Website: www.wingon.hk

WING ON COMPANY INTERNATIONAL LIMITED

永 安 國 際 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock code: 289)

INTERIM REPORT

2018

CONTENTS

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
Mr. Nicholas James Debnam (Appointed on 3 April 2018)

AUDIT COMMITTEE

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

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.wingon.hk

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 2018, the Group's revenue was HK$756.6 million (2017 restated: HK$731.2 million), a slight increase of 3.5% due mainly to the increase in property investment revenue.

Profit attributable to shareholders for the first half of 2018 was HK$804.4 million (2017: HK$1,234.0 million), a decrease of 34.8% due primarily to the decrease in net valuation gain on investment properties as compared to the corresponding period. Excluding this non-cash item and related deferred tax thereon, the Group's underlying profit attributable to shareholders decreased by 26.1% to HK$226.4 million (2017: HK$306.5 million). The decrease was attributable mainly to the loss recorded from the Group's investments in securities as a result of fair value remeasurement as opposed to the gain recorded in the same period last year.

Earnings per share decreased by 34.7% to 273.7 HK cents (2017: 419.2 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 decreased by 25.9% to 77.1 HK cents (2017: 104.1 HK cents) per share.

The directors have decided to pay an interim dividend of 28 HK cents (2017: 38 HK cents) per share, absorbing a total amount of HK$82,288,000 (2017: HK$111,774,000). 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 was paid in 2017. The interim dividend will be paid on 23 October 2018 to shareholders whose names appear on the Register of Members of the Company on 12 October 2018. The Register of Members will be closed from 8 October 2018 to 12 October 2018, both dates inclusive, during which period no share transfer will be accepted.

To qualify for the interim 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 Friday, 5 October 2018.

LIQUIDITY AND FINANCIAL RESOURCES

Overall Financial Position

Shareholders' equity at 30 June 2018 was HK$18,429.8 million, an increase of 3.4% as compared to that at 31 December 2017. With cash and listed marketable securities at 30 June 2018 of about HK$3,429.7 million as well as available banking facilities, the Group has sufficient liquidity to meet its current commitments and working capital requirements.

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

Borrowings and Charges on Group Assets

At 30 June 2018, the Group's total borrowings amounted to HK$165.8 million, a decrease of about HK$27.4 million as compared to that at 31 December 2017 due to partial mortgage loan repayments and exchange differences. The Group's total borrowings of HK$165.8 million relate to a mortgage loan for Australian investment properties. The bulk of the borrowings will be repayable by the end of 2020. Certain assets, comprising principally property interests with a book value of HK$3,220.4 million, have been pledged to banks as collateral security for banking facilities granted to the extent of HK$165.8 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 2018, was 0.9% as compared with 1.1% at 31 December 2017.

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$2,791.0 million at 30 June 2018 (at 31 December 2017: HK$2,877.9 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 2018, the total amount of the Group's capital expenditure commitments was HK$30.8 million (at 31 December 2017: HK$23.8 million). As at 30 June 2018, the Group had no contingent liability (at 31 December 2017: HK$ Nil).

HALF YEAR BUSINESS REVIEW

Department Store Operations

During the period under review, the Group's department stores business remained relatively stable, notwithstanding the highly competitive retail environment. For the six months ended 30 June 2018, the Group's department stores attained a revenue of HK$521.9 million, an increase of 1.3% when compared to HK$515.0 million as restated for 2017. In the period under review, the Group remained focused on optimizing its merchandise mix adding more well styled apparel and household products to the shop floor which are sold at popular prices. The Group in April launched Wing On Rewards, a new e-stamp loyalty promotion program accessible through mobile application and in early August installed a new enterprise resource planning system to enhance its information technology capabilities. The Group believes that its efforts made to optimize merchandise assortment, together the continued enhancement of the overall ambience and customer service will pay off in future. Overall, the department stores operating profit for the first half of 2018 decreased by 6.2% to HK$57.5 million (2017: HK$61.3 million), due mainly to the increase in operating costs.

Property Investments

The Group's property investment income increased by 7.1% to HK$225.7 million (2017: HK$210.8 million) for the six months ended 30 June 2018. Income from the Group's commercial investment properties in Hong Kong increased by 8.6% to HK$172.4 million (2017: HK$158.7 million) which was attributable to the increase in occupancy of Wing On Kowloon Centre and the higher rental rates achieved from lease renewals of Wing On Centre during the period under review. The overall occupancy of the Group's commercial investment properties in Hong Kong increased slightly to about 95% (2017: 90%) during the period under review. Income from the Group's commercial office properties in Melbourne increased by 4.5% to HK$48.7 million (2017: HK$46.6 million) during the period under review. While rental income increased as a result of the higher occupancy and higher rental rates achieved upon renewal of leases, the increase was partly offset by the increase in statutory charges during the period. The overall occupancy rate of the Group's Melbourne properties increased to around 96% (2017: 93%) throughout the period under review.

Interest in an Associate

For the six months ended 30 June 2018, 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$4.4 million (2017: HK$2.2 million). Overall, the Group recorded a share of profit from the associate of HK$8.4 million (2017: HK$6.3 million) for the six months ended 30 June 2018.

HALF YEAR BUSINESS REVIEW (Continued)

Others

During the period under review, the Group's investments in securities recorded a loss of HK$14.5 million (2017: a gain of HK$59.9 million) due mainly to fair value remeasurement as financial markets trended downwards. The Group recorded a net foreign exchange gain of HK$5.0 million (2017: HK$21.9 million) from its holdings of foreign currencies.

STAFF

As at 30 June 2018, the Group had a total staff of 697 (at 30 June 2017: 726). The Group's remuneration policies, bonus schemes, Mandatory Provident Fund Schemes, etc., have not changed materially from the information disclosed in the 2017 Annual Report.

OUTLOOK FOR THE REMAINDER OF 2018

Notwithstanding the prevailing macro-economic uncertainties, the Group expects its department stores business in the remainder of the year to remain stable, supported by the still positive local consumption sentiment on the back of favourable job and income conditions. The Group's investment properties in Hong Kong and Australia will continue to provide stable rental income for the Group.

Karl C. Kwok
Chairman

Hong Kong, 29 August 2018

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 40 which comprises the consolidated statement of financial position of Wing On Company International Limited (the "Company") as of 30 June 2018 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 2018 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

29 August 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2018	**2017**
			(Restated)
	Note	$'000	$'000
Revenue	3(a)	756,610	731,197
Other revenue	4	40,694	29,881
Other net (loss)/gain	4	(21,134)	73,841
Cost of department store sales	5(d)	(249,949)	(242,928)
Cost of property leasing activities	5(c)	(51,813)	(47,477)
Other operating expenses		(206,151)	(195,028)
Profit from operations		268,257	349,486
Finance costs	5(a)	(2,683)	(3,387)
		265,574	346,099
Net valuation gain on investment properties	8(a)	577,116	929,031
		842,690	1,275,130
Share of profit of an associate	9	8,438	6,267
Profit before taxation	5	851,128	1,281,397
Income tax	6	(46,222)	(46,244)
Profit for the period		804,906	1,235,153
Attributable to:			
Shareholders of the Company		804,404	1,234,018
Non-controlling interests		502	1,135
Profit for the period		804,906	1,235,153
Basic and diluted earnings per share	7(a)	273.7 cents	419.2 cents

The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information has not been restated for adoption of HKFRS 9 while comparative information has been restated for adoption of HKFRS 15 (see note 2).

The notes on pages 16 to 40 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 2018 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June			
	2018		2017	
	$'000	$'000	$'000	$'000
Profit for the period		804,906		1,235,153
Other comprehensive income for the period (after tax and reclassification adjustments):				
Item that will not be reclassified subsequently to profit or loss:				
– other investments at fair value through other comprehensive income		1,682		–
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation adjustments:				
– exchange differences on translation of financial statements of overseas subsidiaries	(124,476)		155,677	
– share of exchange differences on translation of financial statements of an overseas associate	(2,539)		2,886	
		(127,015)		158,563
Other comprehensive income for the period		(125,333)		158,563
Total comprehensive income for the period		679,573		1,393,716
Attributable to:				
Shareholders of the Company		678,953		1,392,402
Non-controlling interests		620		1,314
Total comprehensive income for the period		679,573		1,393,716

The notes on pages 16 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018 – unaudited
(Expressed in Hong Kong dollars)

	Note	At 30 June 2018 $'000	At 31 December 2017 (Restated) $'000
Non-current assets			
Investment properties	8	15,180,893	14,752,496
Other property, plant and equipment	8	395,983	407,068
		15,576,876	15,159,564
Interest in an associate	9	307,177	301,278
Available-for-sale securities		–	26,918
Other investments	2(a)	148,667	–
Deferred tax assets		11,005	17,987
		16,043,725	15,505,747
Current assets			
Trading securities		688,049	577,435
Inventories		86,623	93,324
Debtors, deposits and prepayments	10	84,303	75,274
Amounts due from fellow subsidiaries		5,402	6,694
Current tax recoverable		5,483	4,014
Other bank deposits		39,698	126,473
Cash and cash equivalents	11	2,901,378	2,941,473
		3,810,936	3,824,687
Current liabilities			
Creditors and accrued charges	12	443,262	481,266
Contract liabilities	2(b)(ii)	16,261	16,483
Secured bank loan		37,103	38,888
Amounts due to fellow subsidiaries		3,738	3,092
Current tax payable		37,078	18,509
		537,442	558,238
Net current assets		3,273,494	3,266,449
Total assets less current liabilities carried forward		19,317,219	18,772,196

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018 – unaudited
(Continued)
(Expressed in Hong Kong dollars)

	Note	At 30 June 2018 $'000	At 31 December 2017 (Restated) $'000
Total assets less current liabilities brought forward		19,317,219	18,772,196
Non-current liabilities			
Secured bank loan		128,700	154,338
Deferred tax liabilities		726,788	755,925
		855,488	910,263
NET ASSETS		18,461,731	17,861,933
Capital and reserves			
Share capital	13(b)	29,389	29,389
Reserves		18,400,372	17,801,194
Total equity attributable to shareholders of the Company		18,429,761	17,830,583
Non-controlling interests		31,970	31,350
TOTAL EQUITY		18,461,731	17,861,933

The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information has not been restated for adoption of HKFRS 9 while comparative information has been restated for adoption of HKFRS 15 (see note 2).

The notes on pages 16 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018 – unaudited
(Expressed in Hong Kong dollars)

		Attributable to shareholders of the Company									
	Note	Share capital $'000	Land and building revaluation reserve $'000	Investment revaluation reserve (Note (i)) $'000	Exchange reserve $'000	Contributed surplus $'000	General reserve fund $'000	Retained earnings (Note (ii)) $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 31 December 2017		29,389	271,037	15,140	335	754,347	1,051	16,759,284	17,830,583	31,350	17,861,933
Impact on initial application of HKFRS 9	2(a)	–	–	120,067	–	–	–	–	120,067	–	120,067
Adjusted balance at 1 January 2018		29,389	271,037	135,207	335	754,347	1,051	16,759,284	17,950,650	31,350	17,982,000
Changes in equity for the six months ended 30 June 2018:											
Profit for the period		–	–	–	–	–	–	804,404	804,404	502	804,906
Other comprehensive income for the period		–	–	1,682	(127,133)	–	–	–	(125,451)	118	(125,333)
Total comprehensive income for the period		–	–	1,682	(127,133)	–	–	804,404	678,953	620	679,573
Share of the general reserve fund of an associate: transfer to the general reserve fund		–	–	–	–	–	508	(508)	–	–	–
Dividends approved and paid in respect of the previous year	13(a)(ii)	–	–	–	–	–	–	(199,842)	(199,842)	–	(199,842)
		–	–	1,682	(127,133)	–	508	604,054	479,111	620	479,731
Balance at 30 June 2018		29,389	271,037	136,889	(126,798)	754,347	1,559	17,363,338	18,429,761	31,970	18,461,731

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018 – 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 (ii))	Total	Non-controlling interests	Total equity
		$'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	13(b)										
– 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	13(a)(ii)	–	–	–	–	–	–	(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		29,415	271,037	14,700	(45,510)	754,347	1,051	15,778,323	16,803,363	28,245	16,831,608

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018 – unaudited
(Continued)
(Expressed in Hong Kong dollars)

		Attributable to shareholders of the Company									
		Share capital	Land and building revaluation reserve	Investment revaluation reserve	Exchange reserve	Contributed surplus	General reserve fund	Retained earnings (Note (ii))	Total	Non-controlling interests	Total equity
	Note	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2017		29,415	271,037	14,700	(45,510)	754,347	1,051	15,778,323	16,803,363	28,245	16,831,608
Changes in equity for the six months ended 31 December 2017:											
Profit for the period		–	–	–	–	–	–	1,423,171	1,423,171	3,062	1,426,233
Other comprehensive income for the period		–	–	440	45,845	–	–	–	46,285	43	46,328
Total comprehensive income for the period		–	–	440	45,845	–	–	1,423,171	1,469,456	3,105	1,472,561
Purchase of own shares											
– par value paid		(26)	–	–	–	–	–	–	(26)	–	(26)
– premium and transaction costs paid		–	–	–	–	–	–	(6,946)	(6,946)	–	(6,946)
Dividends approved and paid in respect of the current year	13(a)(i)	–	–	–	–	–	–	(435,264)	(435,264)	–	(435,264)
		(26)	–	440	45,845	–	–	980,961	1,027,220	3,105	1,030,325
Balance at 31 December 2017		29,389	271,037	15,140	335	754,347	1,051	16,759,284	17,830,583	31,350	17,861,933

Notes:

(i) The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information has not been restated for adoption of HKFRS 9 while comparative information has been restated for adoption of HKFRS 15 (see note 2).

(ii) Retained earnings attributable to the shareholders of the Company as at 30 June 2018 include the aggregate net valuation gain relating to investment properties after deferred tax of $12,325,477,000 (at 31 December 2017: $11,747,490,000).

The notes on pages 16 to 40 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2018	**2017**
	Note	$'000	$'000
Operating activities			
Cash generated from operations		110,504	58,109
Tax paid		(21,179)	(26,557)
Net cash generated from operating activities		89,325	31,552
Investing activities			
Payment for the purchase of investment properties and other property, plant and equipment		(11,577)	(11,301)
Decrease in other bank deposits		86,775	–
Other cash flows arising from investing activities		21,828	16,590
Net cash generated from investing activities		97,026	5,289
Financing activities			
Dividends paid to shareholders of the Company	13(a)(ii)	(199,842)	(164,720)
Other cash flows arising from financing activities		(21,911)	(34,004)
Net cash used in financing activities		(221,753)	(198,724)
Net decrease in cash and cash equivalents		(35,402)	(161,883)
Cash and cash equivalents at 1 January		2,941,473	3,356,832
Effect of foreign exchange rate changes		(4,693)	36,509
Cash and cash equivalents at 30 June	11	2,901,378	3,231,458

The notes on pages 16 to 40 form part of this interim financial report.

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 29 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 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 2017 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 2017 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 2017 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 28 March 2018.

2. Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, Financial instruments
- HKFRS 15, Revenue from contracts with customers

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

The Group has been impacted by HKFRS 9 in relation to classification and measurement of financial assets and impacted by HKFRS 15 in relation to principal versus agent considerations and presentation of contract assets and liabilities. Details of the changes in accounting policies are discussed in note 2(a) for HKFRS 9 and note 2(b) for HKFRS 15.

(a) HKFRS 9, Financial instruments

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has been impacted by HKFRS 9 in relation to classification and measurement of financial assets. The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

2. Changes in accounting policies (Continued)

(a) HKFRS 9, Financial instruments (Continued)

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI (recycling), if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the investment revaluation reserve until the investment is disposed of. At the time of disposal, the amount accumulated in the investment revaluation reserve is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

2. Changes in accounting policies (Continued)

(a) HKFRS 9, Financial instruments (Continued)

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017	Reclassification	Remeasurement	HKFRS 9 carrying amount at 1 January 2018
	$'000	$'000	$'000	$'000
Financial assets measured at FVOCI (non-recyclable)				
Other investments (note)	–	26,918	120,067	146,985
Financial assets classified as available-for-sale under HKAS 39 (note)	26,918	(26,918)	–	–

Note:

Certain equity investments held by the Group for long term strategic purposes have been designated under HKFRS 9 at FVOCI. Before the adoption of HKFRS 9, these securities were measured at cost because their fair value was not considered to be reliably measurable. HKFRS 9 has removed this cost exception.

The measurement categories for all financial liabilities remain the same.

2. Changes in accounting policies (Continued)

(b) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services.

The Group has elected to use the retrospective restatement method and comparative information has been restated in accordance with HKFRS 15.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Principal versus agent considerations

HKFRS 15 provides specific guidance on the consignment arrangement and when should the revenue of a consignment arrangement be recognised. Given the consignment agreements entered into between the vendors and the Group met the definition of a consignment arrangement as described in HKFRS 15 and the Group (as a consignee) analysed that it does not obtain control over the consignment goods before the goods are sold to end customers, the Group is acting as an agent in respect of the consignment sales. As such, the Group has changed the basis of presentation of revenue derived from consignment sales from a gross basis to a net basis.

As a result of this change in presentation, the Group has restated comparatives by decreasing revenue and cost of sales by both $77,837,000. This change in presentation has no impact on the Group's net profits and net assets.

(ii) Presentation of contract assets and liabilities

Under HKFRS 15, a contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. Such balances are recognised as contract liabilities rather than payables.

As a result of this new presentation, the Group has reclassified "advances received from gift certificates" amounting to $16,483,000 as at 31 December 2017 which were previously included in creditors and accrued charges to contract liabilities.

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 consignment sales and income from property investment and is analysed by principal activities as follows:

	Six months ended 30 June	
	2018	**2017**
		(Restated)
	$'000	$'000
Sale of goods	363,948	357,797
Net income from concession sales	120,869	120,067
Net income from consignment sales	37,100	37,156
Department stores	521,917	515,020
Property investment (note 5(c))	234,693	216,177
	756,610	731,197

(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.

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, contract liabilities, 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.

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	
	2018	2017	2018	2017	2018	2017
		(Restated)				(Restated)
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue from external customers	521,917	515,020	234,693	216,177	756,610	731,197
Inter-segment revenue	–	–	58,259	59,756	58,259	59,756
Reportable segment revenue	521,917	515,020	292,952	275,933	814,869	790,953
Reportable segment profit	57,487	61,319	225,690	210,846	283,177	272,165

	Department stores		Property investment		Total	
	At 30 June 2018	At 31 December 2017	At 30 June 2018	At 31 December 2017	At 30 June 2018	At 31 December 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Reportable segment assets	148,916	163,772	15,582,668	15,163,641	15,731,584	15,327,413
Additions to non-current segment assets during the period/year	6,833	7,793	17,928	113,205	24,761	120,998
Reportable segment liabilities	296,277	318,156	285,073	328,526	581,350	646,682

3. Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

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

	Six months ended 30 June 2018 $'000	Six months ended 30 June 2017 $'000
Profit		
Reportable segment profit	283,177	272,165
Other revenue	40,694	29,881
Other net (loss)/gain	(21,134)	73,841
Finance costs	(2,683)	(3,387)
Net valuation gain on investment properties	577,116	929,031
Share of profit of an associate	8,438	6,267
Unallocated head office and corporate expenses	(34,480)	(26,401)
Consolidated profit before taxation	851,128	1,281,397

3. Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

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

	At 30 June 2018 $'000	At 31 December 2017 $'000
Assets		
Reportable segment assets	15,731,584	15,327,413
Elimination of inter-segment receivables	(5,313)	(6,407)
	15,726,271	15,321,006
Interest in an associate	307,177	301,278
Available-for-sale securities	–	26,918
Other investments	148,667	–
Deferred tax assets	11,005	17,987
Trading securities	688,049	577,435
Current tax recoverable	5,483	4,014
Unallocated head office and corporate assets	2,968,009	3,081,796
Consolidated total assets	19,854,661	19,330,434
Liabilities		
Reportable segment liabilities	581,350	646,682
Elimination of inter-segment payables	(5,313)	(6,407)
	576,037	640,275
Current tax payable	37,078	18,509
Deferred tax liabilities	726,788	755,925
Unallocated head office and corporate liabilities	53,027	53,792
Consolidated total liabilities	1,392,930	1,468,501

4. Other revenue and other net (loss)/gain

	Six months ended 30 June 2018 $'000	2017 $'000
Other revenue		
Interest income from bank deposits	25,150	17,931
Dividend income from investments in securities	12,407	9,155
Compensation received on early termination of leases	414	335
Others	2,723	2,460
	40,694	29,881
Other net (loss)/gain		
Net (loss)/gain on remeasurement to fair value of		
– trading securities	(36,381)	36,857
– derivative financial instruments	89	(465)
Net realised gain on disposal of		
– trading securities	5,464	12,117
– derivative financial instruments	4,699	3,412
Net foreign exchange gain	5,026	21,922
Net loss on disposal of plant and equipment	(31)	(2)
	(21,134)	73,841

5. Profit before taxation

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

	Six months ended 30 June 2018 $'000	2017 (Restated) $'000
(a) Finance costs		
Interest on bank loan	2,683	3,387
(b) Staff costs (excluding directors' remuneration)		
Contributions to defined contribution retirement plans	5,978	6,256
Salaries, wages and other benefits	107,240	100,840
	113,218	107,096
(c) Rentals received and receivable from investment properties		
Gross rentals (note 3(a))	(234,693)	(216,177)
Less: direct outgoings	51,813	47,477
	(182,880)	(168,700)
(d) Other items		
Depreciation and amortisation		
– owned assets	18,202	18,369
– lease incentives	12,695	8,200
Impairment losses on trade and other debtors written back	(22)	(8)
Operating lease charges		
– minimum lease payments for hire of land and buildings	13,579	14,445
– contingent rentals for hire of land and buildings	27	15
Cost of inventories sold	249,949	242,928

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

	Six months ended 30 June	
	2018	**2017**
	$'000	$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	34,397	33,762
Current tax – Overseas		
Provision for the period	3,617	5,768
Deferred tax		
Origination and reversal of temporary differences		
– changes in fair value of investment properties	(857)	804
– other temporary differences	9,065	5,910
	8,208	6,714
Total income tax expense	46,222	46,244

The provision for Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the six months ended 30 June 2018. 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 2018 of $804,404,000 (six months ended 30 June 2017: $1,234,018,000) divided by the weighted average of 293,885,000 shares (2017: 294,392,000 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".

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:

	Six months ended 30 June			
	2018		2017	
		Amount per share		Amount per share
	$'000	cents	$'000	cents
Profit attributable to shareholders of the Company as shown in the consolidated statement of profit or loss	804,404	273.7	1,234,018	419.2
Adjustments:				
Less: Net valuation gain on investment properties	(577,116)	(196.3)	(929,031)	(315.6)
(Less)/add:				
(Decrease)/increase in deferred tax liabilities in relation to the net valuation gain on investment properties	(857)	(0.3)	804	0.3
	226,431	77.1	305,791	103.9
(Less)/add:				
Net valuation (loss)/gain on investment properties net of related deferred tax attributable to non-controlling interests	(14)	–	666	0.2
Underlying profit attributable to shareholders of the Company	226,417	77.1	306,457	104.1

8. Investment properties and other property, plant and equipment

(a) Investment properties were revalued as at 30 June 2018 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 2017. As a result of the update, net valuation gain of $577,116,000 (six months ended 30 June 2017: $929,031,000) and credit of deferred tax of $857,000 (six months ended 30 June 2017: debit of deferred tax of $804,000) thereon have been included in the consolidated statement of profit or loss.

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

	At 30 June 2018 $'000	**At 31 December 2017** $'000
Within one year	372,302	353,186
After one year but within five years	711,295	725,785
After five years	216,693	270,864
	1,300,290	1,349,835

9. Interest in an associate

	At 30 June 2018 $'000	**At 31 December 2017** $'000
Unlisted shares		
Share of net assets other than intangible assets	299,831	293,709
Share of intangible assets of an associate	7,346	7,569
Interest in an associate	307,177	301,278

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.

9. Interest in an associate (Continued)

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.

Up to 30 June 2018, the associate received payments from this escrow account leaving a balance of US$6,170,000 (at 31 December 2017: US$8,964,000) still held in escrow account pending agreement of the claims made under warranties.

A provision of US$3,850,000 had been recognised in the associate's financial statements as at 31 December 2017. Up to 30 June 2018, the remaining unresolved claims have not been agreed with the buyer. No new potential claims were made by the buyer during the six months ended 30 June 2018.

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 the remaining unresolved claims of US$1,925,000 ($15,080,000) 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 2018 $'000	At 31 December 2017 $'000
Trade and other debtors	35,032	40,176
Less: allowance for doubtful debts	(7)	(29)
	35,025	40,147
Deposits and prepayments	49,278	35,127
	84,303	75,274

All debtors, deposits and prepayments of the Group, apart from certain rental deposits and prepayments totalling $10,113,000 (at 31 December 2017: $23,504,000), are expected to be recovered or recognised as an expense within one year.

10. Debtors, deposits and prepayments (Continued)

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 2018 $'000	**At 31 December 2017** $'000
Current or less than one month past due	34,740	39,770
One to three months past due	193	304
More than three months but less than twelve months past due	75	61
More than twelve months past due	17	12
	35,025	40,147

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

11. Cash and cash equivalents

	At 30 June 2018 $'000	**At 31 December 2017** $'000
Cash at bank and in hand	555,899	181,895
Bank deposits	2,345,479	2,759,578
	2,901,378	2,941,473

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 2018 $'000	At 31 December 2017 (Restated) $'000
Amounts not yet due	282,006	328,229
On demand or less than one month overdue	118,573	107,695
One to three months overdue	2,472	3,496
Three to twelve months overdue	616	431
More than twelve months overdue	1,168	1,478
Trade and other creditors	404,835	441,329
Accrued charges	38,427	39,937
	443,262	481,266

All creditors and accrued charges of the Group, apart from certain rental deposits received and accrued charges totalling $50,159,000 (at 31 December 2017: $43,518,000), 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.

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 2018 $'000	2017 $'000
Interim dividend:		
– declared after the interim period	82,288	111,774
– attributable to shares purchased but not yet cancelled in June 2017	–	(17)
Interim dividend payable after the interim period of 28 cents (2017: 38 cents) per share	82,288	111,757
Special dividend:		
– declared after the interim period	–	323,557
– attributable to shares purchased but not yet cancelled in June 2017	–	(50)
Special dividend payable after the interim period of Nil (2017: 110 cents) per share	–	323,507
	82,288	435,264

The interim dividend declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

13. Capital, reserves and dividends (Continued)

(a) Dividends (Continued)

(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 2018 $'000	2017 $'000
Final dividend in respect of the financial year ended 31 December 2017/ 31 December 2016		
– approved during the interim period	199,842	164,979
– attributable to shares purchased in January, April and May 2017	–	(259)
Final dividend paid during the interim period of 68 cents (2016: 56 cents) per share	199,842	164,720

(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. Pursuant to section 42A of the Bermuda Companies Act 1981, the 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 accordingly. The premium and transaction costs paid on the purchase of the shares of $11,714,000 and $39,000 respectively were charged against retained earnings.

The Company did not purchase its own shares during the six months ended 30 June 2018.

(ii) 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.

14. Fair value measurement of financial instruments

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following tables present 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 2018 categorised into				Fair value measurements as at 31 December 2017 categorised into		
	Fair value at 30 June 2018	Level 1	Level 2	Level 3	Fair value at 31 December 2017	Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Recurring fair value measurements								
Assets								
Unlisted available-for-sale securities	–	–	–	–	15,350	–	15,350	–
Other investments	148,667	–	15,550	133,117	–	–	–	–
Trading securities	688,049	472,059	215,990	–	577,435	404,089	173,346	–

During the six months ended 30 June 2018, there were no transfers of financial instruments between different levels (2017: 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.

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 other investments in Level 2 is determined by reference to quoted price in an active market of financial assets similar to the instruments being valued, adjusted for factors unique to the instruments being valued.

(iii) Information about Level 3 fair value measurements

	Valuation techniques	**Significant unobservable inputs**	**Range**
Other investments	Adjusted net assets	Discount for lack of marketability	40% (2017: N/A)
		Minority discount	15% (2017: N/A)
		Control premium	10% (2017: N/A)

The fair value of other investments is determined using net asset value adjusted for lack of marketability discount and minority discount and quoted price in an active market of a listed equity instrument adjusted for control premium. The fair value is negatively correlated to the discount for lack of marketability and minority discount and positively correlated to control premium.

14. Fair value measurement of financial instruments (Continued)

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

(iii) Information about Level 3 fair value measurements (Continued)

At 30 June 2018, it is estimated that an increase/decrease of 3% in each of the unobservable inputs, with all other variables held constant, would have increased/decreased the Group's other comprehensive income as follows:

	Increase/ (decrease) in unobservable inputs %	**Effect on other comprehensive income** $'000
Discount for lack of marketability	3	(6,663)
	(3)	6,625
Minority discount	3	(4,725)
	(3)	4,684
Control premium	3	1,254
	(3)	(1,292)

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	2018 $'000
Unlisted equity securities:	
At 1 January	131,635
Net unrealised gains or losses recognised in other comprehensive income during the period	1,482
At 30 June	133,117

From 1 January 2018, any gains or losses arising from the remeasurement of the Group's unlisted equity securities held for long term strategic purposes are recognised in the investment revaluation reserve in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

14. Fair value measurement of financial instruments (Continued)

(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 2018 and 31 December 2017 except for the unlisted equity securities of $Nil (at 31 December 2017: $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 were stated at cost as at 31 December 2017.

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 2018	At 31 December 2017
	$'000	$'000
Authorised and contracted for	30,822	20,541
Authorised and not contracted for	–	3,211
	30,822	23,752

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 2018 was as follows:

	Six months ended 30 June 2018	Six months ended 30 June 2017
	$'000	$'000
Salaries and other short-term employee benefits	27,772	22,480
Contributions to defined contribution retirement plans	504	598
	28,276	23,078

16. Material related party transactions (Continued)

(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 $14,490,000 (2017: $15,344,000) during the period. The amount due from the fellow subsidiary as at 30 June 2018 amounted to $2,412,000 (at 31 December 2017: $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 $2,831,000 (2017: $2,705,000) during the period. The amount due to the fellow subsidiary as at 30 June 2018 amounted to $1,366,000 (at 31 December 2017: $1,366,000).

(iii) A fellow subsidiary, engaged in securities trading, deals in securities for certain subsidiaries of the Group. Commission of $203,000 (2017: $177,000) was payable to this fellow subsidiary during the period. The amount due from the fellow subsidiary as at 30 June 2018 amounted to $2,990,000 (at 31 December 2017: $4,140,000).

(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 (2017: $456,000) during the period. The amount due to the fellow subsidiary as at 30 June 2018 amounted to $2,372,000 (at 31 December 2017: $1,726,000).

(v) A fellow subsidiary rented retail premises to a subsidiary of the Group. Rental and management fees payable to this fellow subsidiary during the period ended 30 June 2017 amounted to $73,000. The amount due to the fellow subsidiary as at 31 December 2017 amounted to $Nil.

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 29 August 2018.

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 2018.

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 2018.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2018, 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

	Number of ordinary shares held					
Name of Director	**Personal interests (held as beneficial owner)**	**Family interests (interests of spouse)**	**Corporate interests (interests of controlled corporation)**	**Other interests**	**Total interests**	**Total interests as a % of the issued voting shares**
Karl C. Kwok	480,620	–	–	–	480,620	0.164
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
Nicholas James Debnam	15,000	–	–	–	15,000	0.005

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.

DIRECTORS' INTERESTS IN SHARES (Continued)

(b) Kee Wai Investment Company (BVI) Limited

	Number of ordinary shares held					
Name of Director	Personal interests (held as beneficial owner)	Family interests (interests of spouse)	Corporate interests (interests of controlled corporation)	Other interests	Total interests	Total interests as a % of the issued voting shares
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

	Number of ordinary shares held					
Name of Director	Personal interests (held as beneficial owner)	Family interests (interests of spouse)	Corporate interests (interests of controlled corporation)	Other interests	Total interests	Total interests as a % of the issued voting shares
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 2018, 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	61.434
(ii)	Wing On Corporate Management (BVI) Limited	180,545,138	61.434
(iii)	Kee Wai Investment Company (BVI) Limited	180,545,138	61.434

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the period.