



WING ON COMPANY INTERNATIONAL LIMITED

永安國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 289)



INTERIM REPORT

2017

CONTENTS

	Page
Corporate Information	1-2
Chairman’s Statement	3-6
Independent Review Report	7
Consolidated Statement of Profit or Loss – unaudited	8
Consolidated Statement of Profit or Loss and Other Comprehensive Income – unaudited	9
Consolidated Statement of Financial Position – unaudited	10-11
Consolidated Statement of Changes in Equity – unaudited	12-14
Condensed Consolidated Statement of Cash Flows – unaudited	15
Notes to the Unaudited Interim Financial Report	16-34
Supplementary Information	35-37

CORPORATE INFORMATION

BOARD OF DIRECTORS

The Board of Directors as now constituted is listed below:

Executive Directors

Mr. Karl C. Kwok, MH (Chairman)
Mr. Lester Kwok, J.P. (Deputy Chairman and Chief Executive Officer)
Mr. Mark Kwok

Non-executive Director

Dr. Bill Kwok, J.P.

Independent Non-executive Directors

Miss Maria Tam Wai Chu, GBM, GBS, J.P.
Mr. Ignatius Wan Chiu Wong, LL. B.
Mr. Iain Ferguson Bruce, CA, FCPA, FHKIoD, FHKSI
Mr. Leung Wing Ning

AUDIT COMMITTEE

Mr. Iain Ferguson Bruce (Chairman)
Miss Maria Tam Wai Chu
Mr. Leung Wing Ning

REMUNERATION COMMITTEE

Mr. Leung Wing Ning (Chairman)
Mr. Karl C. Kwok
Mr. Ignatius Wan Chiu Wong

NOMINATION COMMITTEE

Mr. Leung Wing Ning (Chairman)
Mr. Karl C. Kwok
Mr. Ignatius Wan Chiu Wong

CORPORATE INFORMATION

(Continued)

AUDITOR

KPMG
Certified Public Accountants
8th Floor, Prince's Building,
10 Chater Road, Central,
Hong Kong.

SECRETARY

Mr. Sin Kar Tim
7th Floor, Wing On Centre,
211 Des Voeux Road Central,
Hong Kong.

REGISTERED OFFICE

Canon's Court,
22 Victoria Street,
Hamilton HM12,
Bermuda.

PRINCIPAL OFFICE

7th Floor, Wing On Centre,
211 Des Voeux Road Central,
Hong Kong.
Website: www.wingonet.com

SHARE REGISTRARS

Tricor Progressive Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong.

MUFG Fund Services (Bermuda) Limited
The Belvedere Building,
69 Pitts Bay Road,
Pembroke HM08,
Bermuda.

CHAIRMAN'S STATEMENT

INTERIM RESULTS AND DIVIDEND

For the six months ended 30 June 2017, the Group's revenue was HK\$809.0 million (2016: HK\$883.4 million), a decrease of 8.4% due mainly to the decrease in department stores revenue.

Profit attributable to shareholders for the first half of 2017 was HK\$1,234.0 million (2016: HK\$430.3 million), an increase of 186.8% due primarily to the significant increase in net valuation gain on investment properties as compared to the corresponding period. Excluding the non-cash item and related deferred tax thereon, the Group's underlying profit attributable to shareholders increased by 51.4% to HK\$306.5 million (2016: HK\$202.4 million). This was attributable mainly to the increase in gains from the Group's investments in securities and the share of profit of an associate recorded in the period under review as opposed to the share of loss of the associate in the same period last year.

Earnings per share increased by 187.3% to 419.2 HK cents (2016: 145.9 HK cents) per share. Excluding the net valuation gain on investment properties net of related deferred tax thereon, underlying earnings per share for the period increased by 51.7% to 104.1 HK cents (2016: 68.6 HK cents) per share.

The directors have decided to pay an interim dividend of 38 HK cents (2016: 25 HK cents) per share, absorbing a total amount of HK\$111,774,000 (2016: HK\$73,691,000). In addition to the interim dividend, the directors are pleased to declare and pay a special one-off dividend of 110 HK cents per share to commemorate the 110th Anniversary of the founding of the Group's department stores business in 1907. Both the interim dividend and the special dividend will be paid on 23 October 2017 (Hong Kong time) to shareholders whose names appear on the Register of Members of the Company on 16 October 2017 (Hong Kong time). The Register of Members will be closed from 10 October 2017 to 16 October 2017 (Hong Kong time), both dates inclusive, during which period no share transfer will be accepted.

To qualify for the interim dividend and the special dividend, share transfers to be dealt with must be lodged with the Company's Share Registrars, Tricor Progressive Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:00 p.m. on Monday, 9 October 2017 (Hong Kong time).

LIQUIDITY AND FINANCIAL RESOURCES

Overall Financial Position

Shareholders' equity at 30 June 2017 was HK\$16,803.4 million, an increase of 7.8% as compared to that at 31 December 2016. With cash and listed marketable securities at 30 June 2017 of about HK\$3,591.0 million as well as available banking facilities, the Group has sufficient liquidity to meet its current commitments and working capital requirements.

CHAIRMAN'S STATEMENT

(Continued)

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

Borrowings and Charges on Group Assets

At 30 June 2017, the Group's total borrowings amounted to HK\$209.2 million, a decrease of about HK\$3.5 million as compared to that at 31 December 2016 due to partial mortgage loan repayments, net of exchange differences. The Group's total borrowings of HK\$209.2 million relate to a mortgage loan for Australian investment properties. The bulk of the borrowings will be repayable by the end of 2017. The management will renegotiate the repayment schedule nearer the time. Certain assets, comprising principally property interests with a book value of HK\$2,774.6 million, have been pledged to banks as collateral security for banking facilities granted to the extent of HK\$209.4 million. In view of the existing strong cash position, the Group does not anticipate any liquidity problems.

Gearing Ratio

The gearing ratio, which is computed from the total borrowings of the Group divided by shareholders' equity of the Group at 30 June 2017, was 1.2% as compared with 1.4% at 31 December 2016.

Funding and Treasury Policies

The Group adopts a prudent funding and treasury policy. To minimise exposure to foreign exchange fluctuations, the Group's borrowings in Australia for its Melbourne investment properties are denominated in Australian dollars. Hence, the foreign exchange exposure is limited to the net investments in overseas subsidiaries of approximately HK\$2,453.9 million at 30 June 2017 (at 31 December 2016: HK\$2,258.5 million).

The Group's borrowings are on a floating rate basis. For overseas borrowings, when appropriate and at times of interest rate uncertainty or volatility, hedging instruments including swaps and forwards may be used to assist in the Group's management of interest rate exposure. The Group's cash and bank balances are mainly denominated in Hong Kong dollar, United States dollar and Australian dollar.

Capital Commitments and Contingent Liabilities

At 30 June 2017, the total amount of the Group's capital expenditure commitments was HK\$19.4 million (at 31 December 2016: HK\$24.4 million). As at 30 June 2017, the Group had no contingent liability (at 31 December 2016: HK\$ Nil).

CHAIRMAN'S STATEMENT

(Continued)

HALF YEAR BUSINESS REVIEW

Department Store Operations

For the six months ended 30 June 2017, the Group's department stores business revenue decreased by 10.2% to HK\$592.9 million (2016: HK\$660.2 million). The decrease was attributable primarily to the unseasonably warm weather conditions, which affected the sales of winter goods, and weak consumer spending during the period under review. To boost sales, the Group had offered extra sales promotions and deeper sales discounts. Overall, the department stores operating profit for the first half of 2017 decreased by 25.2% to HK\$61.3 million (2016: HK\$82.0 million), due mainly to the reduced gross profit on sales.

Property Investments

The Group's property investment income decreased by 7.7% to HK\$210.8 million (2016: HK\$228.5 million) for the six months ended 30 June 2017. The Group recorded a decrease by 2.9% in rental income from its commercial investment properties in Hong Kong to HK\$158.7 million (2016: HK\$163.4 million) with an overall occupancy of about 90% (2016: 95%) during the period under review. The drop in overall occupancy rate was due mainly to the expiration of a major lease in our property at Wing On Kowloon Centre in March 2016. Income from the Group's commercial office properties in Melbourne decreased by 21.8% to HK\$46.6 million (2016: HK\$59.6 million) due mainly to the expiry of certain leases during the period under review resulting in a decrease in rental income and recovery of building outgoings. The majority of the vacant spaces were either re-let to the existing tenants or taken up by new tenants. The overall occupancy rate of the Group's Melbourne properties remained stable at around 93% (2016: 95%) throughout the period under review.

Interest in an Associate

For the six months ended 30 June 2016, the Group's share of the provision held by the associate was HK\$35.1 million, which was made against certain indemnity claims in relation to its disposal of an automobile dealership subsidiary in the United States in 2014. Certain of these claims remained unresolved at 30 June 2017. Having reviewed these outstanding unresolved claims and in line with legal advice, the Group considered that the balance of provision currently provided for in the financial statements should be adequate to cover the potential liabilities and thus no further provision was necessary. During the same period last year, the Group also recorded its share of unrealised loss on the associate's holding of certain market securities of HK\$24.7 million.

For the six months ended 30 June 2017, the Group recorded a share of profit after tax from the associate's automobile dealership interest in the People's Republic of China of HK\$2.2 million (2016: HK\$2.8 million). Overall, the Group recorded a share of profit from the associate of HK\$6.3 million (2016: loss of HK\$50.2 million) for the six months ended 30 June 2017.

CHAIRMAN'S STATEMENT

(Continued)

HALF YEAR BUSINESS REVIEW (Continued)

Others

The Group's investments in securities recorded a gain of HK\$59.9 million (2016: HK\$4.3 million) during the period under review. The Group recorded a net foreign exchange gain of HK\$21.9 million (2016: HK\$4.4 million) from its holdings of foreign currencies.

STAFF

As at 30 June 2017, the Group had a total staff of 726 (at 30 June 2016: 755). The Group's remuneration policies, bonus schemes, Mandatory Provident Fund Schemes, etc., have not changed materially from the information disclosed in the 2016 Annual Report.

OUTLOOK FOR THE REMAINDER OF 2017

Although the local retail market appeared to show signs of recovery in the second quarter of 2017, the Group remains cautious on the pace of recovery in local consumer spending in the coming months. To sustain sales growth, the Group is committed to upgrading the operating efficiency of its department stores to keep pace with today's fast-changing retailing environments. The Group has installed a new point of sale system in early August and is in the process of implementing a new enterprise resource planning system, which is targeted to be operational in 2018. The Group's investment properties in Hong Kong and Australia will continue to provide stable rental income for the Group.

To mark the 110th Anniversary of the founding of the Group's department stores business this year, management has planned a series of sales promotion events and activities in the coming months to celebrate this special occasion.

Karl C. Kwok
Chairman

Hong Kong, 28 August 2017

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF WING ON COMPANY INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 8 to 34 which comprises the consolidated statement of financial position of Wing On Company International Limited (the “Company”) as of 30 June 2017 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors are responsible for the preparation and presentation of the interim financial report in accordance with HKAS 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the HKICPA. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2017 is not prepared, in all material respects, in accordance with HKAS 34, Interim financial reporting.

KPMG

Certified Public Accountants
8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong

28 August 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2017 \$'000	2016 \$'000
Revenue	3(a)	809,034	883,433
Other revenue	4	29,881	21,249
Other net gain	4	73,841	2,224
Cost of department store sales	5(d)	(320,765)	(364,719)
Cost of property leasing activities	5(c)	(47,477)	(38,569)
Other operating expenses		<u>(195,028)</u>	<u>(191,692)</u>
Profit from operations		349,486	311,926
Finance costs	5(a)	<u>(3,387)</u>	<u>(4,355)</u>
Net valuation gain on investment properties	8(a)	346,099 <u>929,031</u>	307,571 <u>228,016</u>
Share of profit/(loss) of an associate		1,275,130 <u>6,267</u>	535,587 <u>(50,207)</u>
Profit before taxation	5	1,281,397	485,380
Income tax	6	<u>(46,244)</u>	<u>(54,183)</u>
Profit for the period		<u>1,235,153</u>	<u>431,197</u>
Attributable to:			
Shareholders of the Company		1,234,018	430,280
Non-controlling interests		<u>1,135</u>	<u>917</u>
Profit for the period		<u>1,235,153</u>	<u>431,197</u>
Basic and diluted earnings per share	7(a)	<u>419.2 cents</u>	<u>145.9 cents</u>

The notes on pages 16 to 34 form part of this interim financial report. Details of dividends payable to shareholders of the Company are set out in note 13(a).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June			
	2017		2016	
	\$'000	\$'000	\$'000	\$'000
Profit for the period		1,235,153		431,197
		<u> </u>		<u> </u>
Other comprehensive income for the period (after tax and reclassification adjustments):				
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation adjustments:				
– exchange differences on translation of financial statements of overseas subsidiaries		155,677		51,902
– share of exchange differences on translation of financial statements of an overseas associate		<u>2,886</u>		<u>(606)</u>
		158,563		51,296
Available-for-sale securities:				
– changes in fair value recognised during the period		<u> </u>		<u>(120)</u>
Other comprehensive income for the period		<u>158,563</u>		<u>51,176</u>
Total comprehensive income for the period		<u>1,393,716</u>		<u>482,373</u>
Attributable to:				
Shareholders of the Company		1,392,402		481,434
Non-controlling interests		<u>1,314</u>		<u>939</u>
Total comprehensive income for the period		<u>1,393,716</u>		<u>482,373</u>

The notes on pages 16 to 34 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017 – unaudited
(Expressed in Hong Kong dollars)

		At 30 June 2017 \$'000	At 31 December 2016 \$'000
Non-current assets			
Investment properties	8	13,337,833	12,210,147
Other property, plant and equipment	8	415,083	431,399
		13,752,916	12,641,546
Interest in an associate	9	282,971	273,818
Available-for-sale securities		26,478	26,478
Deferred tax assets		2,754	6,158
		14,065,119	12,948,000
Current assets			
Trading securities		487,014	345,828
Inventories		88,609	102,135
Debtors, deposits and prepayments	10	99,543	77,039
Amounts due from fellow subsidiaries		45,669	8,312
Current tax recoverable		16,070	11,016
Cash and cash equivalents	11	3,231,458	3,356,832
		3,968,363	3,901,162
Current liabilities			
Creditors and accrued charges	12	349,491	433,870
Secured bank loan		209,228	212,742
Amounts due to fellow subsidiaries		3,381	2,755
Current tax payable		37,052	19,852
		599,152	669,219
Net current assets		3,369,211	3,231,943
Total assets less current liabilities		17,434,330	16,179,943
Non-current liabilities			
Deferred tax liabilities		602,722	565,532
NET ASSETS		16,831,608	15,614,411

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017 – unaudited
(Continued)
(Expressed in Hong Kong dollars)

		At 30 June 2017 \$'000	At 31 December 2016 \$'000
Capital and reserves			
Share capital	13(b)	29,415	29,461
Reserves		<u>16,773,948</u>	<u>15,558,019</u>
Total equity attributable to shareholders of the Company		16,803,363	15,587,480
Non-controlling interests		<u>28,245</u>	<u>26,931</u>
TOTAL EQUITY		<u><u>16,831,608</u></u>	<u><u>15,614,411</u></u>

The notes on pages 16 to 34 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017 – unaudited

(Expressed in Hong Kong dollars)

		Attributable to shareholders of the Company									
		Land and building	Investment				General			Non-	Total
		Share capital	revaluation reserve	revaluation reserve	Exchange reserve	Contributed surplus	reserve fund	Retained earnings (Note)	Total	controlling interests	equity
Note		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Balance at 1 January 2017	29,461	271,037	14,700	(203,894)	754,347	1,051	14,720,778	15,587,480	26,931	15,614,411
	Changes in equity for the six months ended 30 June 2017:										
	Profit for the period	-	-	-	-	-	-	1,234,018	1,234,018	1,135	1,235,153
	Other comprehensive income for the period	-	-	-	158,384	-	-	-	158,384	179	158,563
	Total comprehensive income for the period	-	-	-	158,384	-	-	1,234,018	1,392,402	1,314	1,393,716
	Purchase of own shares										
	– par value paid	(46)	-	-	-	-	-	-	(46)	-	(46)
	– premium and transaction costs paid	-	-	-	-	-	-	(11,753)	(11,753)	-	(11,753)
	Dividends approved and paid in respect of the previous year										
		-	-	-	-	-	-	(164,720)	(164,720)	-	(164,720)
		(46)	-	-	158,384	-	-	1,057,545	1,215,883	1,314	1,217,197
	Balance at 30 June 2017	<u>29,415</u>	<u>271,037</u>	<u>14,700</u>	<u>(45,510)</u>	<u>754,347</u>	<u>1,051</u>	<u>15,778,323</u>	<u>16,803,363</u>	<u>28,245</u>	<u>16,831,608</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017 – unaudited

(Continued)

(Expressed in Hong Kong dollars)

		Attributable to shareholders of the Company									
		Land and building	Investment			General			Non-	Total	
		Share capital	revaluation reserve	revaluation reserve	Exchange reserve	Contributed surplus	reserve fund	Retained earnings (Note)	Total	controlling interests	Total equity
Note		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Balance at 1 January 2016	29,508	271,037	12,760	(178,467)	754,347	1,673	13,965,345	14,856,203	25,137	14,881,340
	Changes in equity for the six months ended 30 June 2016:										
	Profit for the period	-	-	-	-	-	-	430,280	430,280	917	431,197
	Other comprehensive income for the period	-	-	(120)	51,274	-	-	-	51,154	22	51,176
	Total comprehensive income for the period	-	-	(120)	51,274	-	-	430,280	481,434	939	482,373
	Share of the general reserve fund of an associate: transfer to retained earnings	-	-	-	-	-	(633)	633	-	-	-
	Purchase of own shares										
	– par value paid	(32)	-	-	-	-	-	-	(32)	-	(32)
	– premium and transaction costs paid	-	-	-	-	-	-	(7,234)	(7,234)	-	(7,234)
	Dividends approved and paid in respect of the previous year	-	-	-	-	-	-	(147,388)	(147,388)	-	(147,388)
		(32)	-	(120)	51,274	-	(633)	276,291	326,780	939	327,719
	Balance at 30 June 2016	<u>29,476</u>	<u>271,037</u>	<u>12,640</u>	<u>(127,193)</u>	<u>754,347</u>	<u>1,040</u>	<u>14,241,636</u>	<u>15,182,983</u>	<u>26,076</u>	<u>15,209,059</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017 – unaudited

(Continued)

(Expressed in Hong Kong dollars)

	Attributable to shareholders of the Company										
	Note	Share capital	Land and building revaluation reserve	Investment revaluation reserve	Exchange reserve	Contributed surplus	General reserve fund	Retained earnings (Note)	Total	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2016		29,476	271,037	12,640	(127,193)	754,347	1,040	14,241,636	15,182,983	26,076	15,209,059
Changes in equity for the six months ended 31 December 2016:											
Profit for the period		-	-	-	-	-	-	556,489	556,489	869	557,358
Other comprehensive income for the period		-	-	2,060	(76,701)	-	-	-	(74,641)	(14)	(74,655)
Total comprehensive income for the period		-	-	2,060	(76,701)	-	-	556,489	481,848	855	482,703
Share of the general reserve fund of an associate: transfer from retained earnings		-	-	-	-	-	11	(11)	-	-	-
Purchase of own shares											
– par value paid		(15)	-	-	-	-	-	-	(15)	-	(15)
– premium and transaction costs paid		-	-	-	-	-	-	(3,665)	(3,665)	-	(3,665)
Dividends declared and paid in respect of the current year	13(a)(i)	-	-	-	-	-	-	(73,671)	(73,671)	-	(73,671)
		(15)	-	2,060	(76,701)	-	11	479,142	404,497	855	405,352
Balance at 31 December 2016		<u>29,461</u>	<u>271,037</u>	<u>14,700</u>	<u>(203,894)</u>	<u>754,347</u>	<u>1,051</u>	<u>14,720,778</u>	<u>15,587,480</u>	<u>26,931</u>	<u>15,614,411</u>

Note: Retained earnings attributable to the shareholders of the Company as at 30 June 2017 include the aggregate net valuation gain relating to investment properties after deferred tax of \$10,599,366,000 (at 31 December 2016: \$9,671,805,000).

The notes on pages 16 to 34 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
	Note	2017	2016
		\$'000	\$'000
Operating activities			
Cash generated from operations		58,109	272,694
Tax paid		<u>(26,557)</u>	<u>(34,423)</u>
Net cash generated from operating activities		<u>31,552</u>	<u>238,271</u>
Investing activities			
Payment for the purchase of investment properties and other property, plant and equipment		(11,301)	(6,419)
Other cash flows arising from investing activities		<u>16,590</u>	<u>5,166</u>
Net cash generated from/(used in) investing activities		<u>5,289</u>	<u>(1,253)</u>
Financing activities			
Dividends paid to shareholders of the Company	13(a)(ii)	(164,720)	(147,388)
Other cash flows arising from financing activities		<u>(34,004)</u>	<u>(29,842)</u>
Net cash used in financing activities		<u>(198,724)</u>	<u>(177,230)</u>
Net (decrease)/increase in cash and cash equivalents		(161,883)	59,788
Cash and cash equivalents at 1 January		3,356,832	3,116,347
Effect of foreign exchange rate changes		<u>36,509</u>	<u>9,049</u>
Cash and cash equivalents at 30 June	11	<u>3,231,458</u>	<u>3,185,184</u>

The notes on pages 16 to 34 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise stated)

1. Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 28 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report 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 2016 annual financial statements. The condensed consolidated interim financial statements 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 interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 7. In addition, this interim financial report has been reviewed by the Company’s Audit Committee.

The financial information relating to the financial year ended 31 December 2016 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2016 are available from the Stock Exchange’s website. The auditors have expressed an unqualified opinion on those financial statements in their independent auditor’s report dated 30 March 2017.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

2. Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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

3. Revenue and segment reporting

(a) Revenue

The principal activities of the Group are the operation of department stores and property investment.

The Group's revenue comprises the invoiced value of goods sold to customers less returns, net income from concession sales and income from property investment and is analysed by principal activities as follows:

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
Sale of goods	472,790	533,404
Net income from concession sales	120,067	126,839
	<u>592,857</u>	<u>660,243</u>
Department stores	592,857	660,243
Property investment (note 5(c))	216,177	223,190
	<u>809,034</u>	<u>883,433</u>

(b) Segment reporting

The Group manages its business by two divisions, namely department stores and property investment. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Department stores: this segment operates department stores in Hong Kong.
- Property investment: this segment leases commercial premises to generate rental income. Currently the Group's investment property portfolio is located in Hong Kong, Australia and the United States of America.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

3. Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

- Segment assets include all tangible, intangible assets and current assets with the exception of interest in an associate, investments in financial assets, current tax recoverable, deferred tax assets and other corporate assets. Segment liabilities include trade and other creditors, accrued charges and bank borrowings managed directly by the segments.
- Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is profit before interest income, finance costs and income tax.

In addition to receiving segment information concerning segment profit, management is provided with segment information concerning revenue (including inter-segment revenue), finance costs on bank borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

3. Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the periods is set out below.

	Department stores		Property investment		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	592,857	660,243	216,177	223,190	809,034	883,433
Inter-segment revenue	–	–	59,756	60,188	59,756	60,188
Reportable segment revenue	<u>592,857</u>	<u>660,243</u>	<u>275,933</u>	<u>283,378</u>	<u>868,790</u>	<u>943,621</u>
Reportable segment profit	<u>61,319</u>	<u>82,039</u>	<u>210,846</u>	<u>228,484</u>	<u>272,165</u>	<u>310,523</u>

	Department stores		Property investment		Total	
	At 30 June	At 31 December	At 30 June	At 31 December	At 30 June	At 31 December
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reportable segment assets	159,333	166,298	13,774,393	12,657,860	13,933,726	12,824,158
Additions to non-current segment assets during the period/year	1,988	12,953	18,180	79,885	20,168	92,838
Reportable segment liabilities	<u>223,584</u>	<u>313,652</u>	<u>293,960</u>	<u>295,811</u>	<u>517,544</u>	<u>609,463</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

3. Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment profit, assets and liabilities

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
Profit		
Reportable segment profit	272,165	310,523
Other revenue	29,881	21,249
Other net gain	73,841	2,224
Finance costs	(3,387)	(4,355)
Net valuation gain on investment properties	929,031	228,016
Share of profit/(loss) of an associate	6,267	(50,207)
Unallocated head office and corporate expenses	<u>(26,401)</u>	<u>(22,070)</u>
Consolidated profit before taxation	<u>1,281,397</u>	<u>485,380</u>
	At	At
	30 June	31 December
	2017	2016
	\$'000	\$'000
Assets		
Reportable segment assets	13,933,726	12,824,158
Elimination of inter-segment receivables	<u>(6,108)</u>	<u>(6,246)</u>
	13,927,618	12,817,912
Interest in an associate	282,971	273,818
Available-for-sale securities	26,478	26,478
Deferred tax assets	2,754	6,158
Trading securities	487,014	345,828
Current tax recoverable	16,070	11,016
Unallocated head office and corporate assets	<u>3,290,577</u>	<u>3,367,952</u>
Consolidated total assets	<u>18,033,482</u>	<u>16,849,162</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

3. Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment profit, assets and liabilities (Continued)

	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Liabilities		
Reportable segment liabilities	517,544	609,463
Elimination of inter-segment payables	<u>(6,108)</u>	<u>(6,246)</u>
	511,436	603,217
Current tax payable	37,052	19,852
Deferred tax liabilities	602,722	565,532
Unallocated head office and corporate liabilities	<u>50,664</u>	<u>46,150</u>
Consolidated total liabilities	<u><u>1,201,874</u></u>	<u><u>1,234,751</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

4. Other revenue and other net gain

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
Other revenue		
Interest income from bank deposits	17,931	12,070
Dividend income from securities	9,155	6,640
Forfeiture of unclaimed dividends	1,583	1,397
Compensation received on early termination of leases	335	–
Others	877	1,142
	<u>29,881</u>	<u>21,249</u>
Other net gain		
Net gain/(loss) on remeasurement to fair value of		
– trading securities	36,857	(2,390)
– derivative financial instruments	(465)	(314)
Net realised gain on disposal of		
– trading securities	12,117	222
– derivative financial instruments	3,412	244
Net foreign exchange gain	21,922	4,455
Net (loss)/gain on disposal of plant and equipment	(2)	7
	<u>73,841</u>	<u>2,224</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

5. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
(a) Finance costs		
Interest on bank loan	<u>3,387</u>	<u>4,355</u>
(b) Staff costs (excluding directors' remuneration)		
Contributions to defined contribution retirement plans	6,256	6,101
Salaries, wages and other benefits	<u>100,840</u>	<u>100,696</u>
	<u>107,096</u>	<u>106,797</u>
(c) Rentals received and receivable from investment properties		
Gross rentals (note 3(a))	(216,177)	(223,190)
Less: direct outgoings	<u>47,477</u>	<u>38,569</u>
	<u>(168,700)</u>	<u>(184,621)</u>
(d) Other items		
Depreciation and amortisation		
– owned assets	18,369	17,503
– lease incentives	8,200	7,206
Impairment losses on trade and other debtors (written back)/recognised	(8)	16
Operating lease charges		
– minimum lease payments for hire of land and buildings	14,445	14,616
– contingent rentals for hire of land and buildings	15	176
Cost of inventories sold	<u>320,765</u>	<u>364,719</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

6. Income tax in the consolidated statement of profit or loss

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	33,762	38,634
Current tax – Overseas		
Provision for the period	5,768	8,312
Deferred tax		
Origination and reversal of temporary differences		
– changes in fair value of investment properties	804	(268)
– other temporary differences	5,910	7,505
	6,714	7,237
Total income tax expense	46,244	54,183

The provision for Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the six months ended 30 June 2017. Taxation for overseas subsidiaries is charged similarly at the appropriate current rates of taxation ruling in the relevant countries.

7. Basic and diluted earnings per share

- (a) The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of the Company for the six months ended 30 June 2017 of \$1,234,018,000 (six months ended 30 June 2016: \$430,280,000) divided by the weighted average of 294,392,000 shares (2016: 295,005,000 shares) in issue during the interim period.

There were no outstanding potential shares throughout the periods presented.

- (b) **Adjusted basic earnings per share excluding the net valuation gain on investment properties net of related deferred tax thereon**

For the purpose of assessing the underlying performance of the Group, the management is of the view that the profit for the period should be adjusted for the net valuation gain on investment properties net of related deferred tax thereon in arriving at the “underlying profit attributable to shareholders of the Company”.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

7. Basic and diluted earnings per share (Continued)

(b) Adjusted basic earnings per share excluding the net valuation gain on investment properties net of related deferred tax thereon (Continued)

The difference between the underlying profit attributable to shareholders of the Company and profit attributable to shareholders of the Company as shown in the consolidated statement of profit or loss for the period is reconciled as follows:

	<u>Six months ended 30 June</u>			
	<u>2017</u>		<u>2016</u>	
	\$'000	Amount per share cents	\$'000	Amount per share cents
Profit attributable to shareholders of the Company as shown in the consolidated statement of profit or loss	1,234,018	419.2	430,280	145.9
Adjustments:				
Less: Net valuation gain on investment properties	(929,031)	(315.6)	(228,016)	(77.3)
Add/(less):				
Increase/(decrease) in deferred tax liabilities in relation to the net valuation gain on investment properties	804	0.3	(268)	(0.1)
	<u>305,791</u>	<u>103.9</u>	<u>201,996</u>	<u>68.5</u>
Add: Net valuation gain on investment properties net of related deferred tax attributable to non-controlling interests	<u>666</u>	<u>0.2</u>	<u>447</u>	<u>0.1</u>
Underlying profit attributable to shareholders of the Company	<u><u>306,457</u></u>	<u><u>104.1</u></u>	<u><u>202,443</u></u>	<u><u>68.6</u></u>

8. Investment properties and other property, plant and equipment

- (a) Investment properties were revalued as at 30 June 2017 by the directors with reference to the market updates from firms of independent surveyors to update the professional valuations that were carried out as at 31 December 2016. As a result of the update, net valuation gain of \$929,031,000 (six months ended 30 June 2016: \$228,016,000) and deferred tax of \$804,000 (six months ended 30 June 2016: credit of \$268,000) thereon have been included in the consolidated statement of profit or loss.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

8. Investment properties and other property, plant and equipment (Continued)

- (b) The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Within one year	313,358	325,804
After one year but within five years	585,174	485,013
After five years	252,794	132,177
	<u>1,151,326</u>	<u>942,994</u>

9. Interest in an associate

	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Unlisted shares		
Share of net assets other than intangible assets	275,514	266,162
Share of intangible assets of an associate	7,457	7,656
	<u>282,971</u>	<u>273,818</u>

On 2 October 2014, the associate of the Group sold its entire issued and outstanding shares of a subsidiary ("the disposal group") to a third party. The disposal group was engaged in automobile dealerships and related business in USA.

A portion of the consideration amounting to US\$33,454,000 was paid into an escrow account during 2014. Such consideration would be transferred to the associate after 1 July 2016, after deducting any successful claims made under warranties provided in the sales and purchase agreement.

In July 2016 and March 2017, the associate received payments from this escrow account leaving a balance of US\$8,955,000 still held in the escrow account pending agreement of the claims made under warranties.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

9. Interest in an associate (Continued)

Up to 30 June 2017, claims amounting to US\$355,000 (\$2,800,000) have been agreed with the buyer and accounted for in the associate's financial statements. The buyer had made potential claims in prior year which are currently under negotiation and the outcome is uncertain. No new potential claims were made by the buyer during the six months ended 30 June 2017.

The Group is not in a position to assess the full potential liability of the claims made with certainty but based on discussions with legal counsel, believes that the Group's share of the provision held for these claims of \$34,700,000 which has been reflected in the Group's share of net assets is appropriate in light of the current circumstances.

10. Debtors, deposits and prepayments

	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Trade and other debtors	42,027	37,432
Less: allowance for doubtful debts	(32)	(40)
	<u>41,995</u>	<u>37,392</u>
Deposits and prepayments	57,548	39,647
	<u>99,543</u>	<u>77,039</u>

All debtors, deposits and prepayments of the Group, apart from certain rental deposits and prepayments totalling \$26,129,000 (at 31 December 2016: \$29,787,000), are expected to be recovered or recognised as an expense within one year.

At the end of the reporting period, the ageing analysis of trade and other debtors (net of allowance for doubtful debts), based on the due date, is as follows:

	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Current or less than one month past due	41,649	36,925
One to three months past due	256	363
More than three months but less than twelve months past due	88	102
More than twelve months past due	2	2
	<u>41,995</u>	<u>37,392</u>

Credit period granted to customers is generally 30 days from the date of billing.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

11. Cash and cash equivalents

	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Cash at bank and in hand	82,797	158,677
Bank deposits	<u>3,148,661</u>	<u>3,198,155</u>
	<u><u>3,231,458</u></u>	<u><u>3,356,832</u></u>

12. Creditors and accrued charges

At the end of the reporting period, the ageing analysis of trade and other creditors, based on the due date, is as follows:

	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Amounts not yet due	267,343	288,501
On demand or less than one month overdue	43,935	100,980
One to three months overdue	3,305	3,242
Three to twelve months overdue	408	752
More than twelve months overdue	<u>1,195</u>	<u>1,181</u>
Trade and other creditors	316,186	394,656
Accrued charges	<u>33,305</u>	<u>39,214</u>
	<u><u>349,491</u></u>	<u><u>433,870</u></u>

All creditors and accrued charges of the Group, apart from certain rental deposits received and accrued charges totalling \$37,113,000 (at 31 December 2016: \$40,745,000), are expected to be settled or recognised as income within one year or are repayable on demand.

Credit period granted to the Group is generally between 30 days and 90 days from the date of billing.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

13. Capital, reserves and dividends

(a) Dividends

- (i) Dividends payable to shareholders of the Company attributable to the interim period:

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
Interim dividend:		
– declared after the interim period	111,774	73,691
– attributable to shares purchased but not yet cancelled in June 2017	(17)	–
– attributable to shares purchased in September 2016	<u>–</u>	<u>(20)</u>
Interim dividend payable after the interim period of 38 cents (2016: 25 cents) per share	<u>111,757</u>	<u>73,671</u>
Special dividend:		
– declared after the interim period	323,557	–
– attributable to shares purchased but not yet cancelled in June 2017	<u>(50)</u>	<u>–</u>
Special dividend payable after the interim period of 110 cents (2016: Nil) per share	<u>323,507</u>	<u>–</u>
	<u>435,264</u>	<u>73,671</u>

Both the interim dividend and the special dividend declared after the end of the reporting period have not been recognised as liabilities at the end of the reporting period.

- (ii) Dividends payable to shareholders of the Company attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
Final dividend in respect of the financial year ended 31 December 2016/31 December 2015		
– approved during the interim period	164,979	147,541
– attributable to shares purchased in January, April and May 2017/April and May 2016	<u>(259)</u>	<u>(153)</u>
Final dividend paid during the following interim period of 56 cents (2015: 50 cents) per share	<u>164,720</u>	<u>147,388</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

13. Capital, reserves and dividends (Continued)

(b) Purchase of own shares

(i) Shares purchased and cancelled

During the six months ended 30 June 2017, the Company purchased its own shares on the Stock Exchange and cancelled the shares as follows:

Month/year	Number of shares purchased	Aggregate price paid \$'000	Highest price paid per share \$	Lowest price paid per share \$
January 2017	103,000	2,469	24.00	23.85
April 2017	60,000	1,539	25.95	25.30
May 2017	300,000	7,752	26.00	25.50
	<u>463,000</u>	<u>11,760</u>		

Pursuant to section 42A of the Bermuda Companies Act 1981, the above purchased shares were cancelled upon purchase and the issued share capital of the Company was reduced by the nominal value of these shares of \$46,000 (2016: \$32,000) accordingly. The premium and transaction costs paid on the purchase of the shares of \$11,714,000 (2016: \$7,210,000) and \$39,000 (2016: \$24,000) respectively were charged against retained earnings.

(ii) Shares purchased but not yet cancelled

Month/year	Number of shares purchased	Aggregate price paid \$'000	Highest price paid per share \$	Lowest price paid per share \$
June 2017	45,000	1,128	25.25	25.05

The above shares have been purchased by the Company but the share cancellation has not yet been completed as at 30 June 2017. These shares have been cancelled in July 2017. As a result, the nominal value of these shares was not deducted from the issued share capital of the Company as at 30 June 2017. The total consideration paid for these purchased shares was included in “debtors, deposits and prepayments”.

(iii) The holders of shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company’s residual assets.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

14. Fair value measurement of financial instruments

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

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. 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 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.

	Fair value measurements as at 30 June 2017 categorised into			Fair value measurements as at 31 December 2016 categorised into		
	Fair value at 30 June 2017 \$'000	Level 1 \$'000	Level 2 \$'000	Fair value at 31 December 2016 \$'000	Level 1 \$'000	Level 2 \$'000

Recurring fair value measurements

Assets

Unlisted available-for-sale securities	14,910	-	14,910	14,910	-	14,910
Trading securities	487,014	359,555	127,459	345,828	300,331	45,497

During the six months ended 30 June 2017, there were no transfers of financial instruments between different levels (2016: \$Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

14. Fair value measurement of financial instruments (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The trading securities in Level 2 represent investment funds. The fair value of these investment funds is determined by reference to quoted price in an active market of the listed securities comprising the fund portfolio being valued, adjusted for factors unique to the funds being valued.

The fair value of the unlisted available-for-sale securities is determined by reference to quoted price in an active market of instruments similar to the securities being valued, adjusted for factors unique to the securities being valued.

(b) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2017 and 31 December 2016 except for the unlisted equity securities of \$11,568,000 (at 31 December 2016: \$11,568,000), which do not have a quoted price in an active market and therefore their fair values cannot be reliably measured. These unlisted equity securities are stated at cost at the end of the reporting period.

15. Capital commitments

At the end of the reporting period, capital commitments of the Group outstanding not provided for in the interim financial report were as follows:

	At 30 June 2017 \$'000	At 31 December 2016 \$'000
Authorised and contracted for	18,666	23,527
Authorised and not contracted for	716	863
	<u>19,382</u>	<u>24,390</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

16. Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group for the six months ended 30 June 2017 was as follows:

	Six months ended 30 June	
	2017	2016
	\$'000	\$'000
Salaries and other short-term employee benefits	22,480	22,458
Contributions to defined contribution retirement plans	598	578
	<u>23,078</u>	<u>23,036</u>

(b) Recurring transactions

Fellow subsidiaries represent subsidiaries of Wing On International Holdings Limited, the Company's immediate holding company. Material related party transactions are as follows:

- (i) A fellow subsidiary rents retail premises to a subsidiary of the Group. Rental and management fees payable to this fellow subsidiary amounted to \$15,344,000 (2016: \$15,546,000) during the period. The amount due from the fellow subsidiary as at 30 June 2017 amounted to \$2,554,000 (at 31 December 2016: \$2,554,000).
- (ii) A subsidiary of the Group rents office premises to a fellow subsidiary. Rental and management fees receivable from this fellow subsidiary amounted to \$2,705,000 (2016: \$2,687,000) during the period. The amount due to the fellow subsidiary as at 30 June 2017 amounted to \$1,366,000 (at 31 December 2016: \$1,294,000).
- (iii) A fellow subsidiary, engaged in securities trading, deals in securities for certain subsidiaries of the Group. Commission of \$177,000 (2016: \$58,000) was payable to this fellow subsidiary during the period. The amount due from the fellow subsidiary as at 30 June 2017 amounted to \$43,115,000 (at 31 December 2016: \$5,758,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

16. Material related party transactions (Continued)

(b) Recurring transactions (Continued)

- (iv) A subsidiary of the Group provides building and tenancy management services to a fellow subsidiary. Building and tenancy management fees receivable from this fellow subsidiary amounted to \$456,000 (2016: \$456,000) during the period. The amount due to the fellow subsidiary as at 30 June 2017 amounted to \$2,015,000 (at 31 December 2016: \$1,436,000).
- (v) A fellow subsidiary rents retail premises to a subsidiary of the Group. Rental and management fees payable to this fellow subsidiary amounted to \$73,000 (2016: \$Nil) during the period. The amount due to the fellow subsidiary as at 30 June 2017 amounted to \$Nil (at 31 December 2016: \$25,000).

The directors of the Group are of the opinion that the above transactions were carried out at pre-determined amounts in accordance with terms mutually agreed by the Group and the respective companies.

17. Approval of the interim financial report

The interim financial report was approved by the Board of Directors on 28 August 2017.

SUPPLEMENTARY INFORMATION

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the six months ended 30 June 2017.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its code of conduct regarding directors’ securities transactions. The Company has made specific enquiries of all directors and all directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2017.

DIRECTORS’ INTERESTS IN SHARES

As at 30 June 2017, the interests and short positions of the directors in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under section 352 of the SFO were as follows:

(a) The Company

Name of Director	Personal interests (held as beneficial owner)	Number of ordinary shares held			Total interests	Total of the issued voting shares as a %
		Family interests (interests of spouse)	Corporate interests (interests of controlled corporation)	Other interests		
Karl C. Kwok	480,620	–	–	–	480,620	0.163
Lester Kwok	649,050	–	–	–	649,050	0.221
Bill Kwok	958,298	295,000	255,000 (Note 1)	–	1,508,298	0.513
Mark Kwok	556,910	–	10,000 (Note 2)	–	566,910	0.193
Leung Wing Ning	10,000	–	–	–	10,000	0.003

Notes:

1. Dr. Bill Kwok is entitled to control not less than one-third of the voting power at general meetings of a private company which beneficially owns 255,000 ordinary shares in the Company.
2. Mr. Mark Kwok is entitled to control not less than one-third of the voting power at general meetings of a private company which beneficially owns 10,000 ordinary shares in the Company.

SUPPLEMENTARY INFORMATION

(Continued)

DIRECTORS' INTERESTS IN SHARES (Continued)

(b) Kee Wai Investment Company (BVI) Limited

Name of Director	Personal interests (held as beneficial owner)	Number of ordinary shares held			Total interests	Total interests as a % of the issued voting shares
		Family interests (interests of spouse)	Corporate interests (interests of controlled corporation)	Other interests		
Karl C. Kwok	14,250	–	–	–	14,250	25
Lester Kwok	14,250	–	–	–	14,250	25
Bill Kwok	14,250	–	–	–	14,250	25
Mark Kwok	14,250	–	–	–	14,250	25

Note: The above directors together control 100% of the voting rights in Kee Wai Investment Company (BVI) Limited.

(c) The Wing On Fire & Marine (2011) Limited

Name of Director	Personal interests (held as beneficial owner)	Number of ordinary shares held			Total interests	Total interests as a % of the issued voting shares
		Family interests (interests of spouse)	Corporate interests (interests of controlled corporation)	Other interests		
Karl C. Kwok	324	–	–	–	324	0.017
Lester Kwok	216	–	–	–	216	0.012
Bill Kwok	216	–	–	–	216	0.012
Mark Kwok	216	–	–	–	216	0.012

In addition to the above, certain directors hold shares in a subsidiary on trust and as nominee for its intermediary holding company.

Save as disclosed herein, none of the directors nor the chief executive of the Company has any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporation (as defined above) which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to section 347 of the SFO or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SUPPLEMENTARY INFORMATION

(Continued)

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, according to the information available to the Company, the following companies were interested in 5% or more of the issued share capital of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Number of ordinary shares held	Total interests as a % of the issued voting shares
(i) Wing On International Holdings Limited	180,545,138	61.380
(ii) Wing On Corporate Management (BVI) Limited	180,545,138	61.380
(iii) Kee Wai Investment Company (BVI) Limited	180,545,138	61.380

Note: For the avoidance of doubt and double counting, it should be noted that duplication occurs in respect of all of the above-stated shareholdings to the extent that the shareholdings stated against party (i) above are entirely duplicated in the relevant shareholdings stated against party (ii) above, with the same duplication of the shareholdings in respect of (ii) in (iii). All of the above named parties are deemed to be interested in the relevant shareholdings under the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Details of the purchase of own shares by the Company during the period are set out in Note 13(b) to the interim financial report. The purchases were made for the purpose of enhancing the net asset value per share and earnings per share of the Company.

Save as disclosed in Note 13(b) to the interim financial report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the period.