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WING ON COMPANY INTERNATIONAL LIMITED
永安國際有限公司
(Incorporated in Bermuda with limited liability)
(Stock code: 289)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

The directors of Wing On Company International Limited ("the Company") announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	At 30 June 2018 HK$'000	At 31 December 2017 (Restated) HK$'000
Non-current assets			
Investment properties		**15,180,893**	14,752,496
Other property, plant and equipment		**395,983**	407,068
		15,576,876	15,159,564
Interest in an associate		**307,177**	301,278
Available-for-sale securities		**-**	26,918
Other investments		**148,667**	-
Deferred tax assets		**11,005**	17,987
		16,043,725	15,505,747
Current assets			
Trading securities		**688,049**	577,435
Inventories		**86,623**	93,324
Debtors, deposits and prepayments	10	**84,303**	75,274
Amounts due from fellow subsidiaries		**5,402**	6,694
Current tax recoverable		**5,483**	4,014
Other bank deposits		**39,698**	126,473
Cash and cash equivalents		**2,901,378**	2,941,473
		3,810,936	3,824,687
Current liabilities			
Creditors and accrued charges	11	**443,262**	481,266
Contract liabilities		**16,261**	16,483
Secured bank loan		**37,103**	38,888
Amounts due to fellow subsidiaries		**3,738**	3,092
Current tax payable		**37,078**	18,509
		537,442	558,238
Net current assets		**3,273,494**	3,266,449
Total assets less current liabilities		**19,317,219**	18,772,196
Non-current liabilities			
Secured bank loan		**128,700**	154,338
Deferred tax liabilities		**726,788**	755,925
		855,488	910,263
Net assets		**18,461,731**	17,861,933
Capital and reserves			
Share capital		**29,389**	29,389
Reserves		**18,400,372**	17,801,194
Total equity attributable to shareholders of the Company		**18,429,761**	17,830,583
Non-controlling interests		**31,970**	31,350
Total equity		**18,461,731**	17,861,933

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Attributable to shareholders of the Company									
	Note	Share capital HK$'000	Land and building revaluation reserve HK$'000	Investment revaluation reserve (note (i)) HK$'000	Exchange reserve HK$'000	Contributed surplus HK$'000	General reserve fund HK$'000	Retained earnings (note (ii)) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 31 December 2017		29,389	271,037	15,140	335	754,347	1,051	16,759,284	17,830,583	31,350	17,861,933
Impact on initial application of HKFRS 9	2(a)	-	-	120,067	-	-	-	-	120,067	-	120,067
Adjusted balance at 1 January 2018		29,389	271,037	135,207	335	754,347	1,051	16,759,284	17,950,650	31,350	17,982,000
Changes in equity for the six months ended 30 June 2018:											
Profit for the period		-	-	-	-	-	-	804,404	804,404	502	804,906
Other comprehensive income for the period		-	-	1,682	(127,133)	-	-	-	(125,451)	118	(125,333)
Total comprehensive income for the period		-	-	1,682	(127,133)	-	-	804,404	678,953	620	679,573
Share of the general reserve fund of an associate: tranfer to the general reserve fund		-	-	-	-	-	508	(508)	-	-	-
Dividends approved and paid in respect of the previous year	8(b)	-	-	-	-	-	-	(199,842)	(199,842)	-	(199,842)
		-	-	1,682	(127,133)	-	508	604,054	479,111	620	479,731
Balance at 30 June 2018		29,389	271,037	136,889	(126,798)	754,347	1,559	17,363,338	18,429,761	31,970	18,461,731
Balance at 1 January 2017		29,461	271,037	14,700	(203,894)	754,347	1,051	14,720,778	15,587,480	26,931	15,614,411
Changes in equity for the six months ended 30 June 2017:											
Profit for the period		-	-	-	-	-	-	1,234,018	1,234,018	1,135	1,235,153
Other comprehensive income for the period		-	-	-	158,384	-	-	-	158,384	179	158,563
Total comprehensive income for the period		-	-	-	158,384	-	-	1,234,018	1,392,402	1,314	1,393,716
Purchase of own shares											
- par value paid		(46)	-	-	-	-	-	-	(46)	-	(46)
- premium and transaction costs paid		-	-	-	-	-	-	(11,753)	(11,753)	-	(11,753)
Dividends approved and paid in respect of the previous year	8(b)	-	-	-	-	-	-	(164,720)	(164,720)	-	(164,720)
		(46)	-	-	158,384	-	-	1,057,545	1,215,883	1,314	1,217,197
Balance at 30 June 2017		29,415	271,037	14,700	(45,510)	754,347	1,051	15,778,323	16,803,363	28,245	16,831,608
Balance at 1 July 2017		29,415	271,037	14,700	(45,510)	754,347	1,051	15,778,323	16,803,363	28,245	16,831,608
Changes in equity for the six months ended 31 December 2017:											
Profit for the period		-	-	-	-	-	-	1,423,171	1,423,171	3,062	1,426,233
Other comprehensive income for the period		-	-	440	45,845	-	-	-	46,285	43	46,328
Total comprehensive income for the period		-	-	440	45,845	-	-	1,423,171	1,469,456	3,105	1,472,561
Purchase of own shares											
- par value paid		(26)	-	-	-	-	-	-	(26)	-	(26)
- premium and transaction costs paid		-	-	-	-	-	-	(6,946)	(6,946)	-	(6,946)
Dividends approved and paid in respect of the current year	8(a)	-	-	-	-	-	-	(435,264)	(435,264)	-	(435,264)
		(26)	-	440	45,845	-	-	980,961	1,027,220	3,105	1,030,325
Balance at 31 December 2017		29,389	271,037	15,140	335	754,347	1,051	16,759,284	17,830,583	31,350	17,861,933

Notes:

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

NOTES TO THE UNAUDITED INTERIM RESULTS

1. Basis of preparation

The interim results set out in the announcement are extracted from the Group's interim financial report for the six months ended 30 June 2018.

The 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 Certified Public Accountants ("HKICPA"). It was authorised for issue on 29 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the HKICPA. In addition, the interim financial report has been reviewed by the Company's Audit Committee.

The financial information relating to the financial year ended 31 December 2017 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2017 are available from the Stock Exchange's website. The auditors have expressed an unqualified opinion on those financial statements in their independent auditor's report dated 28 March 2018.

2. Changes in accounting policies

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

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

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

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

(a) HKFRS 9, Financial instruments

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

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

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

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

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

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

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

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

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

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

Note:

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

The measurement categories for all financial liabilities remain the same.

(b) HKFRS 15, Revenue from contracts with customers

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

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

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

(i) Principal versus agent considerations

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

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

(ii) Presentation of contract assets and liabilities

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

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

3. Revenue

The principal activities of the Group are the operation of department stores and property investment.

The Group's revenue comprises the invoiced value of goods sold to customers less returns, net income from concession sales and consignment sales and income from property investment and is analysed by principal activities as follows:

	Six months ended 30 June	
	2018	2017
		(Restated)
	HK$'000	HK$'000
Sale of goods	**363,948**	357,797
Net income from concession sales	**120,869**	120,067
Net income from consignment sales	**37,100**	37,156
Department stores	**521,917**	515,020
Property investment (note 6(c))	**234,693**	216,177
	756,610	731,197

4. 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.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

- Segment assets include all tangible, intangible assets and current assets with the exception of interest in an associate, investments in financial assets, current tax recoverable, deferred tax assets and other corporate assets. Segment liabilities include trade and other creditors, contract liabilities, accrued charges and bank borrowings managed directly by the segments.

- Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is profit before interest income, finance costs and income tax.

In addition to receiving segment information concerning segment profit, management is provided with segment information concerning revenue (including inter-segment revenue), finance costs on bank borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the periods is set out below.

	Department stores		Property investment		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2018	2017 (Restated)	**2018**	2017	**2018**	2017 (Restated)
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**521,917**	515,020	**234,693**	216,177	**756,610**	731,197
Inter-segment revenue	**-**	-	**58,259**	59,756	**58,259**	59,756
Reportable segment revenue	**521,917**	515,020	**292,952**	275,933	**814,869**	790,953
Reportable segment profit	**57,487**	61,319	**225,690**	210,846	**283,177**	272,165

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

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

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

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

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

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Other revenue		
Interest income from bank deposits	**25,150**	17,931
Dividend income from investments in securities	**12,407**	9,155
Compensation received on early termination of leases	**414**	335
Others	**2,723**	2,460
	40,694	29,881

Other net (loss)/gain		
Net (loss)/gain on remeasurement to fair value of		
- trading securities	**(36,381)**	36,857
- derivative financial instruments	**89**	(465)
Net realised gain on disposal of		
- trading securities	**5,464**	12,117
- derivative financial instruments	**4,699**	3,412
Net foreign exchange gain	**5,026**	21,922
Net loss on disposal of plant and equipment	**(31)**	(2)
	(21,134)	73,841

6. Profit before taxation

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

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

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

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

The provision for Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the six months ended 30 June 2018. Taxation for overseas subsidiaries is charged similarly at the appropriate current rates of taxation ruling in the relevant countries.

8. Dividends

(a) Dividends payable to shareholders of the Company attributable to the interim period:

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Interim dividend:		
- declared after the interim period	**82,288**	111,774
- attributable to shares purchased but not yet cancelled in June 2017	**-**	(17)
Interim dividend payable after the interim period of 28 HK cents (2017: 38 HK cents) per share	**82,288**	111,757
Special dividend:		
- declared after the interim period	**-**	323,557
- attributable to shares purchased but not yet cancelled in June 2017	**-**	(50)
Special dividend payable after the interim period of Nil HK cents (2017: 110 HK cents) per share	**-**	323,507
	82,288	435,264

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

(b) Dividends payable to shareholders of the Company attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Final dividend in respect of the financial year ended 31 December 2017/ 31 December 2016		
- approved during the interim period	**199,842**	164,979
- attributable to shares purchased in January, April and May 2017	**-**	(259)
Final dividend paid during the interim period of 68 HK cents (2016: 56 HK cents) per share	**199,842**	164,720

9. Basic and diluted earnings per share

(a) The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of the Company for the six months ended 30 June 2018 of HK$804,404,000 (six months ended 30 June 2017: HK$1,234,018,000) divided by the weighted average of 293,885,000 shares (2017: 294,392,000 shares) in issue during the interim period.

There were no outstanding potential shares throughout the periods presented.

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

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

The difference between the underlying profit attributable to shareholders of the Company and profit attributable to shareholders of the Company as shown in the consolidated statement of profit or loss for the period is reconciled as follows:

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

10. Debtors, deposits and prepayments

	At 30 June 2018 HK$'000	At 31 December 2017 HK$'000
Trade and other debtors	**35,032**	40,176
Less: allowance for doubtful debts	**(7)**	(29)
	35,025	40,147
Deposits and prepayments	**49,278**	35,127
	84,303	75,274

At the end of the reporting period, the ageing analysis of trade and other debtors (net of allowance for doubtful debts), based on the due date, is as follows:

	At 30 June 2018 HK$'000	At 31 December 2017 HK$'000
Current or less than one month past due	**34,740**	39,770
One to three months past due	**193**	304
More than three months but less than twelve months past due	**75**	61
More than twelve months past due	**17**	12
	35,025	40,147

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

11. Creditors and accrued charges

At the end of the reporting period, the ageing analysis of trade and other creditors, based on the due date, is as follows:

	At 30 June 2018 HK$'000	At 31 December 2017 (Restated) HK$'000
Amounts not yet due	**282,006**	328,229
On demand or less than one month overdue	**118,573**	107,695
One to three months overdue	**2,472**	3,496
Three to twelve months overdue	**616**	431
More than twelve months overdue	**1,168**	1,478
Trade and other creditors	**404,835**	441,329
Accrued charges	**38,427**	39,937
	443,262	481,266

Credit period granted to the Group is generally between 30 days and 90 days from the date of billing.

INTERIM RESULTS AND DIVIDEND

For the six months ended 30 June 2018, the Group's revenue was HK$756.6 million (2017 restated: HK$731.2 million), a slight increase of 3.5% due mainly to the increase in property investment revenue.

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

Earnings per share decreased by 34.7% to 273.7 HK cents (2017: 419.2 HK cents) per share. Excluding the net valuation gain on investment properties net of related deferred tax thereon, underlying earnings per share for the period decreased by 25.9% to 77.1 HK cents (2017: 104.1 HK cents) per share.

The directors have decided to pay an interim dividend of 28 HK cents (2017: 38 HK cents) per share, absorbing a total amount of HK$82,288,000 (2017: HK$111,774,000). A special one-off dividend of 110 HK cents per share to commemorate the 110th Anniversary of the founding of the Group's department stores business in 1907 was paid in 2017. The interim dividend will be paid on 23 October 2018 to shareholders whose names appear on the Register of Members of the Company on 12 October 2018. The Register of Members will be closed from 8 October 2018 to 12 October 2018, both dates inclusive, during which period no share transfer will be accepted.

To qualify for the interim dividend, share transfers to be dealt with must be lodged with the Company's Share Registrars, Tricor Progressive Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:00 p.m. on Friday, 5 October 2018.

LIQUIDITY AND FINANCIAL RESOURCES

Overall Financial Position

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

Borrowings and Charges on Group Assets

At 30 June 2018, the Group's total borrowings amounted to HK$165.8 million, a decrease of about HK$27.4 million as compared to that at 31 December 2017 due to partial mortgage loan repayments and exchange differences. The Group's total borrowings of HK$165.8 million relate to a mortgage loan for Australian investment properties. The bulk of the borrowings will be repayable by the end of 2020. Certain assets, comprising principally property interests with a book value of HK$3,220.4 million, have been pledged to banks as collateral security for banking facilities granted to the extent of HK$165.8 million. In view of the existing strong cash position, the Group does not anticipate any liquidity problems.

Gearing Ratio

The gearing ratio, which is computed from the total borrowings of the Group divided by shareholders' equity of the Group at 30 June 2018, was 0.9% as compared with 1.1% at 31 December 2017.

Funding and Treasury Policies

The Group adopts a prudent funding and treasury policy. To minimise exposure to foreign exchange fluctuations, the Group's borrowings in Australia for its Melbourne investment properties are denominated in Australian dollars. Hence, the foreign exchange exposure is limited to the net investments in overseas subsidiaries of approximately HK$2,791.0 million at 30 June 2018 (at 31 December 2017: HK$2,877.9 million).

The Group's borrowings are on a floating rate basis. For overseas borrowings, when appropriate and at times of interest rate uncertainty or volatility, hedging instruments including swaps and forwards may be used to assist in the Group's management of interest rate exposure. The Group's cash and bank balances are mainly denominated in Hong Kong dollar, United States dollar and Australian dollar.

Capital Commitments and Contingent Liabilities

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

HALF YEAR BUSINESS REVIEW

Department Store Operations

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

Property Investments

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

Interest in an Associate

For the six months ended 30 June 2018, the Group recorded a share of profit after tax from the associate's automobile dealership interest in the People's Republic of China of HK$4.4 million (2017: HK$2.2 million). Overall, the Group recorded a share of profit from the associate of HK$8.4 million (2017: HK$6.3 million) for the six months ended 30 June 2018.

Others

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

STAFF

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

OUTLOOK FOR THE REMAINDER OF 2018

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

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 "Listing Rules") throughout the six months ended 30 June 2018.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its code of conduct regarding directors' securities transactions. The Company has made specific enquiries of all directors and all directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2018.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed shares of the Company during the six months ended 30 June 2018.

By Order of the Board
Karl C. Kwok
Chairman

Hong Kong, 29 August 2018

As at the date of this announcement, the executive directors of the Company are Mr. Karl C. Kwok (Chairman), Mr. Lester Kwok (Deputy Chairman and Chief Executive Officer) and Mr. Mark Kwok, the non-executive director is Dr. Bill Kwok, and the independent non-executive directors are Miss Maria Tam Wai Chu, Mr. Ignatius Wan Chiu Wong, Mr. Iain Ferguson Bruce, Mr. Leung Wing Ning and Mr. Nicholas James Debnam.