</li></ul></li><li>• Participating in Full Electric Ferry Pilot</li></ul> <div></div>

\*The Feed-in Tariff (FiT) Scheme was launched in May 2018  
It promotes the development of renewable energy (RE) in HK by buying RE from CLP customers at attractive FiT rates and reducing the payback period for RE system installations



# Social: Community Contributions

What we supported  
In 2023

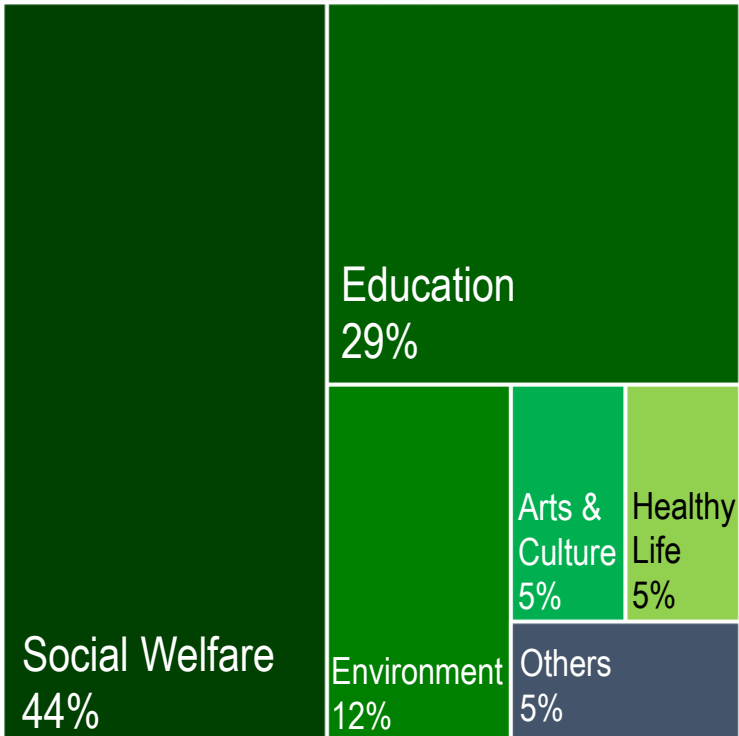
**Recognition:**  
**3rd Top Donor 2022/2023**

by The Community Chest  
\*The Wharf Group incl. Wharf REIC & Wharf Holdings



- Supports Youth Development via:**
- Project *WeCan*
  - The Wharf Art Scholarship Scheme
  - Architectural Design Internship Programme

**Sponsorship:**  
Venue & Advertising Space for  
**120** Charitable Events



Note: In terms of no. of events



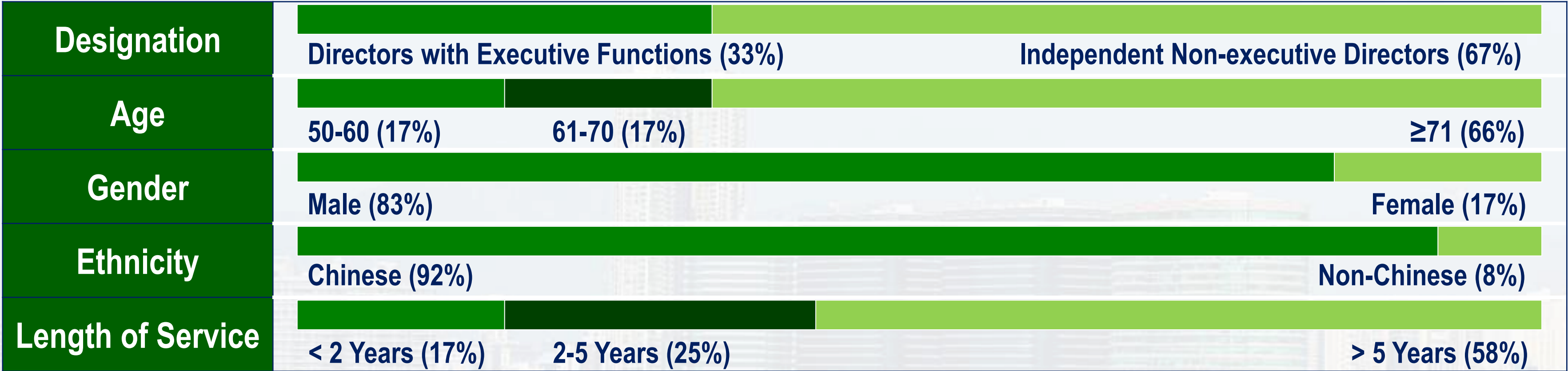
- Volunteer Activities**
- Organized 27 Community Activities with Staff Volunteering

- Community Care**  
**Healthy & Happy Ageing:**
- Bright Senior Ambassador Programme
  - “WE Walk For Love” – Promote Caring to Elderly



# People: Governance, Talent Development & Workplace Safety

Composition of Board of Directors (12 Board Members as of 31 Dec 23)



2023 Meeting Attendance\*



Achievements in 2023





# Appendix





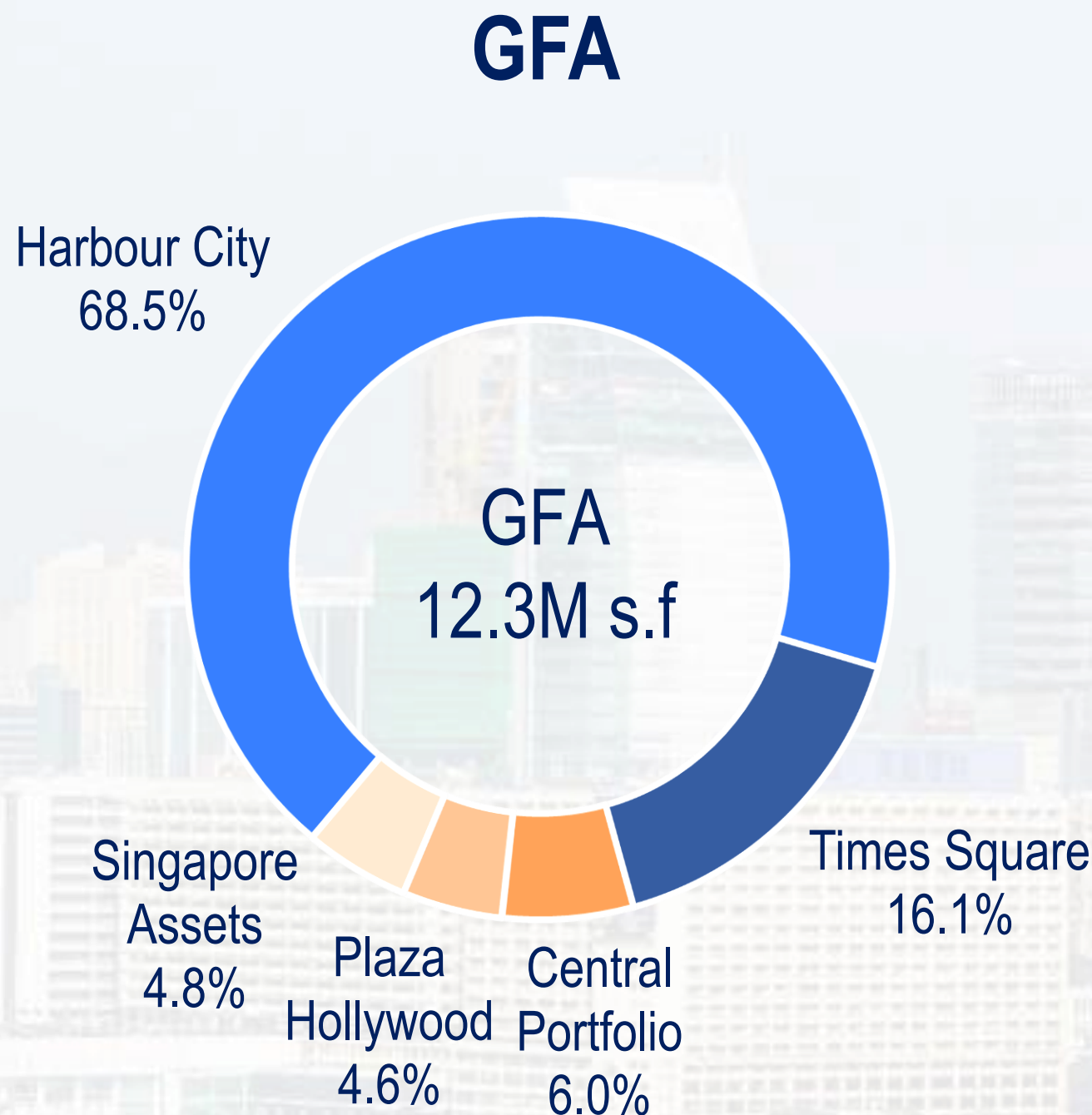
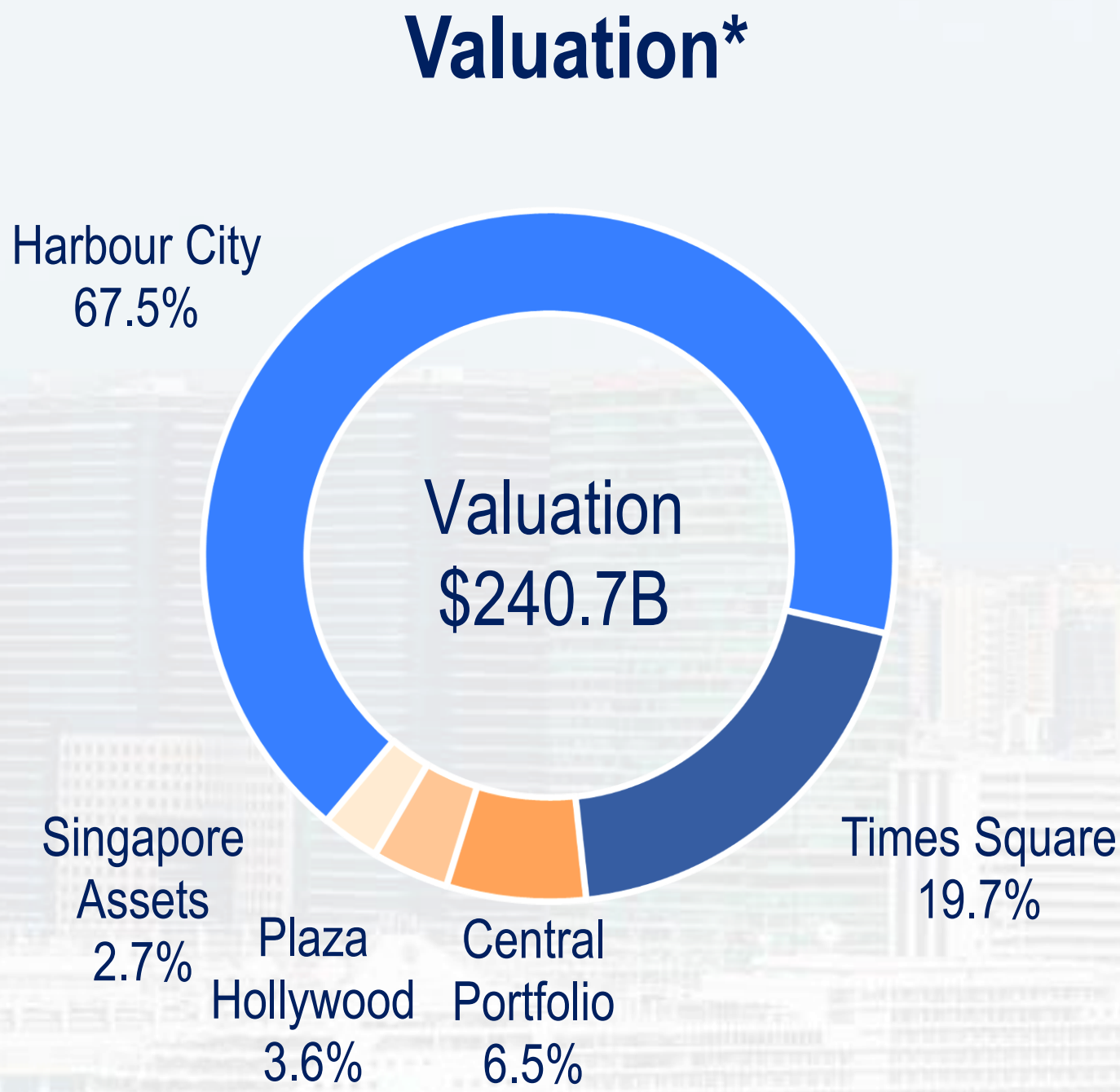
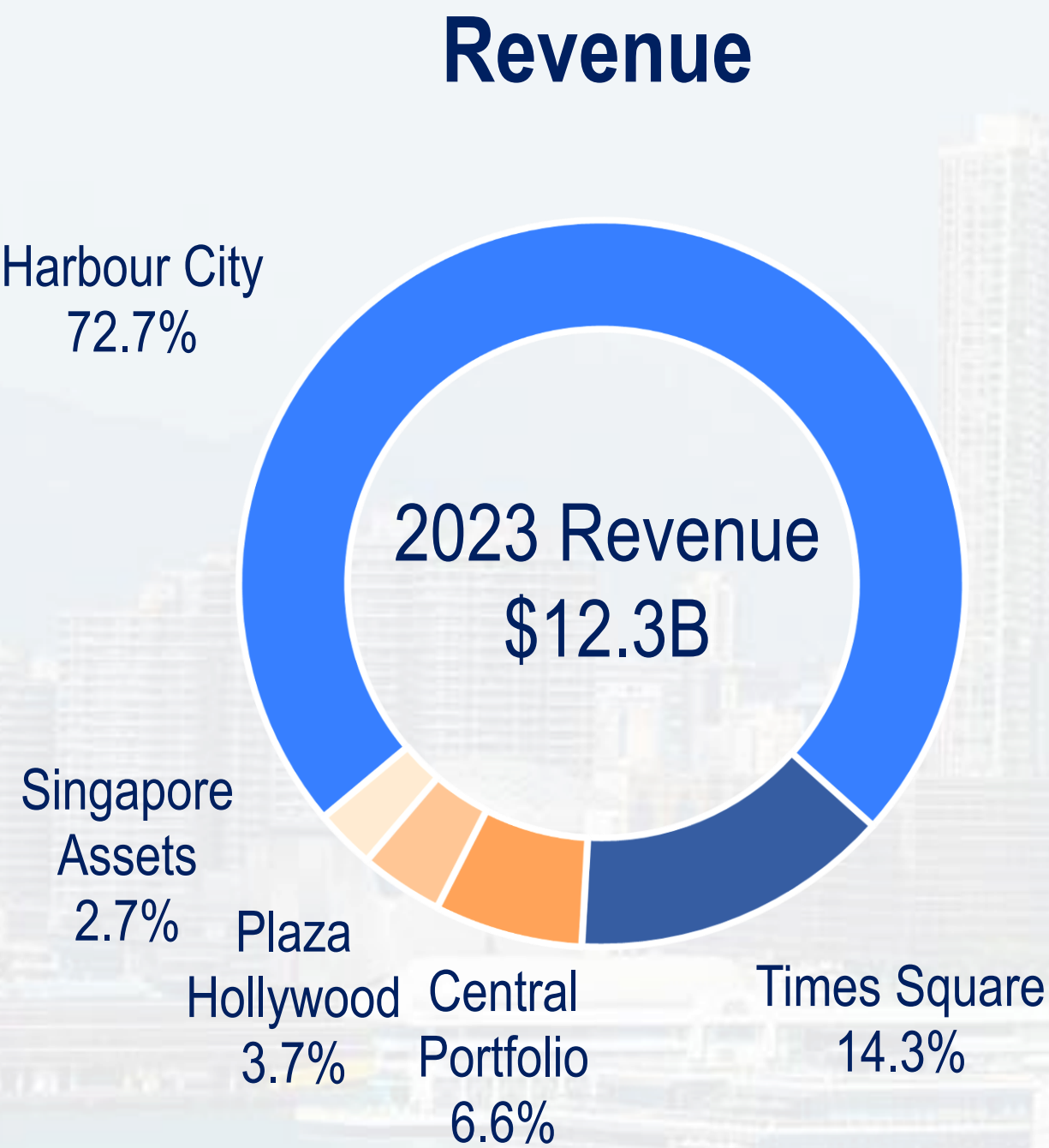
# HC/TS/PH Performance

	Harbour City		Times Square		Plaza Hollywood	
2023 (HK\$M)	Revenue	YoY Chg	Revenue	YoY Chg	Revenue	YoY Chg
Retail	5,474	+10%	1,168	+3%	459	+5%
Office	2,304	-6%	593	-14%	-	-
Hotels & Club	1,018	+80%	-	-	-	-
Serviced Apt.	156	+4%	-	-	-	-
Total	8,952	+10%	1,761	-3%	459	+5%
Valuation* as of 31 Dec 2023	\$161.8B		\$47.4B		\$8.7B	
2023 Avg. Retail Passing Rent (HK\$ psf per Month)	\$343		\$154		\$80	

\*Incl. Hotels at Valuation as of 31 Dec 2023



# Premium Quality Portfolio



The Above Refers to the 6 Key Properties in Hong Kong; Central Portfolio: Incl. Crawford House, Wheelock House & The Murray, Hong Kong, as well as Scotts Square & Wheelock Place in Singapore.  
\*Valuation of All Hotels are Booked at Cost in Wharf REIC's Balance Sheet



# Overview of Application of Funds

Major Capital & Development Expenditure				
HK\$	Incurred in 2023	To be Incurred in Coming Years		
		Committed	Uncommitted	Total
HKIP	32M	82M	214M	296M
Singapore IP	6M	-	-	-
Mainland Properties	224M	231M	336M	567M
Hotels & Others	34M	16M	-	16M
<b>Total</b>	<b>296M</b>	<b>329M</b>	<b>550M</b>	<b>879M</b>



**Thank You**

**Core Businesses Stabilise Amidst Doubling of Interest Cost**



# End of Presentation

Wharf Real Estate Investment Company Limited [HKEx Stock Code: 1997.HK]

## Disclaimer

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