

Website: <https://www.wingon.hk>



WING ON COMPANY INTERNATIONAL LIMITED

永安國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 289)

INTERIM REPORT

2023

CONTENTS

	Page
Corporate Information	1-2
Chairman’s Statement	3-6
Independent Review Report	7
Consolidated Statement of Profit or Loss – unaudited	8
Consolidated Statement of Profit or Loss and Other Comprehensive Income – unaudited	9
Consolidated Statement of Financial Position – unaudited	10-11
Consolidated Statement of Changes in Equity – unaudited	12-14
Condensed Consolidated Statement of Cash Flows – unaudited	15
Notes to the Unaudited Interim Financial Report	16-38
Supplementary Information	39-41

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. Leung Wing Ning
Mr. Nicholas James Debnam

AUDIT COMMITTEE

Mr. Nicholas James Debnam (Chairman)
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
Accounting and 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: <https://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 2023, the Group's revenue was HK\$530.8 million (2022: HK\$500.1 million), an increase of 6.1% due mainly to the increase in revenue of the Group's department stores.

The Group recorded a profit attributable to shareholders for the six months ended 30 June 2023 of HK\$274.2 million (2022: a loss of HK\$106.4 million). Such substantial increase is mainly due to the gain of HK\$93.0 million from the Group's investment portfolio for the period as compared to the loss of HK\$190.4 million for the corresponding period in 2022, and the net valuation gain of HK\$13.8 million on the Group's investment properties for the period as compared to the net valuation loss of HK\$51.9 million for the corresponding period in 2022. Excluding this non-cash item of net valuation gain on investment properties net of related deferred tax thereon, the Group's underlying profit attributable to shareholders for the period was HK\$263.7 million as compared to the underlying loss attributable to shareholders of HK\$54.8 million for the corresponding period in 2022, due mainly to the improved performance of the Group's investment portfolio and department stores operation.

Earnings per share was 94.3 HK cents (2022: loss per share of 36.5 HK cents) per share. Excluding the net valuation gain (2022: valuation loss) on the Group's investment properties net of related deferred tax thereon, the Group's underlying earnings per share for the period was 90.7 HK cents (2022: underlying loss per share of 18.8 HK cents) per share.

The directors have decided to pay an interim dividend of 34 HK cents (2022: nil cents) per share, absorbing a total amount of HK\$98,833,000 (2022: HK\$nil). The interim dividend will be paid on Thursday, 26 October 2023 to shareholders on the Register of Members of the Company on Friday, 13 October 2023. The Register of Members will be closed from Monday, 9 October 2023 to Friday, 13 October 2023, both dates inclusive, during which period no share transfers can be registered.

To qualify for the interim dividend, share transfers to be dealt with must be lodged with the Company's Share Registrar, Tricor Progressive Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:00 p.m. on Friday, 6 October 2023.

CHAIRMAN'S STATEMENT

(Continued)

LIQUIDITY AND FINANCIAL RESOURCES

Overall Financial Position

Shareholders' equity at 30 June 2023 was HK\$18,517.3 million, a decrease of 0.2% as compared to HK\$18,553.5 million at 31 December 2022. With cash and listed marketable securities at 30 June 2023 of HK\$3,508.9 million (at 31 December 2022: HK\$3,370.9 million) as well as available banking facilities, the Group has sufficient liquidity to meet its current commitments and working capital requirements.

Borrowings and Charges on Group Assets

The Group did not have any borrowings at 30 June 2023 and 31 December 2022. In 2022, the Group repaid the entire borrowings of HK\$34.9 million, which related to a mortgage loan for Australian investment properties, and the relevant mortgage was released. In view of the existing strong cash position, the Group does not anticipate any liquidity problems.

Gearing Ratio

The Group did not have any borrowings at 30 June 2023 and 31 December 2022. The gearing ratio is not applicable at 30 June 2023 and 31 December 2022.

Funding and Treasury Policies

The Group adopts a prudent funding and treasury policy. Its exposure to fluctuations on the foreign exchange market was limited to the Group's net investment in overseas subsidiaries of HK\$3,414.6 million at 30 June 2023 (at 31 December 2022: HK\$3,448.5 million). 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 2023, the Group's capital commitments amounted to HK\$13.6 million (at 31 December 2022: HK\$22.6 million). The Group had no contingent liabilities at 30 June 2023 and 31 December 2022.

CHAIRMAN'S STATEMENT

(Continued)

HALF YEAR BUSINESS REVIEW

Department Stores Operation

With the gradual resumption of social and economic activities in Hong Kong, the Group was able to maintain its normal department stores operating hours in the first half of 2023, whereas the Group shortened its department stores operating hours for several months and rescheduled its major promotional events owing to the weak retail environment and significantly reduced customer traffic during the first half of 2022. Both customer traffic and sales turnover picked up during the period under review. The Group's strategy to timely update its shop floors and enrich the brand mix and assortment of imported clothing, shoes and accessories have achieved good results. The Group's sales in travel goods, handbags, sports and leisure wear, men's and ladies' apparel goods and cosmetics increased markedly.

For the six months ended 30 June 2023, the Group's department stores recorded a revenue of HK\$326.3 million, representing an increase of 18.8% when compared to HK\$274.7 million in 2022. Overall, the department stores recorded an operating profit of HK\$4.7 million (2022: a loss of HK\$19.2 million), due mainly to the increase in revenue and thus gross profit. The Group's department stores operation recorded wage subsidy from the Government's 2022 Employment Support Scheme of HK\$8.2 million during the six months ended 30 June 2022. There was no such subsidy during the period under review.

Property Investments

For the six months ended 30 June 2023, the Group's property investment income was HK\$192.2 million (2022: HK\$218.9 million). Income from the Group's commercial investment properties in Hong Kong decreased by 4.4% to HK\$151.1 million (2022: HK\$158.0 million) which was mainly due to the lower rentals achieved for new leases and lease renewals. The overall occupancy rate of the Group's commercial investment properties in Hong Kong remained stable at approximately 93% at 30 June 2023 (2022: 94%). Income from the Group's commercial office properties in Melbourne decreased by 30.9% to HK\$41.9 million (2022: HK\$60.6 million) due mainly to the write-off of a total sum of HK\$11.7 million for the irrecoverable rents and landlord's lease incentives relating to an insolvent tenant and the reduced occupancy. Net income in terms of Australian currency decreased by 26.6%. The overall occupancy rate of the Group's investment properties in Melbourne was approximately 85% at 30 June 2023 (2022: 90%).

CHAIRMAN'S STATEMENT

(Continued)

HALF YEAR BUSINESS REVIEW (Continued)

Interest in an Associate

For the six months ended 30 June 2023, 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\$9.8 million (2022: HK\$7.9 million). Overall, the Group recorded a share of loss after tax from the associate for the six months ended 30 June 2023 of HK\$6.0 million (2022: HK\$7.9 million).

Others

For the six months ended 30 June 2023, the Group recorded a gain of HK\$93.0 million from its investment portfolio (2022: a loss of HK\$190.4 million), which included mainly the unrealised gain due to remeasurement to fair value of trading securities of HK\$39.4 million (2022: unrealised loss of HK\$227.3 million). At 30 June 2023, the Group's investment portfolio amounted to HK\$1,833.2 million (at 31 December 2022: HK\$1,673.3 million). The Group recorded a net foreign exchange gain of HK\$0.6 million (2022: HK\$4.7 million) from its holdings of foreign currencies.

STAFF

At 30 June 2023, the Group had a total of 543 staff (at 30 June 2022: 555 staff). The Group's remuneration policies, bonus schemes, Mandatory Provident Fund Schemes, etc., have not changed materially from the information disclosed in the 2022 Annual Report.

OUTLOOK FOR THE REMAINDER OF 2023

The Group is cautiously optimistic that the economy and business activities in Hong Kong will continue to improve after the COVID-19 pandemic years be it at a slower pace than expected. The Group will continue to adapt the sales and marketing campaigns of its department stores to the changing consumer spending pattern while continuing its strategy in optimising its merchandise mix and assortment. The Group's investment properties in Hong Kong and Australia will continue to contribute rental income in line with market conditions, though the property market conditions in Australia are expected to be challenging in view of the high office vacancy and downward office rental pressure. With the financial strength of the Group and the dedication of its management, the Group can meet the challenges ahead.

Karl C. Kwok
Chairman

Hong Kong, 30 August 2023

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 38 which comprises the consolidated statement of financial position of Wing On Company International Limited as of 30 June 2023 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 2023 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 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2023 \$'000	2022 \$'000
Revenue	3(a)	530,836	500,075
Other revenue	4	67,973	37,822
Other net gain/(loss)	4	76,741	(204,251)
Cost of department store sales	5(d)	(145,251)	(122,025)
Cost of property leasing activities	5(b)	(50,185)	(45,318)
Other operating expenses	5(c)	<u>(173,076)</u>	<u>(174,149)</u>
Profit/(loss) from operations		307,038	(7,846)
Finance costs	5(a)	<u>(174)</u>	<u>(654)</u>
		306,864	(8,500)
Net valuation gain/(loss) on investment properties	8(a)	<u>13,791</u>	<u>(51,895)</u>
		320,655	(60,395)
Share of loss of an associate		<u>(6,047)</u>	<u>(7,907)</u>
Profit/(loss) before taxation	5	314,608	(68,302)
Income tax	6	<u>(41,014)</u>	<u>(37,992)</u>
Profit/(loss) for the period		<u>273,594</u>	<u>(106,294)</u>
Attributable to:			
Shareholders of the Company		274,180	(106,364)
Non-controlling interests		<u>(586)</u>	<u>70</u>
Profit/(loss) for the period		<u>273,594</u>	<u>(106,294)</u>
Basic and diluted earnings/(loss) per share	7(a)	<u>94.3 cents</u>	<u>(36.5) cents</u>

The notes on pages 16 to 38 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 2023 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June			
	2023		2022	
	\$'000	\$'000	\$'000	\$'000
Profit/(loss) for the period		273,594		(106,294)
		<u>-----</u>		<u>-----</u>
Other comprehensive income for the period (with nil tax effect and after reclassification adjustments):				
Item that will not be reclassified subsequently to profit or loss:				
– other investments at fair value through other comprehensive income		(3,718)		(4,125)
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation adjustments:				
– exchange differences on translation of financial statements of overseas subsidiaries		(82,505)		(152,883)
– share of exchange differences on translation of financial statements of an overseas associate		<u>(2,779)</u>		<u>(2,742)</u>
		<u>(85,284)</u>		<u>(155,625)</u>
Other comprehensive income for the period		<u>(89,002)</u>		<u>(159,750)</u>
Total comprehensive income for the period		<u>184,592</u>		<u>(266,044)</u>
Attributable to:				
Shareholders of the Company		185,062		(266,313)
Non-controlling interests		<u>(470)</u>		<u>269</u>
Total comprehensive income for the period		<u>184,592</u>		<u>(266,044)</u>

The notes on pages 16 to 38 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023 – unaudited
(Expressed in Hong Kong dollars)

		At 30 June 2023 \$'000	At 31 December 2022 \$'000
	Note		
Non-current assets			
Investment properties	8	14,848,075	14,939,515
Other property, plant and equipment		268,969	295,370
		15,117,044	15,234,885
Interest in an associate	9	334,348	343,174
Other investments		123,019	126,737
		15,574,411	15,704,796
Current assets			
Trading securities		1,833,229	1,673,297
Inventories		70,578	73,766
Debtors, deposits and prepayments	10	71,625	72,640
Amounts due from fellow subsidiaries		12,264	15,576
Current tax recoverable		4,988	87
Other bank deposits	11	476,353	800,386
Cash and cash equivalents	11	1,963,231	1,562,081
		4,432,268	4,197,833
Current liabilities			
Creditors and accrued charges	12	522,794	370,255
Contract liabilities		19,692	20,051
Lease liabilities		10,082	20,025
Amounts due to fellow subsidiaries		2,968	3,152
Current tax payable		26,438	12,000
		581,974	425,483
Net current assets		3,850,294	3,772,350
Total assets less current liabilities carried forward		19,424,705	19,477,146

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023 – unaudited
(Continued)
(Expressed in Hong Kong dollars)

		At 30 June 2023	At 31 December 2022
	Note	\$'000	\$'000
Total assets less current liabilities brought forward		19,424,705	19,477,146
Non-current liabilities			
Lease liabilities		643	816
Deferred tax liabilities		875,492	891,064
		876,135	891,880
NET ASSETS		18,548,570	18,585,266
Capital and reserves			
Share capital	13(b)	29,068	29,093
Reserves		18,488,241	18,524,442
Total equity attributable to shareholders of the Company		18,517,309	18,553,535
Non-controlling interests		31,261	31,731
TOTAL EQUITY		18,548,570	18,585,266

The notes on pages 16 to 38 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023 – 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 2023	29,093	278,710	111,819	(397,764)	754,347	3,111	17,774,219	18,553,535	31,731	18,585,266
Changes in equity for the six months ended 30 June 2023:										
Profit/(loss) for the period	-	-	-	-	-	-	274,180	274,180	(586)	273,594
Other comprehensive income for the period	-	-	(3,718)	(85,400)	-	-	-	(89,118)	116	(89,002)
Total comprehensive income for the period	-	-	(3,718)	(85,400)	-	-	274,180	185,062	(470)	184,592
Purchase of own shares 13(b)										
– par value paid	(25)	-	-	-	-	-	-	(25)	-	(25)
– premium and transaction costs paid	-	-	-	-	-	-	(3,242)	(3,242)	-	(3,242)
Dividends approved and payable in respect of the previous year 13(a)(ii)	-	-	-	-	-	-	(218,021)	(218,021)	-	(218,021)
	(25)	-	(3,718)	(85,400)	-	-	52,917	(36,226)	(470)	(36,696)
At 30 June 2023	<u>29,068</u>	<u>278,710</u>	<u>108,101</u>	<u>(483,164)</u>	<u>754,347</u>	<u>3,111</u>	<u>17,827,136</u>	<u>18,517,309</u>	<u>31,261</u>	<u>18,548,570</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023 – unaudited

(Continued)

(Expressed in Hong Kong dollars)

		Attributable to shareholders of the Company									
		Land and building revaluation reserve	Investment revaluation reserve	Exchange reserve	Contributed surplus	General reserve fund	Retained earnings	Total	Non- controlling interests	Total equity	
Note		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
	At 1 January 2022	29,141	278,710	124,684	(189,881)	754,347	2,788	18,216,530	19,216,319	32,351	19,248,670
	Changes in equity for the six months ended 30 June 2022:										
	(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	(402,403)
	At 30 June 2022	<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 2023 – 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
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2022	29,127	278,710	120,559	(345,705)	754,347	3,123	17,973,486	18,813,647	32,620	18,846,267
Changes in equity for the six months ended 31 December 2022:										
Loss for the period	-	-	-	-	-	-	(194,582)	(194,582)	(737)	(195,319)
Other comprehensive income for the period	-	-	(8,740)	(52,059)	-	-	-	(60,799)	(152)	(60,951)
Total comprehensive income for the period	-	-	(8,740)	(52,059)	-	-	(194,582)	(255,381)	(889)	(256,270)
Purchase of own shares										
- par value paid	(34)	-	-	-	-	-	-	(34)	-	(34)
- premium and transaction costs paid	-	-	-	-	-	-	(4,697)	(4,697)	-	(4,697)
Share of the general reserve fund of an associate: transfer from the general reserve fund	-	-	-	-	-	(12)	12	-	-	-
	(34)	-	(8,740)	(52,059)	-	(12)	(199,267)	(260,112)	(889)	(261,001)
At 31 December 2022	29,093	278,710	111,819	(397,764)	754,347	3,111	17,774,219	18,553,535	31,731	18,585,266

Note:

Retained earnings attributable to shareholders of the Company at 30 June 2023 include the aggregate net valuation gain relating to investment properties after deferred tax of \$12,141,944,000 (at 31 December 2022: \$12,131,503,000).

The notes on pages 16 to 38 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2023	2022
	Note	\$'000	\$'000
Operating activities			
Profit/(loss) before taxation		314,608	(68,302)
Adjustments for:			
Net valuation (gain)/loss on investment properties		(13,791)	51,895
Depreciation and amortisation		46,721	44,004
Interest and dividend income		(63,905)	(25,566)
Share of loss of an associate		6,047	7,907
Increase in trading securities		(159,932)	(27,077)
Other cash flows arising from operating activities		(49,798)	(63,974)
		<u>79,950</u>	<u>(81,113)</u>
Cash generated from/(used in) operations		(26,936)	(29,900)
		<u>53,014</u>	<u>(111,013)</u>
Net cash generated from/(used in) operating activities		<u>53,014</u>	<u>(111,013)</u>
Investing activities			
Payment for purchases of investment properties and other property, plant and equipment		(7,402)	(9,493)
Decrease in other bank deposits		324,033	–
Other cash flows arising from investing activities		59,535	24,805
		<u>376,166</u>	<u>15,312</u>
Net cash generated from investing activities		<u>376,166</u>	<u>15,312</u>
Financing activities			
Dividends paid to shareholders of the Company		–	(133,986)
Other cash flows arising from financing activities		(13,550)	(31,518)
		<u>(13,550)</u>	<u>(165,504)</u>
Net cash used in financing activities		<u>(13,550)</u>	<u>(165,504)</u>
Net increase/(decrease) in cash and cash equivalents		415,630	(261,205)
Cash and cash equivalents at 1 January		1,562,081	2,544,963
Effect of foreign exchange rate changes		(14,480)	(24,349)
Cash and cash equivalents at 30 June	11	<u>1,963,231</u>	<u>2,259,409</u>

The notes on pages 16 to 38 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 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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 2022 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 2022 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 2022 are available from the websites of the Company and the Stock Exchange. The auditor has expressed an unqualified opinion on those financial statements in their independent auditor’s report dated 30 March 2023.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

2. Changes in accounting policies

(a) New and amended HKFRSs

The HKICPA has issued a new HKFRS and 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.

(b) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Government of the Hong Kong Special Administrative Region (the "Government") gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will eventually abolish the statutory right of an employer to offset its long service payment ("LSP") and severance payment payable to a Hong Kong employee by drawing on its mandatory contributions to the mandatory provident fund ("MPF") scheme (also known as the "offsetting mechanism"). The Government has subsequently announced that the Amendment Ordinance will come into effect from 1 May 2025 (the "Transition Date"). Separately, the Government is also expected to introduce a subsidy scheme to assist employers after the abolition of the offsetting mechanism. The abolition of the offsetting mechanism is applicable to the Group's defined contribution retirement plans.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to offset the LSP payable in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to offset the LSP payable in respect of the employee's service up to that date; in addition, the LSP payable in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

2. Changes in accounting policies (Continued)

(b) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism (Continued)

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides guidance on the accounting considerations relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to offset the LSP payable to an employee as deemed contributions by that employee towards the LSP. However, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19, Employee benefits, and recognise such deemed contributions as reduction of current service cost in the period the related service is rendered, and any impact from ceasing to apply the practical expedient is recognised as a catch-up adjustment in profit or loss with a corresponding adjustment to the LSP liability during the year ended 31 December 2022.

In this interim financial report and in prior periods, consistent with the HKICPA guidance, the Group has been accounting for the accrued benefits derived from its mandatory MPF contributions that are expected to be used to offset the LSP payable to an employee as deemed employee contributions towards the LSP. The Group has been applying the above-mentioned practical expedient.

The Group has assessed the implications of this new guidance on the above accounting policies and has decided to change those accounting policies to conform with the guidance. Management has commenced the processes on implementing the change including additional data collection and impact assessment. However, the impact of the change is not reasonably estimable at the time this interim financial report is authorised for issue, as the Group has yet to fully complete its assessment of the impact of the HKICPA guidance. The Group expects to adopt this guidance with retrospective application in its annual financial statements for the year ending 31 December 2023.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

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. Disaggregation of revenue by category is analysed as follows:

	Six months ended 30 June	
	2023	2022
	\$'000	\$'000
Under the scope of HKFRS 15,		
Revenue from contracts with customers:		
Department stores (recognised at a point in time)		
– Sales of goods	215,750	179,003
– Net income from concession sales	77,588	66,379
– Net income from consignment sales	32,940	29,281
	<u>326,278</u>	<u>274,663</u>
Property investment (recognised over time)		
– Building management fees and other rental related income	29,225	28,854
Under the scope of HKFRS 16, Leases:		
Property investment		
– Gross rentals from investment properties	<u>175,333</u>	<u>196,558</u>
	<u>530,836</u>	<u>500,075</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

3. Revenue and segment reporting (Continued)

(b) Segment reporting

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

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

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most 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 and contract liabilities 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 and amortisation, bad debts written off 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		Six months ended		Six months ended	
	30 June		30 June		30 June	
	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	326,278	274,663	204,558	225,412	530,836	500,075
Inter-segment revenue	–	–	55,575	55,264	55,575	55,264
Reportable segment revenue	<u>326,278</u>	<u>274,663</u>	<u>260,133</u>	<u>280,676</u>	<u>586,411</u>	<u>555,339</u>
Reportable segment profit/(loss)	<u>4,734</u>	<u>(19,217)</u>	<u>192,163</u>	<u>218,884</u>	<u>196,897</u>	<u>199,667</u>
Finance costs	174	418	–	236	174	654
Depreciation and amortisation for the period	13,343	14,847	32,938	28,431	46,281	43,278
Bad debts written off	–	–	1,929	105	1,929	105
	Department stores		Property investment		Total	
	At	At	At	At	At	At
	30 June	31 December	30 June	31 December	30 June	31 December
	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reportable segment assets	116,707	132,300	15,123,927	15,235,368	15,240,634	15,367,668
Additions to non-current segment assets during the period/year	1,341	5,894	6,052	33,807	7,393	39,701
Reportable segment liabilities	182,714	249,836	111,258	118,792	293,972	368,628

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	
	2023	2022
	\$'000	\$'000
Profit		
Reportable segment profit	196,897	199,667
Other revenue	67,973	29,590
Other net gain/(loss)	76,741	(204,251)
Finance costs	(174)	(654)
Net valuation gain/(loss) on investment properties	13,791	(51,895)
Share of loss of an associate	(6,047)	(7,907)
Unallocated head office and corporate expenses	(34,573)	(32,852)
	<u>314,608</u>	<u>(68,302)</u>
	At	At
	30 June	31 December
	2023	2022
	\$'000	\$'000
Assets		
Reportable segment assets	15,240,634	15,367,668
Elimination of inter-segment receivables	(3,533)	(3,599)
	<u>15,237,101</u>	<u>15,364,069</u>
Interest in an associate	334,348	343,174
Other investments	123,019	126,737
Trading securities	1,833,229	1,673,297
Current tax recoverable	4,988	87
Unallocated head office and corporate assets	2,473,994	2,395,265
	<u>20,006,679</u>	<u>19,902,629</u>
Liabilities		
Reportable segment liabilities	293,972	368,628
Elimination of inter-segment payables	(3,533)	(3,599)
	<u>290,439</u>	<u>365,029</u>
Current tax payable	26,438	12,000
Deferred tax liabilities	875,492	891,064
Unallocated head office and corporate liabilities	265,740	49,270
	<u>1,458,109</u>	<u>1,317,363</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	
	2023	2022
	\$'000	\$'000
Other revenue		
Interest income from bank deposits	43,968	5,049
Dividend income from investments in securities	14,277	16,671
Interest income from investments in securities	5,660	3,846
Compensation received on early termination of a lease	230	–
Government grants (note)	–	8,872
Others	3,838	3,384
	<u>67,973</u>	<u>37,822</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, the purpose of which was to provide financial support to employers to retain their current employees or hire more employees when the business revived. Under the terms of the Employment Support Scheme, the Group was required to employ a sufficient number of employees with reference to its proposed employee headcounts in each subsidy month.

	Six months ended 30 June	
	2023	2022
	\$'000	\$'000
Other net gain/(loss)		
Net gain/(loss) on remeasurement to fair value of trading securities	39,440	(227,326)
Net gain on disposal of		
– trading securities	16,111	8,210
– derivative financial instruments	20,677	10,221
Net foreign exchange gain	558	4,708
Net loss on disposal of plant and equipment	(45)	(64)
	<u>76,741</u>	<u>(204,251)</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	
	2023	2022
	\$'000	\$'000
(a) Finance costs		
Interest on bank loan	–	236
Interest on lease liabilities	174	418
	<u>174</u>	<u>654</u>
(b) Rentals receivable from investment properties		
Gross income from property investment	(204,558)	(225,412)
Less: direct outgoings	50,185	45,318
	<u>(154,373)</u>	<u>(180,094)</u>
(c) Other operating expenses, include		
Staff costs (excluding directors' emoluments)		
– salaries, wages and other benefits	87,815	90,541
– contributions to defined contribution retirement plans	4,596	4,847
	<u>92,411</u>	<u>95,388</u>
Less: included in cost of property leasing activities	(2,008)	(1,378)
	<u>90,403</u>	<u>94,010</u>
Depreciation		
– owned plant and equipment	5,226	6,348
– right-of-use assets	22,566	23,171
Directors' emoluments	10,234	12,804
Electricity, water and gas	4,606	3,663
Advertising expenses	3,286	2,690
Credit card commission	3,055	2,708
Government rent and rates	2,654	2,710
Information technology expenses	2,066	2,060
Bad debts written off	1,929	105
	<u>18,929</u>	<u>14,485</u>
(d) Other items		
Amortisation on lease incentives	18,929	14,485
Cost of inventories sold	145,251	122,025
	<u>145,251</u>	<u>122,025</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	
	2023	2022
	\$'000	\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	23,315	23,279
Current tax – Overseas		
Provision for the period	13,107	13,592
Deferred tax		
Origination and reversal of temporary differences		
– changes in fair value of investment properties	4,031	(307)
– other temporary differences	561	1,428
	<u>4,592</u>	<u>1,121</u>
Total income tax expense	<u>41,014</u>	<u>37,992</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the six months ended 30 June 2023, 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 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 2023 of \$274,180,000 (six months ended 30 June 2022: loss of \$106,364,000) divided by the weighted average of 290,862,000 shares (2022: 291,343,000 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/(loss) 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/(loss) attributable to shareholders of the Company”.

The difference between the underlying profit/(loss) 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			
	2023		2022	
	\$'000	Amount per share cents	\$'000	Amount per share cents
Profit/(loss) attributable to shareholders of the Company as shown in the consolidated statement of profit or loss	274,180	94.3	(106,364)	(36.5)
(Less)/add: Net valuation (gain)/loss on investment properties	(13,791)	(4.7)	51,895	17.8
Add/(less): Increase/(decrease) in deferred tax liabilities in relation to the net valuation gain/(loss) on investment properties	4,031	1.3	(307)	(0.1)
	264,420	90.9	(54,776)	(18.8)
Less: Valuation loss on investment property net of related deferred tax attributable to non-controlling interests	(681)	(0.2)	–	–
Underlying profit/(loss) attributable to shareholders of the Company	<u>263,739</u>	<u>90.7</u>	<u>(54,776)</u>	<u>(18.8)</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

8. Investment properties

(a) Fair value measurement of investment properties

Investment properties of the Group situated in Australia were revalued at 30 June 2023 by M3 Property Australia Pty. Ltd., Certified Practising Valuers, who have among their staff members of the Australian Property Institute. Investment properties of the Group situated in Hong Kong and the USA were revalued at 30 June 2023 by the directors with reference to the market updates from firms of independent surveyors to update the professional valuations that were carried out at 31 December 2022.

As a result, net valuation gain of \$13,791,000 (six months ended 30 June 2022: net valuation loss of \$51,895,000) and debit of deferred tax of \$4,031,000 (six months ended 30 June 2022: credit of \$307,000) thereon have been included in the consolidated statement of profit or loss for the six months ended 30 June 2023.

(b) Investment properties leased out under operating leases

The Group's total future undiscounted lease payments under non-cancellable operating leases are receivable as follows:

	At 30 June 2023 \$'000	At 31 December 2022 \$'000
Within one year	306,316	313,780
After one year but within two years	212,412	218,107
After two years but within three years	161,928	138,769
After three years but within four years	119,052	110,705
After four years but within five years	59,253	65,624
After five years	38,203	24,691
	<u>897,164</u>	<u>871,676</u>

9. Interest in an associate

	At 30 June 2023 \$'000	At 31 December 2022 \$'000
Unlisted shares		
Share of net assets other than intangible assets	329,872	338,464
Share of intangible assets of an associate	4,476	4,710
	<u>334,348</u>	<u>343,174</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 2023 \$'000	At 31 December 2022 \$'000
Trade debtors, net of loss allowance	7,890	13,748
Other debtors	24,624	26,215
Deposits and prepayments	39,111	32,677
	<u>71,625</u>	<u>72,640</u>

All debtors, deposits and prepayments of the Group, apart from certain rental deposits and prepayments totalling \$16,155,000 (at 31 December 2022: \$14,856,000), 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 2023 \$'000	At 31 December 2022 \$'000
Current (not past due) or less than one month past due	7,163	11,293
One to three months past due	468	2,145
More than three months but less than twelve months past due	259	260
More than twelve months past due	–	50
	<u>7,890</u>	<u>13,748</u>

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

11. Cash and bank balances

	At 30 June 2023 \$'000	At 31 December 2022 \$'000
Cash at bank and in hand	609,052	339,737
Bank deposits		
– within three months to maturity when placed	1,354,179	1,222,344
– more than three months to maturity when placed	476,353	800,386
	<u>2,439,584</u>	<u>2,362,467</u>
Represented by:		
Cash and cash equivalents	1,963,231	1,562,081
Other bank deposits	476,353	800,386
	<u>2,439,584</u>	<u>2,362,467</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 2023 \$'000	At 31 December 2022 \$'000
Amounts not yet due	212,986	265,199
On demand or less than one month overdue	265,150	53,180
One to three months overdue	2,949	3,681
Three to twelve months overdue	469	1,623
More than twelve months overdue	796	3,464
	<hr/>	<hr/>
Trade and other creditors	482,350	327,147
Accrued charges	40,444	43,108
	<hr/>	<hr/>
	<u>522,794</u>	<u>370,255</u>

All creditors and accrued charges of the Group, apart from certain rental deposits received totalling \$32,265,000 (at 31 December 2022: \$42,804,000), are expected to be settled or recognised as income within one year or are repayable on demand.

The 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	
	2023	2022
	\$'000	\$'000
Interim dividend declared and payable after the interim period of 34 cents (2022: \$Nil) per share	98,833	–

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 payable/paid during the interim period:

	Six months ended 30 June	
	2023	2022
	\$'000	\$'000
Final dividend in respect of the financial year ended 31 December 2022/ 31 December 2021		
– approved during the interim period	43,640	134,048
– attributable to shares purchased in May 2023/January, February, March, April and May 2022	(36)	(62)
Final dividend payable during the interim period of 15 cents (paid during 2022: 46 cents) per share	43,604	133,986
Special dividend in respect of the financial year ended 31 December 2022		
– approved during the interim period	174,559	–
– attributable to shares purchased in May 2023	(142)	–
Special dividend payable during the interim period of 60 cents (paid during 2022: nil cents) per share	174,417	–
	218,021	133,986

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 2023, the Company purchased its own shares on the Stock Exchange and cancelled the purchased shares as follows:

Month/year	Number of shares purchased	Aggregate price paid \$'000	Highest price paid per share \$	Lowest price paid per share \$
May 2023	236,000	3,115	13.30	13.00
June 2023	11,000	139	12.66	12.64
	<u>247,000</u>	<u>3,254</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 \$25,000 (six months ended 30 June 2022: \$14,000) accordingly. The premium and transaction costs paid on the purchase of the shares of \$3,229,000 (six months ended 30 June 2022: \$2,350,000) and \$13,000 (six months ended 30 June 2022: \$9,000) 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 2023 \$'000	Fair value measurements at 30 June 2023 categorised into			Fair value at 31 December 2022 \$'000	Fair value measurements at 31 December 2022 categorised into			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Recurring fair value measurements								
Assets								
Other investments	123,019	-	-	123,019	126,737	-	-	126,737
Trading securities	1,833,229	1,069,296	763,933	-	1,673,297	1,008,434	664,863	-

During the six months ended 30 June 2023, there were no transfers between financial instruments in different levels (year ended 31 December 2022: \$Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy 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% (at 31 December 2022: 40%)
		Minority discount	15% (at 31 December 2022: 15%)
		Control premium	10% (at 31 December 2022: 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 2023 and 2022, it is estimated that an increase/decrease of 3% (six months ended 30 June 2022: 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	
		2023 Effect on other comprehensive income \$'000	2022 Effect on other comprehensive income \$'000
Discount for lack of marketability	3 (3)	(5,220) 5,217	(5,826) 5,829
Minority discount	3 (3)	(3,683) 3,680	(4,125) 4,128
Control premium	3 (3)	570 (570)	760 (760)
		<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:

	Other investments \$'000
At 1 January 2023	126,737
Debited to other comprehensive income during the period	<u>(3,718)</u>
At 30 June 2023	<u>123,019</u>
At 1 January 2022	139,602
Debited to other comprehensive income during the period	<u>(4,125)</u>
At 30 June 2022 and 1 July 2022	135,477
Debited to other comprehensive income during the period	<u>(8,740)</u>
At 31 December 2022	<u>126,737</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 at 30 June 2023 and 31 December 2022.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

15. Commitments

Capital commitments outstanding at 30 June 2023 not provided for in the interim financial report were as follows:

	At 30 June 2023 \$'000	At 31 December 2022 \$'000
Authorised and contracted for		
– additions to investment properties	12,213	21,915
– additions to other property, plant and equipment	<u>1,407</u>	<u>708</u>
	<u><u>13,620</u></u>	<u><u>22,623</u></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 2023 is as follows:

	Six months ended 30 June	
	2023 \$'000	2022 \$'000
Salaries and other short-term employee benefits	16,591	18,098
Contributions to defined contribution retirement plans	<u>452</u>	<u>418</u>
	<u><u>17,043</u></u>	<u><u>18,516</u></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 (six months ended 30 June 2022: \$11,735,000) during the period. The amount due from the fellow subsidiary at 30 June 2023 amounted to \$1,956,000 (at 31 December 2022: \$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 (six months ended 30 June 2022: \$2,777,000) during the period. The amount due to the fellow subsidiary at 30 June 2023 amounted to \$1,339,000 (at 31 December 2022: \$1,339,000).
- (iii) Fellow subsidiaries, engaged in securities trading, deal in securities for certain subsidiaries of the Group. Commission of \$421,000 (six months ended 30 June 2022: \$213,000) was payable to these fellow subsidiaries during the period. The amounts due from these fellow subsidiaries at 30 June 2023 amounted to \$10,308,000 (at 31 December 2022: \$13,620,000).
- (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 \$850,000 (six months ended 30 June 2022: \$907,000) during the period. The amount due to the fellow subsidiary at 30 June 2023 amounted to \$1,629,000 (at 31 December 2022: \$1,813,000).

The directors 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 2023.

SUPPLEMENTARY INFORMATION

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions in the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) throughout the six months ended 30 June 2023.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its code of conduct regarding directors’ securities transactions. The Company has made specific enquiries of all directors of the Company (the “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 2023.

DIRECTORS’ INTERESTS IN SHARES

At 30 June 2023, 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 controlled 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	0.519
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 of the issued voting shares	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 of the issued voting shares	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 officer 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 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

At 30 June 2023, 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	62.110
(ii) Wing On Corporate Management (BVI) Limited	180,545,138	62.110
(iii) Kee Wai Investment Company (BVI) Limited	180,545,138	62.110

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 abovenamed 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.