



**WING ON COMPANY INTERNATIONAL LIMITED**

**永安國際有限公司**

(Incorporated in Bermuda with limited liability)

(Stock code: 289)

**INTERIM REPORT**

**2022**

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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 (retired on 2 June 2022)  
Mr. Leung Wing Ning  
Mr. Nicholas James Debnam

## AUDIT COMMITTEE

Mr. Nicholas James Debnam (Chairman)  
Mr. Iain Ferguson Bruce (retired on 2 June 2022)  
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](http://www.wingon.hk)

## **SHARE REGISTRARS**

Tricor Progressive Limited  
17/F, Far East Finance Centre,  
16 Harcourt Road,  
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 2022, the Group's revenue was HK\$500.1 million (2021: HK\$560.9 million), a decrease of 10.8% due mainly to the decrease in revenue of the Group's department stores.

The Group recorded a loss attributable to shareholders of HK\$106.4 million (2021: a profit of HK\$399.6 million) for the six months ended 30 June 2022. This loss is mainly due to the unrealised loss from the Group's investment portfolio ended 30 June 2022 as explained below, as well as the valuation loss of HK\$51.9 million recorded on the Group's investment properties for the period as compared to the net valuation gain of HK\$168.6 million recorded for the corresponding period in 2021. Excluding this non-cash item of valuation loss on investment properties and related deferred tax thereon, the Group's underlying loss attributable to shareholders for the period was HK\$54.8 million as compared to the underlying profit attributable to shareholders of HK\$269.0 million for the same period last year.

Loss per share was 36.5 HK cents (2021: earnings per share of 136.9 HK cents) per share. Excluding the valuation loss (2021: the net valuation gain) on investment properties net of related deferred tax thereon, underlying loss per share for the period amounted to 18.8 HK cents (2021: underlying earnings per share of 92.2 HK cents) per share.

In view of the underlying loss attributable to shareholders for the period, the directors have resolved not to declare an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 34 HK cents).

## LIQUIDITY AND FINANCIAL RESOURCES

### Overall Financial Position

Shareholders' equity at 30 June 2022 was HK\$18,813.6 million, a decrease of 2.1% as compared to that at 31 December 2021. With cash and listed marketable securities at 30 June 2022 of about HK\$3,203.9 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 2022, the Group's total borrowings amounted to HK\$16.1 million, a decrease of about HK\$18.8 million as compared to that at 31 December 2021 due to partial mortgage loan repayments and exchange differences. The Group's total borrowings of HK\$16.1 million relate to a mortgage loan for Australian investment properties. The borrowings will be repayable by the end of 2022. Certain assets, comprising principally property interests with a book value of HK\$3,684.4 million, have been pledged to banks as collateral security for banking facilities. Approximately HK\$16.1 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 2022, was 0.1% compared with 0.2% at 31 December 2021.

### 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\$3,435.4 million at 30 June 2022 (at 31 December 2021: HK\$3,542.7 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 2022, the total amount of the Group's capital commitments was HK\$19.4 million (at 31 December 2021: HK\$21.2 million). As at 30 June 2022, the Group had no contingent liability (at 31 December 2021: HK\$Nil).

# CHAIRMAN'S STATEMENT

(Continued)

## HALF YEAR BUSINESS REVIEW

### Department Stores Operation

Against the backdrop of the COVID-19 pandemic situation in Hong Kong and the Government's restrictive social distancing measures from January to April 2022, the Group's department stores business was impacted by a weak retail environment, with shortened operating hours and significantly reduced customer traffic during the first half of 2022. The Group's department stores revenue declined notably in the first quarter owing to mainly the anti-pandemic measures and lockdowns which disrupted local economic activities and dampened consumer spending. While the Group managed to swiftly adjust its marketing strategy and promotion campaigns to seize business opportunities brought about by the Government's gradual relaxation of anti-pandemic measures and the launch of 2022 (Phase 1) Consumption Voucher Scheme in April, nevertheless its department stores revenue for the six months ended 30 June 2022 declined by 14.4% to HK\$274.7 million (2021: HK\$320.8 million). The Group's department stores operation recorded wage subsidy from the Government's 2022 Employment Support Scheme of HK\$8.2 million during the period under review. Overall, the department stores operation recorded a loss of HK\$19.2 million (2021: a loss of HK\$8.3 million), due mainly to the decrease in revenue and thus gross profit.

### Property Investments

For the six months ended 30 June 2022, the Group's property investment income was HK\$218.9 million (2021: HK\$239.8 million). Income from the Group's commercial investment properties in Hong Kong decreased by 3.2% to HK\$158.0 million (2021: HK\$163.2 million) which was mainly due to the lower rentals achieved for new leases and lease renewals for its investment properties. The overall occupancy of the Group's commercial investment properties in Hong Kong remained stable at approximately 94% (2021: 94%) at 30 June 2022. Income from the Group's commercial office properties in Melbourne decreased by 19.1% to HK\$60.6 million (2021: HK\$74.9 million) due mainly to the termination of leases with a major tenant in late 2021 and a weaker Australian dollar during the period under review. Net income in terms of Australian currency decreased by 13.8%. The overall occupancy of the Group's Melbourne properties was approximately 90% (2021: 97%) at 30 June 2022.

# CHAIRMAN'S STATEMENT

(Continued)

## HALF YEAR BUSINESS REVIEW (Continued)

### Interest in an Associate

For the six months ended 30 June 2022, 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\$7.9 million (2021: share of profit after tax of HK\$0.5 million). Overall, the Group recorded a share of loss from the associate of HK\$7.9 million (2021: share of profit of HK\$6.6 million) for the six months ended 30 June 2022.

### Others

The Group's investment portfolio was negatively affected by substantial global financial market volatilities across various asset classes during the six months ended 30 June 2022. Hence, the Group recorded a loss of HK\$190.4 million which was mainly the unrealised loss due to remeasurement to fair value of trading securities as compared to a gain of HK\$99.0 million recorded in the corresponding period in 2021. As at 30 June 2022, the Group's investment portfolio amounted to HK\$1,598.7 million (at 31 December 2021: HK\$1,571.7 million). The Group recorded a net foreign exchange gain of HK\$4.7 million (2021: a gain of HK\$0.2 million) from its holdings of foreign currencies.

### STAFF

As at 30 June 2022, the Group had a total of 555 staff (at 30 June 2021: 621). The Group's remuneration policies, bonus schemes, Mandatory Provident Fund Schemes, etc., have not changed materially from the information disclosed in the 2021 Annual Report.

### OUTLOOK FOR THE REMAINDER OF 2022

The Group expects that its department stores business in the second half of 2022 will remain difficult in light of the current COVID-19 pandemic situation in Hong Kong which will continue to pose challenges to the resumption of economic activities, and that the expected inflation and interest rate rises will slow down consumer spending. The Group will stay vigilant to these challenges and continue to optimise its department stores' merchandise and customer service to suit the needs of its customers. The Group will be celebrating the 115th Anniversary of the founding of its department stores business in the latter part of the year with storewide promotional activities. The Group's investment properties in Hong Kong and Australia are expected to face downward office rental pressure but will continue to contribute steady rental income in line with market conditions in the second half of the year. With its financial strength and the dedication of its management, the Group will be able to face the challenges ahead.

**Karl C. Kwok**  
Chairman

Hong Kong, 30 August 2022



# **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 as of 30 June 2022 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 2022 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 2022

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2022 \$'000	2021 \$'000
<b>Revenue</b>	3(a)	500,075	560,916
Other revenue	4	37,822	23,952
Other net (loss)/gain	4	(204,251)	85,210
Cost of department store sales	5(d)	(122,025)	(145,096)
Cost of property leasing activities	5(b)	(45,318)	(38,873)
Other operating expenses	5(c)	(174,149)	(177,428)
<b>(Loss)/profit from operations</b>		(7,846)	308,681
Finance costs	5(a)	(654)	(1,173)
		(8,500)	307,508
Net valuation (loss)/gain on investment properties	8(a)	(51,895)	168,631
		(60,395)	476,139
Share of (loss)/profit of an associate		(7,907)	6,626
<b>(Loss)/profit before taxation</b>	5	(68,302)	482,765
Income tax	6	(37,992)	(83,029)
<b>(Loss)/profit for the period</b>		<u>(106,294)</u>	<u>399,736</u>
<b>Attributable to:</b>			
Shareholders of the Company		(106,364)	399,578
Non-controlling interests		70	158
<b>(Loss)/profit for the period</b>		<u>(106,294)</u>	<u>399,736</u>
<b>Basic and diluted (loss)/earnings per share</b>	7(a)	<u>(36.5) cents</u>	<u>136.9 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 2022 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June			
	2022		2021	
	\$'000	\$'000	\$'000	\$'000
<b>(Loss)/profit for the period</b>		(106,294)		399,736
		<u>                    </u>		<u>                    </u>
<b>Other comprehensive income for the period (with nil tax effect and after reclassification adjustments):</b>				
Item that will not be reclassified subsequently to profit or loss:				
– other investments at fair value through other comprehensive income		(4,125)		4,338
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation adjustments:				
– exchange differences on translation of financial statements of overseas subsidiaries		(152,883)		(73,856)
– share of exchange differences on translation of financial statements of an overseas associate		<u>(2,742)</u>		<u>895</u>
		<u>(155,625)</u>		<u>(72,961)</u>
<b>Other comprehensive income for the period</b>		<u>(159,750)</u>		<u>(68,623)</u>
<b>Total comprehensive income for the period</b>		<u>(266,044)</u>		<u>331,113</u>
<b>Attributable to:</b>				
Shareholders of the Company		(266,313)		330,914
Non-controlling interests		<u>269</u>		<u>199</u>
<b>Total comprehensive income for the period</b>		<u>(266,044)</u>		<u>331,113</u>

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022 – unaudited  
(Expressed in Hong Kong dollars)

		At 30 June 2022 \$'000	At 31 December 2021 \$'000
	Note		
<b>Non-current assets</b>			
Investment properties	8	15,311,255	15,529,475
Other property, plant and equipment		320,218	346,856
		15,631,473	15,876,331
Interest in an associate	9	354,847	365,496
Other investments		135,477	139,602
		16,121,797	16,381,429
<b>Current assets</b>			
Trading securities		1,598,731	1,571,654
Inventories		80,813	76,348
Debtors, deposits and prepayments	10	68,475	57,674
Amounts due from fellow subsidiaries		7,736	8,144
Cash and cash equivalents	11	2,259,409	2,544,963
		4,015,164	4,258,783
<b>Current liabilities</b>			
Creditors and accrued charges	12	310,572	352,109
Contract liabilities		19,513	20,682
Secured bank loan		16,146	34,951
Lease liabilities		20,663	20,973
Amounts due to fellow subsidiaries		3,320	3,432
Current tax payable		18,011	11,093
		388,225	443,240
<b>Net current assets</b>		3,626,939	3,815,543
<b>Total assets less current liabilities carried forward</b>		19,748,736	20,196,972

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022 – unaudited  
(Continued)  
(Expressed in Hong Kong dollars)

		At <b>30 June 2022</b> \$'000	At <b>31 December 2021</b> \$'000
<b>Total assets less current liabilities brought forward</b>		19,748,736	20,196,972
		-----	-----
<b>Non-current liabilities</b>			
Lease liabilities		10,630	19,681
Deferred tax liabilities		891,839	928,621
		-----	-----
		902,469	948,302
		-----	-----
<b>NET ASSETS</b>		<u>18,846,267</u>	<u>19,248,670</u>
<b>Capital and reserves</b>			
Share capital	13(b)	29,127	29,141
Reserves		18,784,520	19,187,178
		-----	-----
<b>Total equity attributable to shareholders of the Company</b>		18,813,647	19,216,319
<b>Non-controlling interests</b>		32,620	32,351
		-----	-----
<b>TOTAL EQUITY</b>		<u>18,846,267</u>	<u>19,248,670</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 2022 – 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	
<b>At 1 January 2022</b>	29,141	278,710	124,684	(189,881)	754,347	2,788	18,216,530	19,216,319	32,351	19,248,670	
<b>Changes in equity for the six months ended 30 June 2022:</b>											
(Loss)/profit for the period	-	-	-	-	-	-	(106,364)	(106,364)	70	(106,294)	
Other comprehensive income for the period	-	-	(4,125)	(155,824)	-	-	-	(159,949)	199	(159,750)	
Total comprehensive income for the period	-	-	(4,125)	(155,824)	-	-	(106,364)	(266,313)	269	(266,044)	
Purchase of own shares	13(b)										
– par value paid		(14)	-	-	-	-	-	(14)	-	(14)	
– premium and transaction costs paid		-	-	-	-	-	(2,359)	(2,359)	-	(2,359)	
Dividends approved and paid in respect of the previous year	13(a)(ii)	-	-	-	-	-	(133,986)	(133,986)	-	(133,986)	
Share of the general reserve fund of an associate: transfer to the general reserve fund		-	-	-	-	335	(335)	-	-	-	
		(14)	-	(4,125)	(155,824)	-	335	(243,044)	(402,672)	269	
<b>At 30 June 2022</b>		<u>29,127</u>	<u>278,710</u>	<u>120,559</u>	<u>(345,705)</u>	<u>754,347</u>	<u>3,123</u>	<u>17,973,486</u>	<u>18,813,647</u>	<u>32,620</u>	<u>18,846,267</u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022 – unaudited

(Continued)

(Expressed in Hong Kong dollars)

		Attributable to shareholders of the Company									
Note	Share capital	Land and building	Investment	Exchange reserve	Contributed surplus	General	Retained earnings (Note)	Total	Non-	Total equity	
		revaluation reserve	revaluation reserve			reserve fund			controlling interests		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>At 1 January 2021</b>		29,187	278,710	122,170	(14,404)	754,347	1,700	17,982,321	19,154,031	32,020	19,186,051
<b>Changes in equity for the six months ended 30 June 2021:</b>											
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
<b>At 30 June 2021</b>		<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 2022 – 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
<b>At 1 July 2021</b>	29,166	278,710	126,508	(87,406)	754,347	1,970	18,167,971	19,271,266	32,219	19,303,485
<b>Changes in equity for the six months ended 31 December 2021:</b>										
Profit/(loss) for the period	-	-	-	-	-	-	152,917	152,917	(12)	152,905
Other comprehensive income for the period	-	-	(1,824)	(102,475)	-	-	-	(104,299)	144	(104,155)
Total comprehensive income for the period	-	-	(1,824)	(102,475)	-	-	152,917	48,618	132	48,750
Purchase of own shares										
– par value paid	(25)	-	-	-	-	-	-	(25)	-	(25)
– premium and transaction costs paid	-	-	-	-	-	-	(4,443)	(4,443)	-	(4,443)
Dividends declared and paid in respect of the current year	13(a)(i)	-	-	-	-	-	(99,097)	(99,097)	-	(99,097)
Share of the general reserve fund of an associate: transfer to the general reserve fund	-	-	-	-	-	818	(818)	-	-	-
	(25)	-	(1,824)	(102,475)	-	818	48,559	(54,947)	132	(54,815)
<b>At 31 December 2021</b>	<u>29,141</u>	<u>278,710</u>	<u>124,684</u>	<u>(189,881)</u>	<u>754,347</u>	<u>2,788</u>	<u>18,216,530</u>	<u>19,216,319</u>	<u>32,351</u>	<u>19,248,670</u>

**Note:**

Retained earnings attributable to the shareholders of the Company as at 30 June 2022 include the aggregate net valuation gain relating to investment properties after deferred tax of \$12,459,281,000 (at 31 December 2021: \$12,510,869,000).

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 2022 – unaudited

(Expressed in Hong Kong dollars)

		<b>Six months ended 30 June</b>	
		<b>2022</b>	<b>2021</b>
	Note	\$'000	\$'000
<b>Operating activities</b>			
(Loss)/profit before taxation		(68,302)	482,765
Adjustments for:			
Net valuation loss/(gain) on investment properties		51,895	(168,631)
Depreciation and amortisation		44,004	44,145
Interest and dividend income		(25,566)	(19,676)
Share of loss/(profit) of an associate		7,907	(6,626)
Increase in trading securities		(27,077)	(190,761)
Other cash flows arising from operating activities		<u>(63,974)</u>	<u>(24,585)</u>
Cash (used in)/generated from operations		(81,113)	116,631
Tax paid		<u>(29,900)</u>	<u>(43,569)</u>
<b>Net cash (used in)/generated from operating activities</b>		<u>(111,013)</u>	<u>73,062</u>
<b>Investing activities</b>			
Payment for purchases of investment properties and other property, plant and equipment		(9,493)	(2,452)
Decrease in other bank deposits		–	267,209
Other cash flows arising from investing activities		<u>24,805</u>	<u>17,846</u>
<b>Net cash generated from investing activities</b>		<u>15,312</u>	<u>282,603</u>
<b>Financing activities</b>			
Dividends paid to shareholders of the Company	13(a)(ii)	(133,986)	(210,019)
Other cash flows arising from financing activities		<u>(31,518)</u>	<u>(34,209)</u>
<b>Net cash used in financing activities</b>		<u>(165,504)</u>	<u>(244,228)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(261,205)	111,437
<b>Cash and cash equivalents at 1 January</b>		2,544,963	2,570,282
<b>Effect of foreign exchange rate changes</b>		<u>(24,349)</u>	<u>(10,081)</u>
<b>Cash and cash equivalents at 30 June</b>	11	<u>2,259,409</u>	<u>2,671,638</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 30 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 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 2021 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 2021 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 2021 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 25 March 2022.

# 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:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	\$'000	\$'000
<b>Under the scope of HKFRS 15, Revenue from contracts with customers:</b>		
Department stores (recognised at a point in time)		
– Sales of goods	179,003	211,164
– Net income from concession sales	66,379	77,563
– Net income from consignment sales	29,281	32,056
	<u>274,663</u>	<u>320,783</u>
Property investment (recognised over time)		
– Building management fees and other rental related income	28,854	29,221
<b>Under the scope of HKFRS 16, Leases:</b>		
Property investment		
– Gross rentals from investment properties	196,558	210,912
	<u>500,075</u>	<u>560,916</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 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 from operations before interest income.

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	
	2022	2021	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	274,663	320,783	225,412	240,133	500,075	560,916
Inter-segment revenue	–	–	55,264	54,694	55,264	54,694
<b>Reportable segment revenue</b>	<u>274,663</u>	<u>320,783</u>	<u>280,676</u>	<u>294,827</u>	<u>555,339</u>	<u>615,610</u>
<b>Reportable segment profit/(loss)</b>	<u>(19,217)</u>	<u>(8,255)</u>	<u>218,884</u>	<u>239,797</u>	<u>199,667</u>	<u>231,542</u>

  

	Department stores		Property investment		Total	
	At 30 June	At 31 December	At 30 June	At 31 December	At 30 June	At 31 December
	2022	2021	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Reportable segment assets</b>	150,290	155,006	15,619,282	15,850,999	15,769,572	16,006,005
Additions to non-current segment assets during the period/year	2,217	6,413	22,189	47,743	24,406	54,156
<b>Reportable segment liabilities</b>	<u>200,252</u>	<u>238,127</u>	<u>128,842</u>	<u>157,563</u>	<u>329,094</u>	<u>395,690</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

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	\$'000	\$'000
<b>Profit</b>		
Reportable segment profit	199,667	231,542
Other revenue	29,590	23,952
Other net (loss)/gain	(204,251)	85,210
Finance costs	(654)	(1,173)
Net valuation (loss)/gain on investment properties	(51,895)	168,631
Share of (loss)/profit of an associate	(7,907)	6,626
Unallocated head office and corporate expenses	<u>(32,852)</u>	<u>(32,023)</u>
Consolidated (loss)/profit before taxation	<u><u>(68,302)</u></u>	<u><u>482,765</u></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)

	<b>At 30 June 2022 \$'000</b>	<b>At 31 December 2021 \$'000</b>
<b>Assets</b>		
Reportable segment assets	15,769,572	16,006,005
Elimination of inter-segment receivables	<u>(3,533)</u>	<u>(3,808)</u>
	15,766,039	16,002,197
Interest in an associate	354,847	365,496
Other investments	135,477	139,602
Trading securities	1,598,731	1,571,654
Unallocated head office and corporate assets	<u>2,281,867</u>	<u>2,561,263</u>
Consolidated total assets	<u><u>20,136,961</u></u>	<u><u>20,640,212</u></u>
<b>Liabilities</b>		
Reportable segment liabilities	329,094	395,690
Elimination of inter-segment payables	<u>(3,533)</u>	<u>(3,808)</u>
	325,561	391,882
Current tax payable	18,011	11,093
Deferred tax liabilities	891,839	928,621
Unallocated head office and corporate liabilities	<u>55,283</u>	<u>59,946</u>
Consolidated total liabilities	<u><u>1,290,694</u></u>	<u><u>1,391,542</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	
	2022	2021
	\$'000	\$'000
<b>Other revenue</b>		
Interest income from bank deposits	5,049	3,480
Interest income from investments in securities	3,846	3,954
Dividend income from investments in securities	16,671	12,242
Government grants (note)	8,872	–
Others	3,384	4,276
	<u>37,822</u>	<u>23,952</u>

Note:

In 2022, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund set up by the Government of the Hong Kong Special Administrative Region, the purpose of which was to provide financial support to enterprises to retain their employees who would otherwise be made redundant or employ more staff when the business revives as soon as the epidemic situation permits. Under the terms of the Employment Support Scheme, the Group was required not to make redundancies during the subsidy period and to spend all the funding on paying wages to its employees.

	Six months ended 30 June	
	2022	2021
	\$'000	\$'000
<b>Other net (loss)/gain</b>		
Net (loss)/gain on remeasurement to fair value of trading securities	(227,326)	61,134
Net gain on disposal of		
– trading securities	8,210	11,534
– derivative financial instruments	10,221	12,351
Net foreign exchange gain	4,708	192
Net loss on disposal of plant and equipment	(64)	(1)
	<u>(204,251)</u>	<u>85,210</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):

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	\$'000	\$'000
<b>(a) Finance costs</b>		
Interest on bank loan	236	537
Interest on lease liabilities	418	636
	<u>654</u>	<u>1,173</u>
<b>(b) Rentals receivable from investment properties</b>		
Gross income from property investment	(225,412)	(240,133)
Less: direct outgoings	45,318	38,873
	<u>(180,094)</u>	<u>(201,260)</u>
<b>(c) Other operating expenses, include</b>		
Staff costs (excluding directors' emoluments)		
– salaries, wages and other benefits	90,541	92,631
– contributions to defined contribution retirement plans	4,847	5,317
	<u>95,388</u>	<u>97,948</u>
Less: included in cost of property leasing activities	(1,378)	(2,051)
	<u>94,010</u>	<u>95,897</u>
Directors' emoluments	12,804	12,787
Depreciation		
– owned plant and equipment	6,348	6,511
– right-of-use assets	23,171	23,359
Advertising expenses	2,690	3,458
Electricity, water and gas	3,663	3,427
Credit card commission	2,708	2,723
Government rent and rates	2,710	2,903
Information technology expenses	2,060	2,263
	<u>14,485</u>	<u>14,275</u>
<b>(d) Other items</b>		
Amortisation on lease incentives	14,485	14,275
Cost of inventories sold	122,025	145,096
	<u>122,025</u>	<u>145,096</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	
	2022	2021
	\$'000	\$'000
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the period	23,279	24,946
<b>Current tax – Overseas</b>		
Provision for the period	13,592	14,716
<b>Deferred tax</b>		
Origination and reversal of temporary differences		
– changes in fair value of investment properties	(307)	38,046
– other temporary differences	1,428	5,321
	1,121	43,367
<b>Total income tax expense</b>	<b>37,992</b>	<b>83,029</b>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the six months ended 30 June 2022, 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 tax jurisdictions.

## 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 2022 of \$106,364,000 (six months ended 30 June 2021: profit of \$399,578,000) divided by the weighted average of 291,343,000 shares (2021: 291,813,000 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 (loss)/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 (loss)/profit attributable to shareholders of the Company”.

The difference between the underlying (loss)/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:

	<b>Six months ended 30 June</b>			
	<b>2022</b>		<b>2021</b>	
	\$'000	Amount per share cents	\$'000	Amount per share cents
(Loss)/profit attributable to shareholders of the Company as shown in the consolidated statement of profit or loss	(106,364)	(36.5)	399,578	136.9
Adjustments:				
Add/(less): Net valuation loss/(gain) on investment properties	51,895	17.8	(168,631)	(57.7)
(Less)/add: (Decrease)/increase in deferred tax liabilities in relation to the net valuation (loss)/gain on investment properties	(307)	(0.1)	38,046	13.0
	(54,776)	(18.8)	268,993	92.2
Less: Valuation loss on investment property net of related deferred tax attributable to non-controlling interests	–	–	(4)	–
Underlying (loss)/profit attributable to shareholders of the Company	<u>(54,776)</u>	<u>(18.8)</u>	<u>268,989</u>	<u>92.2</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 2022 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 2021. As a result of the update, net valuation loss of \$51,895,000 (six months ended 30 June 2021: net valuation gain of \$168,631,000) and credit of deferred tax of \$307,000 (six months ended 30 June 2021: debit of \$38,046,000) 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 2022 \$'000	At 31 December 2021 \$'000
Within one year	350,222	360,698
After one year but within two years	259,911	290,312
After two years but within three years	169,860	200,395
After three years but within four years	133,694	141,277
After four years but within five years	93,672	110,373
After five years	43,883	82,585
	<u>1,051,242</u>	<u>1,185,640</u>

## 9. Interest in an associate

	At 30 June 2022 \$'000	At 31 December 2021 \$'000
<b>Unlisted shares</b>		
Share of net assets other than intangible assets	349,863	360,294
Share of intangible assets of an associate	4,984	5,202
	<u>354,847</u>	<u>365,496</u>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

## 10. Debtors, deposits and prepayments

	<b>At 30 June 2022 \$'000</b>	<b>At 31 December 2021 \$'000</b>
Trade debtors, net of loss allowance	21,306	21,827
Deposits and prepayments	47,169	35,847
	<u>68,475</u>	<u>57,674</u>

All debtors, deposits and prepayments of the Group, apart from certain rental deposits and prepayments totalling \$16,873,000 (at 31 December 2021: \$19,249,000), 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:

	<b>At 30 June 2022 \$'000</b>	<b>At 31 December 2021 \$'000</b>
Current (not past due) or less than one month past due	18,874	18,215
One to three months past due	1,054	1,175
More than three months but less than twelve months past due	1,317	2,292
More than twelve months past due	61	145
	<u>21,306</u>	<u>21,827</u>

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

## 11. Cash and cash equivalents

	<b>At 30 June 2022 \$'000</b>	<b>At 31 December 2021 \$'000</b>
Cash at bank and in hand	586,063	639,597
Bank deposits	1,673,346	1,905,366
	<u>2,259,409</u>	<u>2,544,963</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:

	<b>At 30 June 2022 \$'000</b>	<b>At 31 December 2021 \$'000</b>
Amounts not yet due	210,689	244,726
On demand or less than one month overdue	49,865	55,697
One to three months overdue	5,956	5,825
Three to twelve months overdue	5,828	3,156
More than twelve months overdue	4,739	6,792
	<u>277,077</u>	<u>316,196</u>
Trade and other creditors	277,077	316,196
Accrued charges	33,495	35,913
	<u>310,572</u>	<u>352,109</u>

All creditors and accrued charges of the Group, apart from certain rental deposits received totalling \$56,177,000 (at 31 December 2021: \$57,484,000), 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:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Interim dividend:		
– declared after the interim period	–	99,165
– attributable to shares purchased in July and September 2021	–	(68)
	<u>–</u>	<u>(68)</u>
Interim dividend payable after the interim period of nil cents (2021: 34 cents) per share	<u>–</u>	<u>99,097</u>

The interim dividend declared after the end of the reporting period had 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:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Final dividend in respect of the financial year ended 31 December 2021/ 31 December 2020		
– approved during the interim period	134,048	210,148
– attributable to shares purchased in January, February, March, April and May 2022/April and May 2021	(62)	(129)
	<u>133,986</u>	<u>210,019</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 2022, 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 2022	17,000	299	17.80	17.50
February 2022	16,000	294	18.48	18.00
March 2022	6,000	107	17.80	17.60
April 2022	86,000	1,506	17.70	17.32
May 2022	9,000	158	17.70	17.36
	<u>134,000</u>	<u>2,364</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 \$14,000 (six months ended 30 June 2021: \$21,000) accordingly. The premium and transaction costs paid on the purchase of the shares of \$2,350,000 (six months ended 30 June 2021: \$3,626,000) and \$9,000 (six months ended 30 June 2021: \$13,000) 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 2022 \$'000	Fair value measurements as at 30 June 2022 categorised into			Fair value at 31 December 2021 \$'000	Fair value measurements as at 31 December 2021 categorised into		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Recurring fair value measurements</b>								
Assets								
Other investments	135,477	-	-	135,477	139,602	-	-	139,602
Trading securities	1,598,731	944,484	654,247	-	1,571,654	995,368	576,286	-

During the six months ended 30 June 2022 and the year ended 31 December 2021, there were no transfers between financial instruments in different levels. 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

	<b>Valuation techniques</b>	<b>Significant unobservable inputs</b>	<b>Range</b>
Other investments	Adjusted net assets	Discount for lack of marketability	40% (2021: 40%)
		Minority discount	15% (2021: 15%)
		Control premium	10% (2021: 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 2022, it is estimated that an increase/decrease of 3% (2021: 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		
		2022	2021
	Increase/ (decrease) in unobservable inputs %	Effect on other comprehensive income \$'000	Effect on other comprehensive income \$'000
Discount for lack of marketability	3 (3)	(5,826) 5,829	(6,127) 6,127
Minority discount	3 (3)	(4,125) 4,128	(4,353) 4,315
Control premium	3 (3)	760 (760)	798 (798)
		<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 movements during the period in the balance of Level 3 fair value measurements are as follows:

	<b>Other investments</b> \$'000
At 1 January 2022	139,602
Debited to other comprehensive income during the period	<u>(4,125)</u>
At 30 June 2022	<u>135,477</u>
At 1 January 2021	137,088
Credited to other comprehensive income during the period	<u>4,338</u>
At 30 June 2021 and 1 July 2021	141,426
Debited to other comprehensive income during the period	<u>(1,824)</u>
At 31 December 2021	<u>139,602</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 2022 and 31 December 2021.

# 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 2022 not provided for in the interim financial report were as follows:

	<b>At 30 June 2022 \$'000</b>	<b>At 31 December 2021 \$'000</b>
Authorised and contracted for		
– additions to investment properties	18,438	18,437
– additions to other property, plant and equipment	938	2,772
	<u>19,376</u>	<u>21,209</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 2022 is as follows:

	<b>Six months ended 30 June</b>	
	<b>2022 \$'000</b>	<b>2021 \$'000</b>
Salaries and other short-term employee benefits	18,098	18,064
Contributions to defined contribution retirement plans	418	532
	<u>18,516</u>	<u>18,596</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 (2021: \$11,735,000) during the period. The amount due from the fellow subsidiary as at 30 June 2022 amounted to \$1,956,000 (at 31 December 2021: \$1,956,000).
- (ii) A subsidiary of the Group rents office premises to a fellow subsidiary. Rental and management fees receivable from this fellow subsidiary amounted to \$2,777,000 (2021: \$3,039,000) during the period. The amount due to the fellow subsidiary as at 30 June 2022 amounted to \$1,339,000 (at 31 December 2021: \$1,339,000).
- (iii) A fellow subsidiary, engaged in securities trading, deals in securities for certain subsidiaries of the Group. Commission of \$213,000 (2021: \$126,000) was payable to this fellow subsidiary during the period. The amount due from the fellow subsidiary as at 30 June 2022 amounted to \$5,780,000 (at 31 December 2021: \$6,188,000).
- (iv) A subsidiary of the Group provides building and tenancy management services to a fellow subsidiary. Building and tenancy management services income receivable from this fellow subsidiary amounted to \$907,000 (2021: \$456,000) during the period. The amount due to the fellow subsidiary as at 30 June 2022 amounted to \$1,981,000 (at 31 December 2021: \$2,093,000).

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 2022.

## 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 2022.

### 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 2022.

### DIRECTORS’ INTERESTS IN SHARES

As at 30 June 2022, 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	0.223
Bill Kwok	958,298	295,000	255,000 (Note 1)	–	1,508,298	0.518
Mark Kwok	556,910	–	10,000 (Note 2)	–	566,910	0.195
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.



## SUPPLEMENTARY INFORMATION

(Continued)

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2022, 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:

<b>Name</b>	<b>Number of ordinary shares held</b>	<b>Total interests as a % of the issued voting shares</b>
(i) Wing On International Holdings Limited	180,545,138	61.985
(ii) Wing On Corporate Management (BVI) Limited	180,545,138	61.985
(iii) Kee Wai Investment Company (BVI) Limited	180,545,138	61.985

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.