



WING ON COMPANY INTERNATIONAL LIMITED

永安國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 289)

INTERIM REPORT

2020

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CORPORATE INFORMATION

BOARD OF DIRECTORS

The Board of Directors as now constituted is listed below:

Executive Directors

Mr. Karl C. Kwok, BBS, MH (Chairman)

Mr. Lester Kwok, J.P. (Deputy Chairman and Chief Executive Officer)

Dr. Bill Kwok, J.P. (Re-designated from Non-executive Director on 1 April 2020)

Mr. Mark Kwok

Independent Non-executive Directors

Miss Maria Tam Wai Chu, GBM, GBS, J.P.

Mr. Iain Ferguson Bruce, CA, FCPA, FHKIoD, FHKSI

Mr. Leung Wing Ning

Mr. Nicholas James Debnam

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. Nicholas James Debnam

NOMINATION COMMITTEE

Mr. Leung Wing Ning (Chairman)

Mr. Karl C. Kwok

Mr. Nicholas James Debnam

CORPORATE INFORMATION

(Continued)

AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor
registered in accordance with the
Financial Reporting Council Ordinance
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

Victoria Place, 5th Floor,
31 Victoria Street,
Hamilton HM 10,
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 54, Hopewell Centre,
183 Queen's Road East,
Hong Kong.

MUFG Fund Services (Bermuda) Limited
4th Floor North,
Cedar House,
41 Cedar Avenue,
Hamilton HM 12,
Bermuda.

CHAIRMAN'S STATEMENT

INTERIM RESULTS AND DIVIDEND

For the six months ended 30 June 2020, the Group's revenue was HK\$611.3 million (2019: HK\$704.4 million), a decrease of 13.2% due mainly to the decrease in revenue of the Group's department stores.

The Group recorded a loss attributable to shareholders of HK\$337.8 million (2019: a profit of HK\$575.8 million) in the first half of 2020, which was due mainly to the net valuation loss on investment properties of HK\$427.5 million recorded during the period as opposed to a net valuation gain of HK\$266.7 million recorded in the corresponding period in 2019. Excluding this non-cash item and related deferred tax thereon, the Group's underlying profit attributable to shareholders decreased by 71.0% to HK\$90.6 million (2019: HK\$311.9 million). The decrease was attributable mainly to the losses recorded from the Group's investments in securities and the department stores operation in the first half of 2020 as opposed to the profits achieved in the same period in 2019.

Loss per share was 115.6 HK cents (2019: earnings per share of 196.1 HK cents) per share. Excluding the net valuation loss (2019: the net valuation gain) on investment properties net of related deferred tax thereon, underlying earnings per share for the period decreased by 70.8% to 31.0 HK cents (2019: 106.2 HK cents) per share.

The directors have decided to pay an interim dividend of 11 HK cents (2019: 38 HK cents) per share, absorbing a total amount of HK\$32,120,000 (2019: HK\$111,516,000). The interim dividend will be paid on 22 October 2020 to shareholders whose names appear on the Register of Members of the Company on 14 October 2020. The Register of Members will be closed from 8 October 2020 to 14 October 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:00 p.m. on Wednesday, 7 October 2020.

LIQUIDITY AND FINANCIAL RESOURCES

Overall Financial Position

Shareholders' equity at 30 June 2020 was HK\$18,936.7 million, a decrease of 3.1% as compared to that at 31 December 2019. With cash and listed marketable securities at 30 June 2020 of about HK\$3,452.8 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 2020, the Group's total borrowings amounted to HK\$83.9 million, a decrease of about HK\$19.4 million as compared to that at 31 December 2019 due to partial mortgage loan repayments and exchange differences. The Group's total borrowings of HK\$83.9 million relate to a mortgage loan for Australian investment properties. The bulk of the borrowings will be repayable by the end of 2020. The management will renegotiate the repayment schedule nearer the time. Certain assets, comprising principally property interests with a book value of HK\$3,457.6 million, have been pledged to banks as collateral security for banking facilities granted to the extent of HK\$83.9 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 2020, was 0.4% as compared with 0.5% at 31 December 2019.

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\$3,112.7 million at 30 June 2020 (at 31 December 2019: HK\$3,122.1 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 2020, the total amount of the Group's capital expenditure commitments was HK\$28.2 million (at 31 December 2019: HK\$33.5 million). As at 30 June 2020, the Group had no contingent liability (at 31 December 2019: HK\$Nil).

CHAIRMAN'S STATEMENT

(Continued)

HALF YEAR BUSINESS REVIEW

Department Stores Operation

The outbreak of the coronavirus COVID-19 pandemic at the beginning of 2020 has severely and drastically disrupted tourism, retail, other consumer related activities and businesses in Hong Kong, triggering a radical contraction in local consumer spending in the first half of 2020. For the first half of 2020, Hong Kong retail sales value for department stores sector dropped by 32.8% compared to the same period last year. Under this difficult business environment, the Group's department stores revenue declined significantly during the period. Amongst the department stores major income contributors, clothing, handbags, shoes, travel goods and cosmetic products were the worst affected as both sales and margins declined. Net income from concession sales also declined due to the closure of some concession counters during the period as a result of reduced business. For the six months ended 30 June 2020, the Group's department stores achieved a revenue of HK\$367.8 million, a decrease of 20% when compared to HK\$459.6 million achieved in 2019. During the period under review, the Group's department stores recorded wage subsidy from the HKSAR Government's Employment Support Scheme of HK\$5.3 million. Overall, the department stores recorded an operating loss of HK\$3.6 million (2019: a profit of HK\$31.2 million), due mainly to the decrease in revenue and thus gross profit.

During the period under review the Group has taken a wide range of health and safety measures within the Group offices and department store premises to prevent the spread of the pandemic and to ensure the well-being of its employees and customers.

Property Investments

For the six months ended 30 June 2020, the Group's property investment income was HK\$254.8 million (2019: HK\$254.5 million). Income from the Group's commercial investment properties in Hong Kong increased by 2.1% to HK\$186.4 million (2019: HK\$182.6 million) which was attributable to the higher rental rates achieved from new leases and lease renewals of Wing On Centre and Wing On Kowloon Centre during the period under review, net of certain rental reliefs granted to tenants. The overall occupancy of the Group's commercial investment properties in Hong Kong remained at approximately 98% (2019: 99%) throughout the period under review. Income from the Group's commercial office properties in Melbourne decreased by 5.4% to HK\$65.1 million (2019: HK\$68.8 million) during the period under review. Net income in terms of Australian dollar currency increased by 2.8%, which was primarily due to higher rental rates achieved upon renewal of leases, offset by certain rental reliefs granted to tenants in compliance with the mandatory Code of Conduct implemented by the Australian Government. The Group's Melbourne properties were fully let (2019: 100%) throughout the period under review.

CHAIRMAN'S STATEMENT

(Continued)

HALF YEAR BUSINESS REVIEW (Continued)

Interest in an Associate

For the six months ended 30 June 2020, the Group recorded a share of loss after tax from the associate's automobile dealership interest in the People's Republic of China of HK\$6.5 million (2019: HK\$5.8 million). Overall, the Group recorded a share of loss from the associate of HK\$4.7 million (2019: share of profit of HK\$5.8 million) for the six months ended 30 June 2020.

Others

During the period under review, the Group's investments in securities recorded a loss of HK\$91.3 million (2019: a gain of HK\$73.8 million). The Group recorded a net foreign exchange loss of HK\$9.7 million (2019: HK\$4.6 million) from its holdings of foreign currencies.

STAFF

As at 30 June 2020, the Group had a total staff of 636 (at 30 June 2019: 659). The Group's remuneration policies, bonus schemes, Mandatory Provident Fund Schemes, etc., have not changed materially from the information disclosed in the 2019 Annual Report.

OUTLOOK FOR THE REMAINDER OF 2020

With the COVID-19 pandemic showing no sign of abating and with all forms of business activities severely restrained, the Group believes that local consumer spending will remain depressed and weak for the rest of the year. In face of the extremely challenging retail business environment, the Group's management will try its best to mitigate the adverse impact on its department stores business while focusing on its market positioning as a family store for different age groups offering desirable apparel and household products complemented with friendly customer service and a satisfying in-store experience. The Group's investment properties in Hong Kong and Melbourne will continue to provide stable rental income in the second half of the year despite the negative impact of the COVID-19. The Group with its overall strong financial position will be able to weather through this economic storm brought on by COVID-19.

Karl C. Kwok
Chairman

Hong Kong, 28 August 2020

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 36 which comprises the consolidated statement of financial position of Wing On Company International Limited (the “Company”) as of 30 June 2020 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 2020 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 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2020 \$'000	2019 \$'000
Revenue	3(a)	611,268	704,374
Other revenue	4	46,939	48,025
Other net (loss)/gain	4	(113,976)	58,188
Cost of department store sales	5(d)	(177,326)	(217,596)
Cost of property leasing activities	5(b)	(35,996)	(34,148)
Other operating expenses	5(c)	(188,565)	(198,223)
Profit from operations		142,344	360,620
Finance costs	5(a)	(1,120)	(2,613)
		141,224	358,007
Net valuation (loss)/gain on investment properties	8(a)	(427,473)	266,731
		(286,249)	624,738
Share of (loss)/profit of an associate		(4,674)	5,837
(Loss)/profit before taxation	5	(290,923)	630,575
Income tax	6	(46,549)	(54,470)
(Loss)/profit for the period		<u>(337,472)</u>	<u>576,105</u>
Attributable to:			
Shareholders of the Company		(337,811)	575,767
Non-controlling interests		339	338
(Loss)/profit for the period		<u>(337,472)</u>	<u>576,105</u>
Basic and diluted (loss)/earnings per share	7(a)	<u>(115.6) cents</u>	<u>196.1 cents</u>

The notes on pages 16 to 36 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 2020 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June			
	2020		2019	
	\$'000	\$'000	\$'000	\$'000
(Loss)/profit for the period		(337,472)		576,105
		<u> </u>		<u> </u>
Other comprehensive income for the period (with nil tax effect and after reclassification adjustments):				
Item that will not be reclassified subsequently to profit or loss:				
– other investments at fair value through other comprehensive income		(3,149)		3,060
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation adjustments:				
– exchange differences on translation of financial statements of overseas subsidiaries		(66,120)		(14,830)
– share of exchange differences on translation of financial statements of an overseas associate		<u>(2,254)</u>		<u>172</u>
		<u>(68,374)</u>		<u>(14,658)</u>
Other comprehensive income for the period		<u>(71,523)</u>		<u>(11,598)</u>
Total comprehensive income for the period		<u>(408,995)</u>		<u>564,507</u>
Attributable to:				
Shareholders of the Company		(409,172)		564,243
Non-controlling interests		<u>177</u>		<u>264</u>
Total comprehensive income for the period		<u>(408,995)</u>		<u>564,507</u>

The notes on pages 16 to 36 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020 – unaudited
(Expressed in Hong Kong dollars)

		At 30 June 2020 \$'000	At 31 December 2019 \$'000
Non-current assets			
Investment properties	8	15,580,525	16,090,297
Other property, plant and equipment		367,932	387,574
		15,948,457	16,477,871
Interest in an associate	9	317,491	324,419
Other investments		137,088	140,237
Deferred tax assets		354	436
		16,403,390	16,942,963
Current assets			
Trading securities		945,304	883,022
Inventories		74,956	99,526
Debtors, deposits and prepayments	10	92,832	68,271
Amounts due from fellow subsidiaries		3,823	18,201
Current tax recoverable		9,726	–
Other bank deposits		13,439	13,543
Cash and cash equivalents	11	2,775,333	2,993,692
		3,915,413	4,076,255
Current liabilities			
Creditors and accrued charges	12	349,974	359,910
Contract liabilities		17,254	18,373
Secured bank loan		83,942	103,290
Lease liabilities		14,631	27,399
Amounts due to fellow subsidiaries		3,805	3,818
Current tax payable		48,474	80,587
		518,080	593,377
Net current assets		3,397,333	3,482,878
Total assets less current liabilities carried forward		19,800,723	20,425,841

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020 – unaudited
(Continued)
(Expressed in Hong Kong dollars)

		At 30 June 2020 \$'000	At 31 December 2019 \$'000
Total assets less current liabilities brought forward		19,800,723	20,425,841
Non-current liabilities			
Lease liabilities		535	1,020
Deferred tax liabilities		829,649	843,880
		<u>830,184</u>	<u>844,900</u>
NET ASSETS		<u>18,970,539</u>	<u>19,580,941</u>
Capital and reserves			
Share capital	13(b)	29,200	29,256
Reserves		18,907,523	19,518,046
Total equity attributable to shareholders of the Company		18,936,723	19,547,302
Non-controlling interests		33,816	33,639
TOTAL EQUITY		<u>18,970,539</u>	<u>19,580,941</u>

The notes on pages 16 to 36 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020 – 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	Total equity
Note		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Balance at 1 January 2020	29,256	271,037	125,319	(308,475)	754,347	1,700	18,674,118	19,547,302	33,639	19,580,941
Changes in equity for the six months ended 30 June 2020:											
	(Loss)/profit for the period	-	-	-	-	-	-	(337,811)	(337,811)	339	(337,472)
	Other comprehensive income for the period	-	-	(3,149)	(68,212)	-	-	-	(71,361)	(162)	(71,523)
	Total comprehensive income for the period	-	-	(3,149)	(68,212)	-	-	(337,811)	(409,172)	177	(408,995)
	Purchase of own shares										
	– par value paid	(56)	-	-	-	-	-	-	(56)	-	(56)
	– premium and transaction costs paid	-	-	-	-	-	-	(11,550)	(11,550)	-	(11,550)
	Dividends approved and paid in respect of the previous year										
		-	-	-	-	-	-	(189,801)	(189,801)	-	(189,801)
		(56)	-	(3,149)	(68,212)	-	-	(539,162)	(610,579)	177	(610,402)
	Balance at 30 June 2020	<u>29,200</u>	<u>271,037</u>	<u>122,170</u>	<u>(376,687)</u>	<u>754,347</u>	<u>1,700</u>	<u>18,134,956</u>	<u>18,936,723</u>	<u>33,816</u>	<u>18,970,539</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020 – unaudited

(Continued)

(Expressed in Hong Kong dollars)

		Attributable to shareholders of the Company									
		Land and building	Investment				General			Total	
		Share capital	revaluation reserve	revaluation reserve	Exchange reserve	Contributed surplus	reserve fund	Retained earnings (Note)	Non- controlling interests	Total equity	
Note		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
	Balance at 1 January 2019	29,360	271,037	131,379	(274,235)	754,347	1,541	18,167,014	19,080,443	32,664	19,113,107
Changes in equity for the six months ended 30 June 2019:											
	Profit for the period	-	-	-	-	-	-	575,767	575,767	338	576,105
	Other comprehensive income for the period	-	-	3,060	(14,584)	-	-	-	(11,524)	(74)	(11,598)
	Total comprehensive income for the period	-	-	3,060	(14,584)	-	-	575,767	564,243	264	564,507
	Purchase of own shares										
	– par value paid	(14)	-	-	-	-	-	-	(14)	-	(14)
	– premium and transaction costs paid	-	-	-	-	-	-	(3,635)	(3,635)	-	(3,635)
	Share of the general reserve fund of an associate: transfer to the general reserve fund	-	-	-	-	-	162	(162)	-	-	-
	Dividends approved and paid in respect of the previous year										
		-	-	-	-	-	-	(123,255)	(123,255)	-	(123,255)
		(14)	-	3,060	(14,584)	-	162	448,715	437,339	264	437,603
	Balance at 30 June 2019	<u>29,346</u>	<u>271,037</u>	<u>134,439</u>	<u>(288,819)</u>	<u>754,347</u>	<u>1,703</u>	<u>18,615,729</u>	<u>19,517,782</u>	<u>32,928</u>	<u>19,550,710</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020 – 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
Balance at 1 July 2019		29,346	271,037	134,439	(288,819)	754,347	1,703	18,615,729	19,517,782	32,928	19,550,710
Changes in equity for the six months ended 31 December 2019											
Profit for the period		-	-	-	-	-	-	189,891	189,891	817	190,708
Other comprehensive income for the period		-	-	(9,120)	(19,656)	-	-	-	(28,776)	(106)	(28,882)
Total comprehensive income for the period		-	-	(9,120)	(19,656)	-	-	189,891	161,115	711	161,826
Purchase of own shares											
– par value paid		(90)	-	-	-	-	-	-	(90)	-	(90)
– premium and transaction costs paid		-	-	-	-	-	-	(20,031)	(20,031)	-	(20,031)
Share of the general reserve fund of an associate: transfer from the general reserve fund		-	-	-	-	-	(3)	3	-	-	-
Dividends declared and paid in respect of the current year	13(a)(i)	-	-	-	-	-	-	(111,474)	(111,474)	-	(111,474)
		(90)	-	(9,120)	(19,656)	-	(3)	58,389	29,520	711	30,231
Balance at 31 December 2019		<u>29,256</u>	<u>271,037</u>	<u>125,319</u>	<u>(308,475)</u>	<u>754,347</u>	<u>1,700</u>	<u>18,674,118</u>	<u>19,547,302</u>	<u>33,639</u>	<u>19,580,941</u>

Note:

Retained earnings attributable to the shareholders of the Company as at 30 June 2020 include the aggregate net valuation gain relating to investment properties after deferred tax of \$12,844,987,000 (at 31 December 2019: \$13,273,443,000).

The notes on pages 16 to 36 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2020	2019
	Note	\$'000	\$'000
Operating activities			
(Loss)/profit before taxation		(290,923)	630,575
Adjustments for:			
Net valuation loss/(gain) on investment properties		427,473	(266,731)
Depreciation and amortisation		44,005	44,885
Interest and dividend income		(35,009)	(44,783)
Share of loss/(profit) of an associate		4,674	(5,837)
Other cash flows arising from operating activities		<u>(54,795)</u>	<u>(79,790)</u>
Cash generated from operations		95,425	278,319
Tax paid		<u>(84,442)</u>	<u>(29,605)</u>
Net cash generated from operating activities		<u>10,983</u>	<u>248,714</u>
Investing activities			
Payment for purchases of investment properties and other property, plant and equipment		(15,691)	(6,439)
Decrease in other bank deposits		104	58,783
Other cash flows arising from investing activities		<u>32,952</u>	<u>42,837</u>
Net cash generated from investing activities		<u>17,365</u>	<u>95,181</u>
Financing activities			
Dividends paid to shareholders of the Company	13(a)(ii)	(189,801)	(123,255)
Other cash flows arising from financing activities		<u>(42,677)</u>	<u>(37,327)</u>
Net cash used in financing activities		<u>(232,478)</u>	<u>(160,582)</u>
Net (decrease)/increase in cash and cash equivalents		(204,130)	183,313
Cash and cash equivalents at 1 January		2,993,692	2,827,500
Effect of foreign exchange rate changes		<u>(14,229)</u>	<u>(9,800)</u>
Cash and cash equivalents at 30 June	11	<u>2,775,333</u>	<u>3,001,013</u>

The notes on pages 16 to 36 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 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements.

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 2019 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 2019 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 2019 are available from the Stock Exchange’s website. The auditor has expressed an unqualified opinion on those financial statements in their independent auditor’s report dated 30 March 2020.

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 comprised the invoiced value of goods sold to customers less returns, net income from concession sales and consignment sales and income from property investment and disaggregation of revenue by category is analysed as follows:

	Six months ended 30 June	
	2020	2019
	\$'000	\$'000
Under the scope of HKFRS 15, Revenue from contracts with customers:		
Department stores		
– Sales of goods	242,133	309,561
– Net income from concession sales	90,405	114,347
– Net income from consignment sales	35,235	35,673
	<u>367,773</u>	<u>459,581</u>
Property investment		
– Building management fees and other rental related income	30,024	31,273
Under the scope of HKFRS 16, Leases:		
Property investment		
– Gross rentals from investment properties	<u>213,471</u>	<u>213,520</u>
	<u>611,268</u>	<u>704,374</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

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 ("USA").

(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 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, lease liabilities, contract liabilities 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 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 lease liabilities and 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	
	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	367,773	459,581	243,495	244,793	611,268	704,374
Inter-segment revenue	–	–	59,799	59,352	59,799	59,352
Reportable segment revenue	<u>367,773</u>	<u>459,581</u>	<u>303,294</u>	<u>304,145</u>	<u>671,067</u>	<u>763,726</u>
Reportable segment (loss)/profit	<u>(3,612)</u>	<u>31,247</u>	<u>254,760</u>	<u>254,473</u>	<u>251,148</u>	<u>285,720</u>

	Department stores		Property investment		Total	
	At 30 June	At 31 December	At 30 June	At 31 December	At 30 June	At 31 December
	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reportable segment assets	154,002	179,913	15,946,103	16,460,132	16,100,105	16,640,045
Additions to non-current segment assets during the period/year	1,202	14,530	22,654	25,644	23,856	40,174
Reportable segment liabilities	<u>220,182</u>	<u>241,913</u>	<u>198,290</u>	<u>224,506</u>	<u>418,472</u>	<u>466,419</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	
	2020	2019
	\$'000	\$'000
Profit		
Reportable segment profit	251,148	285,720
Other revenue	38,201	48,025
Other net (loss)/gain	(113,976)	58,188
Finance costs	(1,120)	(2,613)
Net valuation (loss)/gain on investment properties	(427,473)	266,731
Share of (loss)/profit of an associate	(4,674)	5,837
Unallocated head office and corporate expenses	<u>(33,029)</u>	<u>(31,313)</u>
Consolidated (loss)/profit before taxation	<u>(290,923)</u>	<u>630,575</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 2020 \$'000	At 31 December 2019 \$'000
Assets		
Reportable segment assets	16,100,105	16,640,045
Elimination of inter-segment receivables	<u>(5,690)</u>	<u>(5,634)</u>
	16,094,415	16,634,411
Interest in an associate	317,491	324,419
Other investments	137,088	140,237
Deferred tax assets	354	436
Trading securities	945,304	883,022
Current tax recoverable	9,726	–
Unallocated head office and corporate assets	<u>2,814,425</u>	<u>3,036,693</u>
Consolidated total assets	<u><u>20,318,803</u></u>	<u><u>21,019,218</u></u>
Liabilities		
Reportable segment liabilities	418,472	466,419
Elimination of inter-segment payables	<u>(5,690)</u>	<u>(5,634)</u>
	412,782	460,785
Current tax payable	48,474	80,587
Deferred tax liabilities	829,649	843,880
Unallocated head office and corporate liabilities	<u>57,359</u>	<u>53,025</u>
Consolidated total liabilities	<u><u>1,348,264</u></u>	<u><u>1,438,277</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

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

	Six months ended 30 June	
	2020	2019
	\$'000	\$'000
Other revenue		
Interest income from bank deposits	21,365	32,475
Interest income from investments in securities	3,003	1,670
Dividend income from investments in securities	10,641	10,638
Compensation received on early termination of leases	426	161
Government grants	5,792	–
Compensation received for premise reinstatement	2,520	–
Others	3,192	3,081
	<u>46,939</u>	<u>48,025</u>
Other net (loss)/gain		
Net (loss)/gain on remeasurement to fair value of trading securities	(114,208)	32,742
Net gain on disposal of		
– trading securities	4,705	24,442
– derivative financial instruments	5,208	5,647
Net foreign exchange loss	(9,679)	(4,590)
Net loss on disposal of plant and equipment	(2)	(53)
	<u>(113,976)</u>	<u>58,188</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

5. (Loss)/profit before taxation

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

	Six months ended 30 June	
	2020	2019
	\$'000	\$'000
(a) Finance costs		
Interest on bank loan	847	2,012
Interest on lease liabilities	273	601
	<u>1,120</u>	<u>2,613</u>
(b) Rentals receivable from investment properties		
Gross income from property investment	(243,495)	(244,793)
Less: direct outgoings	35,996	34,148
	<u>(207,499)</u>	<u>(210,645)</u>
(c) Other operating expenses, include		
Staff costs (excluding directors' emoluments)		
– salaries, wages and other benefits	96,024	103,359
– contributions to defined contribution retirement plans	5,457	5,953
	<u>101,481</u>	<u>109,312</u>
Less: included in cost of property leasing activities	(1,756)	(1,903)
	<u>99,725</u>	<u>107,409</u>
Directors' emoluments	13,613	10,264
Depreciation		
– owned plant and equipment	6,328	6,088
– right-of-use assets	26,156	26,196
Advertising expenses	3,594	5,829
Electricity, water and gas	3,360	3,618
Credit card commission	3,229	4,023
Government rent and rates	3,257	3,341
Information technology expenses	1,070	4,585
	<u>11,521</u>	<u>12,601</u>
(d) Other items		
Amortisation on lease incentives	11,521	12,601
Cost of inventories sold	177,326	217,596
	<u>177,326</u>	<u>217,596</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	
	2020	2019
	\$'000	\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	27,906	32,934
Current tax – Overseas		
Provision for the period	15,545	16,223
Deferred tax		
Origination and reversal of temporary differences		
– changes in fair value of investment properties	985	2,931
– other temporary differences	2,113	2,382
	<u>3,098</u>	<u>5,313</u>
Total income tax expense	<u>46,549</u>	<u>54,470</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the six months ended 30 June 2020, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first \$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Taxation for overseas subsidiaries is charged similarly at the appropriate current rates of taxation ruling in the relevant countries.

7. Basic and diluted (loss)/earnings per share

- (a) The calculation of basic (loss)/earnings per share is based on the consolidated loss attributable to shareholders of the Company for the six months ended 30 June 2020 of \$337,811,000 (six months ended 30 June 2019: profit of \$575,767,000) divided by the weighted average of 292,191,000 shares (2019: 293,536,000 shares) in issue during the interim period.

There were no dilutive potential shares outstanding throughout the periods presented.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

7. Basic and diluted (loss)/earnings per share (Continued)

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

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

The difference between the underlying profit attributable to shareholders of the Company and (loss)/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			
	2020		2019	
	Amount per share	Amount per share	Amount per share	Amount per share
	\$'000	cents	\$'000	cents
(Loss)/profit attributable to shareholders of the Company as shown in the consolidated statement of profit or loss	(337,811)	(115.6)	575,767	196.1
Adjustments:				
Add/(less): Net valuation loss/(gain) on investment properties	427,473	146.3	(266,731)	(90.9)
Add: Increase in deferred tax liabilities in relation to the net valuation gain on investment properties	985	0.3	2,931	1.0
	90,647	31.0	311,967	106.2
Less: Valuation loss on investment property net of related deferred tax attributable to non-controlling interests	(2)	–	(41)	–
Underlying profit attributable to shareholders of the Company	<u>90,645</u>	<u>31.0</u>	<u>311,926</u>	<u>106.2</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

8. Investment properties

- (a) Investment properties were revalued as at 30 June 2020 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 2019. As a result of the update, net valuation loss of \$427,473,000 (six months ended 30 June 2019: net valuation gain of \$266,731,000) and debit of deferred tax of \$985,000 (six months ended 30 June 2019: \$2,931,000) thereon have been included in the consolidated statement of profit or loss.
- (b) The Group's total future undiscounted lease payments under non-cancellable operating leases are receivable as follows:

	At 30 June 2020 \$'000	At 31 December 2019 \$'000
Within one year	370,408	388,337
After one year but within two years	229,323	265,228
After two years but within three years	160,658	145,480
After three years but within four years	108,267	105,049
After four years but within five years	91,028	86,586
After five years	144,675	157,226
	<u>1,104,359</u>	<u>1,147,906</u>

9. Interest in an associate

	At 30 June 2020 \$'000	At 31 December 2019 \$'000
Unlisted shares		
Share of net assets other than intangible assets	311,028	317,622
Share of intangible assets of an associate	6,463	6,797
	<u>317,491</u>	<u>324,419</u>
Interest in an associate	<u>317,491</u>	<u>324,419</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

10. Debtors, deposits and prepayments

	At 30 June 2020 \$'000	At 31 December 2019 \$'000
Trade debtors, net of loss allowance	40,258	22,424
Deposits and prepayments	<u>52,574</u>	<u>45,847</u>
	<u>92,832</u>	<u>68,271</u>

All debtors, deposits and prepayments of the Group, apart from certain rental deposits and prepayments totalling \$20,681,000 (at 31 December 2019: \$24,966,000), 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 debtors (net of loss allowance), based on the due date, is as follows:

	At 30 June 2020 \$'000	At 31 December 2019 \$'000
Current (not past due) or less than one month past due	36,683	21,980
One to three months past due	2,049	329
More than three months but less than twelve months past due	1,198	76
More than twelve months past due	<u>328</u>	<u>39</u>
	<u>40,258</u>	<u>22,424</u>

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

11. Cash and cash equivalents

	At 30 June 2020 \$'000	At 31 December 2019 \$'000
Cash at bank and in hand	601,174	476,415
Bank deposits	<u>2,174,159</u>	<u>2,517,277</u>
	<u>2,775,333</u>	<u>2,993,692</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

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 2020 \$'000	At 31 December 2019 \$'000
Amounts not yet due	256,290	257,265
On demand or less than one month overdue	48,913	60,545
One to three months overdue	414	3,592
Three to twelve months overdue	698	413
More than twelve months overdue	<u>1,253</u>	<u>1,493</u>
Trade and other creditors	307,568	323,308
Accrued charges	<u>42,406</u>	<u>36,602</u>
	<u><u>349,974</u></u>	<u><u>359,910</u></u>

All creditors and accrued charges of the Group, apart from certain rental deposits received totalling \$50,769,000 (at 31 December 2019: \$49,309,000), 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	
	2020	2019
	\$'000	\$'000
Interim dividend:		
– declared after the interim period	32,120	111,516
– attributable to shares purchased in July 2019	–	(42)
	<u>32,120</u>	<u>111,474</u>
Interim dividend payable after the interim period of 11 cents (2019: 38 cents) per share	<u>32,120</u>	<u>111,474</u>

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.

- (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	
	2020	2019
	\$'000	\$'000
Final dividend in respect of the financial year ended 31 December 2019/ 31 December 2018		
– approved during the interim period	190,165	123,313
– attributable to shares purchased in January, February, April and May 2020/January and May 2019	(364)	(58)
	<u>189,801</u>	<u>123,255</u>
Final dividend paid during the interim period of 65 cents (2018: 42 cents) per share	<u>189,801</u>	<u>123,255</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 2020, 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 2020	135,000	2,950	22.20	21.50
February 2020	231,000	4,915	21.45	21.00
April 2020	155,000	2,955	19.20	18.90
May 2020	39,000	746	19.20	19.10
	<u>560,000</u>	<u>11,566</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 \$56,000 (six months ended 30 June 2019: \$14,000) accordingly. The premium and transaction costs paid on the purchase of the shares of \$11,510,000 (six months ended 30 June 2019: \$3,623,000) and \$40,000 (six months ended 30 June 2019: \$12,000) respectively were charged against retained earnings.

- (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.

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 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 at 30 June 2020 \$'000	Fair value measurements as at 30 June 2020 categorised into			Fair value at 31 December 2019 \$'000	Fair value measurements as at 31 December 2019 categorised into		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurements								
Assets								
Other investments	137,088	-	-	137,088	140,237	-	-	140,237
Trading securities	945,304	664,025	281,279	-	883,022	651,343	231,679	-

During the six months ended 30 June 2020, there were no transfers between financial instruments in different levels (year ended 31 December 2019: 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.

(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% (2019: 40%)
		Minority discount	15% (2019: 15%)
		Control premium	10% (2019: 10%)

The fair value of other investments is determined using the net assets value adjusted for lack of marketability discount and minority discount and the 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 the control premium.

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)

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

At 30 June 2020, 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:

	Six months ended 30 June		
	Increase/ (decrease) in unobservable inputs %	Effect on other comprehensive income \$'000	Effect on other comprehensive income \$'000
Discount for lack of marketability	3 (3)	(5,900) 5,938	(6,549) 6,549
Minority discount	3 (3)	(4,190) 4,190	(4,611) 4,608
Control premium	3 (3)	798 (760)	1,102 (1,140)
		<u> </u>	<u> </u>

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)

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

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

	Other investments \$'000
At 1 January 2020	140,237
Debited to other comprehensive income during the period	<u>(3,149)</u>
At 30 June 2020	<u>137,088</u>
At 1 January 2019	143,157
Credited to other comprehensive income during the period	<u>3,060</u>
At 30 June 2019 and 1 July 2019	146,217
Additions during the period	3,140
Debited to other comprehensive income during the period	<u>(9,120)</u>
At 31 December 2019	<u>140,237</u>

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.

(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 2020 and 31 December 2019.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

15. Commitments

Capital commitments outstanding at 30 June 2020 not provided for in the interim financial report were as follows:

	At 30 June 2020 \$'000	At 31 December 2019 \$'000
Authorised and contracted for	<u>28,232</u>	<u>33,468</u>

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 2020 was as follows:

	Six months ended 30 June	
	2020 \$'000	2019 \$'000
Salaries and other short-term employee benefits	20,135	15,400
Contributions to defined contribution retirement plans	<u>528</u>	<u>523</u>
	<u>20,663</u>	<u>15,923</u>

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

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 \$14,477,000 (2019: \$14,489,000) during the period. The amount due from the fellow subsidiary as at 30 June 2020 amounted to \$2,412,000 (at 31 December 2019: \$2,412,000).
- (ii) A subsidiary of the Group rents office premises to a fellow subsidiary. Rental and management fees receivable from this fellow subsidiary amounted to \$2,862,000 (2019: \$2,831,000) during the period. The amount due to the fellow subsidiary as at 30 June 2020 amounted to \$1,489,000 (at 31 December 2019: \$1,366,000).
- (iii) A fellow subsidiary, engaged in securities trading, deals in securities for certain subsidiaries of the Group. Commission of \$94,000 (2019: \$238,000) was payable to this fellow subsidiary during the period. The amount due from the fellow subsidiary as at 30 June 2020 amounted to \$1,411,000 (at 31 December 2019: \$15,789,000).
- (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 (2019: \$456,000) during the period. The amount due to the fellow subsidiary as at 30 June 2020 amounted to \$2,316,000 (at 31 December 2019: \$2,452,000).

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 2020.

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 2020.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of 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 2020.

DIRECTORS’ INTERESTS IN SHARES

As at 30 June 2020, 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 interests as a % of the issued voting shares
		Family interests (interests of spouse)	Corporate interests (interests of corporation)	Other interests		
Karl C. Kwok	480,620	–	–	–	480,620	0.165
Lester Kwok	649,050	–	–	–	649,050	0.222
Bill Kwok	958,298	295,000	255,000 (Note 1)	–	1,508,298	0.517
Mark Kwok	556,910	–	10,000 (Note 2)	–	566,910	0.194
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.

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 Issuers.

SUPPLEMENTARY INFORMATION

(Continued)

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2020, 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	61.830
(ii) Wing On Corporate Management (BVI) Limited	180,545,138	61.830
(iii) Kee Wai Investment Company (BVI) Limited	180,545,138	61.830

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.