



WING ON COMPANY INTERNATIONAL LIMITED

永安國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 289)

INTERIM REPORT

2021

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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.
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. Nicholas James Debnam (Chairman, appointed on 8 June 2021)
Mr. Iain Ferguson Bruce (Ceased to be Chairman on 8 June 2021)
Miss Maria Tam Wai Chu
Mr. Leung Wing Ning

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 2021, the Group's revenue was HK\$560.9 million (2020: HK\$611.3 million), a decrease of 8.2% due mainly to the decrease in revenue of the Group's department stores.

The Group recorded a profit attributable to shareholders of HK\$399.6 million (2020: a loss of HK\$337.8 million) in the first half of 2021, which was attributable mainly to the net valuation gain on investment properties of HK\$168.6 million recorded during the period as opposed to a net valuation loss of HK\$427.5 million recorded in the corresponding period in 2020. Excluding this non-cash item and related deferred tax thereon, the Group's underlying profit attributable to shareholders increased by 196.9% to HK\$269.0 million (2020: HK\$90.6 million). The increase was attributable mainly to the gain achieved from the Group's investments in securities in the first half of 2021 as opposed to the loss recorded in the same period in 2020. A positive profit alert announcement was issued by the Group on 3 August 2021.

Earnings per share was 136.9 HK cents (2020: loss per share of 115.6 HK cents) per share. Excluding the net valuation gain (2020: the net valuation loss) on investment properties net of related deferred tax thereon, underlying earnings per share for the period increased by 197.4% to 92.2 HK cents (2020: 31.0 HK cents) per share.

The directors have decided to pay an interim dividend of 34 HK cents (2020: 11 HK cents) per share, absorbing a total amount of HK\$99,165,000 (2020: HK\$32,120,000). The interim dividend will be paid on 19 October 2021 to shareholders whose names appear on the Register of Members of the Company on 13 October 2021. The Register of Members will be closed from 7 October 2021 to 13 October 2021, 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, 6 October 2021.

LIQUIDITY AND FINANCIAL RESOURCES

Overall Financial Position

Shareholders' equity at 30 June 2021 was HK\$19,271.3 million, an increase of 0.6% as compared to that at 31 December 2020. With cash and listed marketable securities at 30 June 2021 of about HK\$3,598.2 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 2021, the Group's total borrowings amounted to HK\$54.7 million, a decrease of about HK\$20.2 million as compared to that at 31 December 2020 due to partial mortgage loan repayments and exchange differences. The Group's total borrowings of HK\$54.7 million relate to a mortgage loan for Australian investment properties. The bulk of the borrowings will be repayable by the end of 2022. Certain assets, comprising principally property interests with a book value of HK\$3,943.3 million, have been pledged to banks as collateral security for banking facilities. Approximately HK\$54.7 million of such facilities has been utilised. 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 2021, was 0.3% as compared with 0.4% at 31 December 2020.

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\$3,588.1 million at 30 June 2021 (at 31 December 2020: HK\$3,515.4 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 2021, the total amount of the Group's capital commitments was HK\$30.0 million (at 31 December 2020: HK\$34.0 million). As at 30 June 2021, the Group had no contingent liability (at 31 December 2020: HK\$Nil).

CHAIRMAN'S STATEMENT

(Continued)

HALF YEAR BUSINESS REVIEW

Department Stores Operation

Hong Kong retail sales for department stores sector declined in the first half of the 2021 compared to the same period last year. During the period under review, the COVID-19 pandemic continued to adversely affect the business and the operations of the Group's department stores. In particular, back in late January this year, the operation of its branch store on Nathan Road in the Yaumatei district was disrupted due to area lock-down for a few days as a result of COVID-19 cases found in that area. Despite these challenges, the Group remained focused on its strategy to adjust its merchandise mix to suit the changing needs of its customers and upgrade the shop floor and service facilities where necessary; while keeping expenditure in check. Although the Group's department stores revenue declined during the period, the Group's actions to clear off its inventory in a timely manner and adjust its merchandising requirements paid off as the Group was able to offer more in season own merchandise for selection with better sales margins. Income from concession and consignment counters decreased due to decline in sales and the departure of certain concession and consignment counters during the period as a result of the weak retail situation. For the six months ended 30 June 2021, the Group's department stores achieved a revenue of HK\$320.8 million, a decrease of 12.8% when compared to HK\$367.8 million achieved in 2020. Overall, the department stores recorded an operating loss of HK\$8.3 million (2020: HK\$3.6 million), due mainly to the decrease in revenue and thus gross profit.

During the period under review, the Group continued to take health and safety measures in its office properties 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 2021, the Group's property investment income was HK\$239.8 million (2020: HK\$254.8 million). Income from the Group's commercial investment properties in Hong Kong decreased by 12.4% to HK\$163.2 million (2020: HK\$186.4 million) which was mainly due to the reduced occupancy at Wing On Centre and the lower rentals achieved upon new leases and lease renewals for its investment properties. The overall occupancy of the Group's commercial investment properties in Hong Kong dropped to approximately 94% (2020: 98%) at 30 June 2021. Income from the Group's commercial office properties in Melbourne increased by 15.1% to HK\$74.9 million (2020: HK\$65.1 million) due to a stronger Australian dollar during the period under review. Net income in terms of Australian currency decreased by 1.3%. The overall occupancy of the Group's Melbourne properties was approximately 97% (2020: 100%) at 30 June 2021.

CHAIRMAN'S STATEMENT

(Continued)

HALF YEAR BUSINESS REVIEW (Continued)

Interest in an Associate

For the six months ended 30 June 2021, 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\$0.5 million (2020: share of loss after tax of HK\$6.5 million). Overall, the Group recorded a share of profit from the associate of HK\$6.6 million (2020: share of loss of HK\$4.7 million) for the six months ended 30 June 2021.

Others

During the period under review, the Group's investments in securities recorded a gain of HK\$99.0 million (2020: a loss of HK\$91.3 million). The Group recorded a net foreign exchange gain of HK\$0.2 million (2020: a loss of HK\$9.7 million) from its holdings of foreign currencies.

STAFF

As at 30 June 2021, the Group had a total staff of 621 (at 30 June 2020: 636). The Group's remuneration policies, bonus schemes, Mandatory Provident Fund Schemes, etc., have not changed materially from the information disclosed in the 2020 Annual Report.

OUTLOOK FOR THE REMAINDER OF 2021

Barring any major resurgence of the COVID-19 pandemic in Hong Kong, the Group is cautiously optimistic that local consumption will rebound on the back of an improving labour market and the recent launch of the Government's consumption voucher scheme. In support of the Government's COVID-19 vaccination campaign and to promote business, the Group has launched a HK\$1.8 million lucky draw programme which will continue into early November for customers who have been vaccinated. The Group's department stores operation will continue its efforts to adjust the merchandise mix of its stores to suit the needs of its customers. Despite the softened office leasing markets locally and in Melbourne due to the COVID-19 pandemic, the Group's investment properties will continue to provide steady rental income in line with market conditions in the second half of the year.

Karl C. Kwok
Chairman

Hong Kong, 30 August 2021

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 2021 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 2021 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

30 August 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2021	2020
	Note	\$'000	\$'000
Revenue	3(a)	560,916	611,268
Other revenue	4	23,952	46,939
Other net gain/(loss)	4	85,210	(113,976)
Cost of department store sales	5(d)	(145,096)	(177,326)
Cost of property leasing activities	5(b)	(38,873)	(35,996)
Other operating expenses	5(c)	(177,428)	(188,565)
Profit from operations		308,681	142,344
Finance costs	5(a)	(1,173)	(1,120)
		307,508	141,224
Net valuation gain/(loss) on investment properties	8(a)	168,631	(427,473)
		476,139	(286,249)
Share of profit/(loss) of an associate		6,626	(4,674)
Profit/(loss) before taxation	5	482,765	(290,923)
Income tax	6	(83,029)	(46,549)
Profit/(loss) for the period		<u>399,736</u>	<u>(337,472)</u>
Attributable to:			
Shareholders of the Company		399,578	(337,811)
Non-controlling interests		158	339
Profit/(loss) for the period		<u>399,736</u>	<u>(337,472)</u>
Basic and diluted earnings/(loss) per share	7(a)	<u>136.9 cents</u>	<u>(115.6) 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 2021 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June			
	2021		2020	
	\$'000	\$'000	\$'000	\$'000
Profit/(loss) for the period		399,736		(337,472)
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		4,338		(3,149)
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation adjustments:				
– exchange differences on translation of financial statements of overseas subsidiaries	(73,856)		(66,120)	
– share of exchange differences on translation of financial statements of an overseas associate	895		(2,254)	
		(72,961)		(68,374)
Other comprehensive income for the period		(68,623)		(71,523)
Total comprehensive income for the period		331,113		(408,995)
Attributable to:				
Shareholders of the Company		330,914		(409,172)
Non-controlling interests		199		177
Total comprehensive income for the period		331,113		(408,995)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021 – unaudited
(Expressed in Hong Kong dollars)

		At 30 June 2021 \$'000	At 31 December 2020 \$'000
	Note		
Non-current assets			
Investment properties	8	15,616,822	15,543,351
Other property, plant and equipment		<u>369,170</u>	<u>394,359</u>
		15,985,992	15,937,710
Interest in an associate	9	348,359	340,838
Other investments		<u>141,426</u>	<u>137,088</u>
		<u>16,475,777</u>	<u>16,415,636</u>
Current assets			
Trading securities		1,399,684	1,208,923
Inventories		73,876	77,511
Debtors, deposits and prepayments	10	78,210	62,155
Amounts due from fellow subsidiaries		9,423	22,868
Current tax recoverable		5,547	5,547
Other bank deposits		2,290	269,499
Cash and cash equivalents	11	<u>2,671,638</u>	<u>2,570,282</u>
		<u>4,240,668</u>	<u>4,216,785</u>
Current liabilities			
Creditors and accrued charges	12	309,448	334,000
Contract liabilities		17,189	18,068
Secured bank loan		37,250	38,063
Lease liabilities		21,147	19,630
Amounts due to fellow subsidiaries		3,541	5,382
Current tax payable		<u>26,519</u>	<u>30,492</u>
		<u>415,094</u>	<u>445,635</u>
Net current assets		<u>3,825,574</u>	<u>3,771,150</u>
Total assets less current liabilities carried forward		<u>20,301,351</u>	<u>20,186,786</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021 – unaudited
(Continued)
(Expressed in Hong Kong dollars)

		At 30 June 2021 \$'000	At 31 December 2020 \$'000
	Note		
Total assets less current liabilities brought forward		20,301,351	20,186,786
		-----	-----
Non-current liabilities			
Secured bank loan		17,461	36,873
Lease liabilities		30,048	38,238
Deferred tax liabilities		950,357	925,624
		-----	-----
		997,866	1,000,735
		-----	-----
NET ASSETS		19,303,485	19,186,051
		=====	=====
Capital and reserves			
Share capital	13(b)	29,166	29,187
Reserves		19,242,100	19,124,844
		-----	-----
Total equity attributable to shareholders of the Company		19,271,266	19,154,031
Non-controlling interests		32,219	32,020
		-----	-----
TOTAL EQUITY		19,303,485	19,186,051
		=====	=====

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 2021 – unaudited

(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
At 1 January 2021		29,187	278,710	122,170	(14,404)	754,347	1,700	17,982,321	19,154,031	32,020	19,186,051
Changes in equity for the six months ended 30 June 2021:											
Profit for the period		-	-	-	-	-	-	399,578	399,578	158	399,736
Other comprehensive income for the period		-	-	4,338	(73,002)	-	-	-	(68,664)	41	(68,623)
Total comprehensive income for the period		-	-	4,338	(73,002)	-	-	399,578	330,914	199	331,113
Purchase of own shares	13(b)										
– par value paid		(21)	-	-	-	-	-	-	(21)	-	(21)
– premium and transaction costs paid		-	-	-	-	-	-	(3,639)	(3,639)	-	(3,639)
Dividends approved and paid in respect of the previous year	13(a)(ii)	-	-	-	-	-	-	(210,019)	(210,019)	-	(210,019)
Share of the general reserve fund of an associate: transfer to the general reserve fund		-	-	-	-	-	270	(270)	-	-	-
		(21)	-	4,338	(73,002)	-	270	185,650	117,235	199	117,434
At 30 June 2021		<u>29,166</u>	<u>278,710</u>	<u>126,508</u>	<u>(87,406)</u>	<u>754,347</u>	<u>1,970</u>	<u>18,167,971</u>	<u>19,271,266</u>	<u>32,219</u>	<u>19,303,485</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021 – 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)	Total	Non-controlling interests	Total equity
Note		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
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	13(b)										
– 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	13(a)(ii)	-	-	-	-	-	-	(189,801)	(189,801)	-	(189,801)
		(56)	-	(3,149)	(68,212)	-	-	(539,162)	(610,579)	177	(610,402)
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 2021 – unaudited

(Continued)

(Expressed in Hong Kong dollars)

	Note	Attributable to shareholders of the Company									
			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
At 1 July 2020		29,200	271,037	122,170	(376,687)	754,347	1,700	18,134,956	18,936,723	33,816	18,970,539
Changes in equity for the six months ended 31 December 2020:											
Loss for the period		-	-	-	-	-	-	(118,338)	(118,338)	(1,805)	(120,143)
Other comprehensive income for the period		-	7,673	-	362,283	-	-	-	369,956	9	369,965
Total comprehensive income for the period		-	7,673	-	362,283	-	-	(118,338)	251,618	(1,796)	249,822
Purchase of own shares											
– par value paid		(13)	-	-	-	-	-	-	(13)	-	(13)
– premium and transaction costs paid		-	-	-	-	-	-	(2,178)	(2,178)	-	(2,178)
Dividends declared and paid in respect of the current year	13(a)(i)	-	-	-	-	-	-	(32,119)	(32,119)	-	(32,119)
		(13)	7,673	-	362,283	-	-	(152,635)	217,308	(1,796)	215,512
At 31 December 2020		29,187	278,710	122,170	(14,404)	754,347	1,700	17,982,321	19,154,031	32,020	19,186,051

Note:

Retained earnings attributable to the shareholders of the Company as at 30 June 2021 include the aggregate net valuation gain relating to investment properties after deferred tax of \$12,509,201,000 (at 31 December 2020: \$12,378,612,000).

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 2021 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2021	2020
	Note	\$'000	\$'000
Operating activities			
Profit/(loss) before taxation		482,765	(290,923)
Adjustments for:			
Net valuation (gain)/loss on investment properties		(168,631)	427,473
Depreciation and amortisation		44,145	44,005
Interest and dividend income		(19,676)	(35,009)
Share of (profit)/loss of an associate		(6,626)	4,674
Increase in trading securities		(190,761)	(62,282)
Other cash flows arising from operating activities		(24,585)	7,487
Cash generated from operations		116,631	95,425
Tax paid		(43,569)	(84,442)
Net cash generated from operating activities		73,062	10,983
Investing activities			
Payment for purchases of investment properties and other property, plant and equipment		(2,452)	(15,691)
Decrease in other bank deposits		267,209	104
Other cash flows arising from investing activities		17,846	32,952
Net cash generated from investing activities		282,603	17,365
Financing activities			
Dividends paid to shareholders of the Company	13(a)(ii)	(210,019)	(189,801)
Other cash flows arising from financing activities		(34,209)	(42,677)
Net cash used in financing activities		(244,228)	(232,478)
Net increase/(decrease) in cash and cash equivalents		111,437	(204,130)
Cash and cash equivalents at 1 January		2,570,282	2,993,692
Effect of foreign exchange rate changes		(10,081)	(14,229)
Cash and cash equivalents at 30 June	11	2,671,638	2,775,333

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 30 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 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 2020 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 2020 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 2020 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 2021.

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	
	2021	2020
	\$'000	\$'000
Under the scope of HKFRS 15,		
Revenue from contracts with customers:		
Department stores		
– Sales of goods	211,164	242,133
– Net income from concession sales	77,563	90,405
– Net income from consignment sales	32,056	35,235
	<u>320,783</u>	<u>367,773</u>
Property investment		
– Building management fees and other rental related income	29,221	30,024
Under the scope of HKFRS 16, Leases:		
Property investment		
– Gross rentals from investment properties	<u>210,912</u>	<u>213,471</u>
	<u>560,916</u>	<u>611,268</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.

(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 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 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	
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	320,783	367,773	240,133	243,495	560,916	611,268
Inter-segment revenue	–	–	54,694	59,799	54,694	59,799
Reportable segment revenue	<u>320,783</u>	<u>367,773</u>	<u>294,827</u>	<u>303,294</u>	<u>615,610</u>	<u>671,067</u>
Reportable segment profit/(loss)	<u>(8,255)</u>	<u>(3,612)</u>	<u>239,797</u>	<u>254,760</u>	<u>231,542</u>	<u>251,148</u>
	Department stores		Property investment		Total	
	At	At	At	At	At	At
	30 June	31 December	30 June	31 December	30 June	31 December
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reportable segment assets	166,265	180,332	15,956,033	15,889,686	16,122,298	16,070,018
Additions to non-current segment assets during the period/year	4,416	59,866	4,648	38,245	9,064	98,111
Reportable segment liabilities	<u>218,140</u>	<u>255,896</u>	<u>156,070</u>	<u>187,066</u>	<u>374,210</u>	<u>442,962</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	
	2021	2020
	\$'000	\$'000
Profit		
Reportable segment profit	231,542	251,148
Other revenue	23,952	38,201
Other net gain/(loss)	85,210	(113,976)
Finance costs	(1,173)	(1,120)
Net valuation gain/(loss) on investment properties	168,631	(427,473)
Share of profit/(loss) of an associate	6,626	(4,674)
Unallocated head office and corporate expenses	<u>(32,023)</u>	<u>(33,029)</u>
Consolidated profit/(loss) before taxation	<u>482,765</u>	<u>(290,923)</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 2021 \$'000	At 31 December 2020 \$'000
Assets		
Reportable segment assets	16,122,298	16,070,018
Elimination of inter-segment receivables	(4,422)	(5,755)
	16,117,876	16,064,263
Interest in an associate	348,359	340,838
Other investments	141,426	137,088
Trading securities	1,399,684	1,208,923
Current tax recoverable	5,547	5,547
Unallocated head office and corporate assets	2,703,553	2,875,762
Consolidated total assets	<u>20,716,445</u>	<u>20,632,421</u>
Liabilities		
Reportable segment liabilities	374,210	442,962
Elimination of inter-segment payables	(4,422)	(5,755)
	369,788	437,207
Current tax payable	26,519	30,492
Deferred tax liabilities	950,357	925,624
Unallocated head office and corporate liabilities	66,296	53,047
Consolidated total liabilities	<u>1,412,960</u>	<u>1,446,370</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

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

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
Other revenue		
Interest income from bank deposits	3,480	21,365
Interest income from investments in securities	3,954	3,003
Dividend income from investments in securities	12,242	10,641
Government grants	—	5,792
Compensation received for premise reinstatement	—	2,520
Compensation received on early termination of leases	—	426
Others	4,276	3,192
	<u>23,952</u>	<u>46,939</u>
Other net gain/(loss)		
Net gain/(loss) on remeasurement to fair value of trading securities	61,134	(114,208)
Net gain on disposal of		
– trading securities	11,534	4,705
– derivative financial instruments	12,351	5,208
Net foreign exchange gain/(loss)	192	(9,679)
Net loss on disposal of plant and equipment	(1)	(2)
	<u>85,210</u>	<u>(113,976)</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

5. Profit/(loss) before taxation

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

	Six months ended 30 June	
	2021	2020
	\$'000	\$'000
(a) Finance costs		
Interest on bank loan	537	847
Interest on lease liabilities	636	273
	<u>1,173</u>	<u>1,120</u>
(b) Rentals receivable from investment properties		
Gross income from property investment	(240,133)	(243,495)
Less: direct outgoings	38,873	35,996
	<u>(201,260)</u>	<u>(207,499)</u>
(c) Other operating expenses, include		
Staff costs (excluding directors' emoluments)		
– salaries, wages and other benefits	92,631	96,024
– contributions to defined contribution retirement plans	5,317	5,457
	<u>97,948</u>	<u>101,481</u>
Less: included in cost of property leasing activities	(2,051)	(1,756)
	<u>95,897</u>	<u>99,725</u>
Directors' emoluments	12,787	13,613
Depreciation		
– owned plant and equipment	6,511	6,328
– right-of-use assets	23,359	26,156
Advertising expenses	3,458	3,594
Electricity, water and gas	3,427	3,360
Credit card commission	2,723	3,229
Government rent and rates	2,903	3,257
Information technology expenses	2,263	1,070
(d) Other items		
Amortisation on lease incentives	14,275	11,521
Cost of inventories sold	145,096	177,326

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	
	2021	2020
	\$'000	\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	24,946	27,906
Current tax – Overseas		
Provision for the period	14,716	15,545
Deferred tax		
Origination and reversal of temporary differences		
– changes in fair value of investment properties	38,046	985
– other temporary differences	5,321	2,113
	43,367	3,098
Total income tax expense	83,029	46,549

The provision for Hong Kong Profits Tax is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the six months ended 30 June 2021, 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 earnings/(loss) per share

- (a) The calculation of basic earnings/(loss) per share is based on the consolidated profit attributable to shareholders of the Company for the six months ended 30 June 2021 of \$399,578,000 (six months ended 30 June 2020: loss of \$337,811,000) divided by the weighted average of 291,813,000 shares (2020: 292,191,000 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 earnings/(loss) per share (Continued)

(b) Adjusted basic earnings per share excluding the net valuation gain/(loss) 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 profit/(loss) for the period should be adjusted for the net valuation gain/(loss) 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 profit/(loss) 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			
	2021		2020	
	Amount		Amount	
	per share		per share	
	\$'000	cents	\$'000	cents
Profit/(loss) attributable to shareholders of the Company as shown in the consolidated statement of profit or loss	399,578	136.9	(337,811)	(115.6)
Adjustments:				
(Less)/add: Net valuation (gain)/loss on investment properties	(168,631)	(57.7)	427,473	146.3
Add: Increase in deferred tax liabilities in relation to the net valuation gain on investment properties	38,046	13.0	985	0.3
	268,993	92.2	90,647	31.0
Less: Valuation loss on investment property net of related deferred tax attributable to non-controlling interests	(4)	—	(2)	—
Underlying profit attributable to shareholders of the Company	268,989	92.2	90,645	31.0

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 2021 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 2020. As a result of the update, net valuation gain of \$168,631,000 (six months ended 30 June 2020: net valuation loss of \$427,473,000) and debit of deferred tax of \$38,046,000 (six months ended 30 June 2020: \$985,000) 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 2021 \$'000	At 31 December 2020 \$'000
Within one year	310,617	348,403
After one year but within two years	232,674	222,287
After two years but within three years	143,122	157,755
After three years but within four years	101,731	110,455
After four years but within five years	83,281	90,882
After five years	70,225	104,012
	<u>941,650</u>	<u>1,033,794</u>

9. Interest in an associate

	At 30 June 2021 \$'000	At 31 December 2020 \$'000
Unlisted shares		
Share of net assets other than intangible assets	342,932	335,170
Share of intangible assets of an associate	5,427	5,668
	<u>348,359</u>	<u>340,838</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 2021 \$'000	At 31 December 2020 \$'000
Trade debtors, net of loss allowance	24,672	21,472
Deposits and prepayments	53,538	40,683
	<u>78,210</u>	<u>62,155</u>

All debtors, deposits and prepayments of the Group, apart from certain rental deposits and prepayments totalling \$14,951,000 (at 31 December 2020: \$14,459,000), 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 2021 \$'000	At 31 December 2020 \$'000
Current (not past due) or less than one month past due	22,789	20,694
One to three months past due	1,178	82
More than three months but less than twelve months past due	235	336
More than twelve months past due	470	360
	<u>24,672</u>	<u>21,472</u>

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

11. Cash and cash equivalents

	At 30 June 2021 \$'000	At 31 December 2020 \$'000
Cash at bank and in hand	777,340	664,208
Bank deposits	1,894,298	1,906,074
	<u>2,671,638</u>	<u>2,570,282</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 2021 \$'000	At 31 December 2020 \$'000
Amounts not yet due	229,847	227,328
On demand or less than one month overdue	44,424	59,419
One to three months overdue	1,039	3,257
Three to twelve months overdue	1,107	1,342
More than twelve months overdue	1,652	1,635
	<hr/>	<hr/>
Trade and other creditors	278,069	292,981
Accrued charges	31,379	41,019
	<hr/>	<hr/>
	309,448	334,000

All creditors and accrued charges of the Group, apart from certain rental deposits received totalling \$42,537,000 (at 31 December 2020: \$38,169,000), 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	
	2021	2020
	\$'000	\$'000
Interim dividend:		
– declared after the interim period	99,165	32,120
– attributable to shares purchased in July 2020	–	(1)
	<u>99,165</u>	<u>32,119</u>
Interim dividend payable after the interim period of 34 cents (2020: 11 cents) per share	<u>99,165</u>	<u>32,119</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	
	2021	2020
	\$'000	\$'000
Final dividend in respect of the financial year ended 31 December 2020/ 31 December 2019		
– approved during the interim period	210,148	190,165
– attributable to shares purchased in April and May 2021/January, February, April and May 2020	(129)	(364)
	<u>210,019</u>	<u>189,801</u>
Final dividend paid during the interim period of 72 cents (2019: 65 cents) per share	<u>210,019</u>	<u>189,801</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 2021, 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 \$
April 2021	41,000	705,000	17.20	17.18
May 2021	138,000	2,406,000	17.56	17.30
June 2021	31,000	536,000	17.30	17.26
	<u>210,000</u>	<u>3,647,000</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 \$21,000 (six months ended 30 June 2020: \$56,000) accordingly. The premium and transaction costs paid on the purchase of the shares of \$3,626,000 (six months ended 30 June 2020: \$11,510,000) and \$13,000 (six months ended 30 June 2020: \$40,000) 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 measurements as at 30 June 2021 categorised into				Fair value measurements as at 31 December 2020 categorised into		
	Fair value at 30 June 2021 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Fair value at 31 December 2020 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurements								
Assets								
Other investments	141,426	–	–	141,426	137,088	–	–	137,088
Trading securities	1,399,684	924,305	475,379	–	1,208,923	833,559	375,364	–

During the six months ended 30 June 2021, there were no transfers between financial instruments in different levels (year ended 31 December 2020: 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 based on prices quoted by financial institutions with reference to quoted price in an active market of the listed securities comprising the fund portfolio 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% (2020: 40%)
		Minority discount	15% (2020: 15%)
		Control premium	10% (2020: 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 2021, 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 %	Six months ended 30 June	
		2021 Effect on other comprehensive income \$'000	2020 Effect on other comprehensive income \$'000
Discount for lack of marketability	3 (3)	(6,127) 6,127	(5,900) 5,938
Minority discount	3 (3)	(4,353) 4,315	(4,190) 4,190
Control premium	3 (3)	798 (798)	798 (760)

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 movements during the period in the balance of Level 3 fair value measurements are as follows:

	Other investments \$'000
At 1 January 2021	137,088
Credited to other comprehensive income during the period	<u>4,338</u>
At 30 June 2021	<u><u>141,426</u></u>
At 1 January 2020	140,237
Debited to other comprehensive income during the period	<u>(3,149)</u>
At 30 June 2020, 1 July 2020 and 31 December 2020	<u><u>137,088</u></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 2021 and 31 December 2020.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

15. Commitments

Capital commitments outstanding as at 30 June 2021 not provided for in the interim financial report were as follows:

	At 30 June 2021 \$'000	At 31 December 2020 \$'000
Authorised and contracted for	29,781	34,039
Authorised and not contracted for	196	—
	<u>29,977</u>	<u>34,039</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 2021 is as follows:

	Six months ended 30 June 2021 \$'000	2020 \$'000
Salaries and other short-term employee benefits	18,064	20,135
Contributions to defined contribution retirement plans	532	528
	<u>18,596</u>	<u>20,663</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 \$11,735,000 (2020: \$14,477,000) during the period. The amount due from the fellow subsidiary as at 30 June 2021 amounted to \$1,956,000 (at 31 December 2020: \$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 \$3,039,000 (2020: \$2,862,000) during the period. The amount due to the fellow subsidiary as at 30 June 2021 amounted to \$1,339,000 (at 31 December 2020: \$1,489,000).
- (iii) A fellow subsidiary, engaged in securities trading, deals in securities for certain subsidiaries of the Group. Commission of \$126,000 (2020: \$94,000) was payable to this fellow subsidiary during the period. The amount due from the fellow subsidiary as at 30 June 2021 amounted to \$7,467,000 (at 31 December 2020: \$20,456,000).
- (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 (2020: \$456,000) during the period. The amount due to the fellow subsidiary as at 30 June 2021 amounted to \$2,202,000 (at 31 December 2020: \$3,893,000).

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 30 August 2021.

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 2021.

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 2021.

DIRECTORS’ INTERESTS IN SHARES

As at 30 June 2021, 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	Number of ordinary shares held					Total interests as a % of the issued voting shares
	Personal interests (held as beneficial owner)	Family interests (interests of spouse)	Corporate interests (interests of controlled corporation)	Other interests	Total interests	
Karl C. Kwok	480,620	–	–	–	480,620	0.165
Lester Kwok	649,050	–	–	–	649,050	0.223
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 2021, 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	61.902
(ii)	Wing On Corporate Management (BVI) Limited	180,545,138	61.902
(iii)	Kee Wai Investment Company (BVI) Limited	180,545,138	61.902

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.