

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2019

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 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2019	2018
	Note	HK\$'000	HK\$'000
Revenue	3	704,374	756,610
Other revenue	5	48,025	40,694
Other net gain/(loss)	5	58,188	(21,134)
Cost of department store sales	6(d)	(217,596)	(249,949)
Cost of property leasing activities	6(c)	(34,148)	(51,813)
Other operating expenses		(198,223)	(206,151)
Profit from operations		360,620	268,257
Finance costs	6(a)	(2,613)	(2,683)
		358,007	265,574
Net valuation gain on investment properties		266,731	577,116
		624,738	842,690
Share of profit of an associate		5,837	8,438
Profit before taxation	6	630,575	851,128
Income tax	7	(54,470)	(46,222)
Profit for the period		576,105	804,906
Attributable to:			
Shareholders of the Company		575,767	804,404
Non-controlling interests		338	502
Profit for the period		576,105	804,906
Basic and diluted earnings per share	9(a)	196.1 cents	273.7 cents

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see note 2).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June			
	2019		2018	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit for the period		<u>576,105</u>		<u>804,906</u>
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		3,060		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		(14,830)		(124,476)
- share of exchange differences on translation of financial statements of an overseas associate		<u>172</u>		<u>(2,539)</u>
		<u>(14,658)</u>		<u>(127,015)</u>
Other comprehensive income for the period		<u>(11,598)</u>		<u>(125,333)</u>
Total comprehensive income for the period		<u><u>564,507</u></u>		<u><u>679,573</u></u>
Attributable to:				
Shareholders of the Company		564,243		678,953
Non-controlling interests		<u>264</u>		<u>620</u>
Total comprehensive income for the period		<u><u>564,507</u></u>		<u><u>679,573</u></u>

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see note 2).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
	Note		
Non-current assets			
Investment properties		16,069,778	15,828,721
Other property, plant and equipment		408,197	381,653
		<u>16,477,975</u>	<u>16,210,374</u>
Interest in an associate		313,194	307,185
Other investments		146,217	143,157
Deferred tax assets		2,004	11,609
		<u>16,939,390</u>	<u>16,672,325</u>
Current assets			
Trading securities		805,259	704,746
Inventories		116,873	116,515
Debtors, deposits and prepayments	10	88,378	69,559
Amounts due from fellow subsidiaries		6,358	3,209
Other bank deposits		16,036	74,819
Cash and cash equivalents		3,001,013	2,827,500
		<u>4,033,917</u>	<u>3,796,348</u>
Current liabilities			
Creditors and accrued charges	11	441,840	409,188
Contract liabilities		17,805	18,137
Secured bank loan		35,016	35,196
Lease liabilities	2(c)	27,144	-
Amounts due to fellow subsidiaries		3,955	3,514
Current tax payable		43,963	24,494
		<u>569,723</u>	<u>490,529</u>
Net current assets		<u>3,464,194</u>	<u>3,305,819</u>
Total assets less current liabilities		<u>20,403,584</u>	<u>19,978,144</u>
Non-current liabilities			
Secured bank loan		86,447	104,487
Lease liabilities	2(c)	13,697	-
Deferred tax liabilities		752,730	760,550
		<u>852,874</u>	<u>865,037</u>
Net assets		<u>19,550,710</u>	<u>19,113,107</u>
Capital and reserves			
Share capital		29,346	29,360
Reserves		19,488,436	19,051,083
Total equity attributable to shareholders of the Company		19,517,782	19,080,443
Non-controlling interests		32,928	32,664
Total equity		<u>19,550,710</u>	<u>19,113,107</u>

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see note 2).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Attributable to shareholders of the Company									
		Share capital	Land and building revaluation reserve	Investment revaluation reserve	Exchange reserve	Contributed surplus	General reserve fund	Retained earnings (Note)	Total	Non-controlling interests	Total equity
Note		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2019											
		29,360	271,037	131,379	(274,235)	754,347	1,541	18,167,014	19,080,443	32,664	19,113,107
Changes in equity for the six months ended 30 June 2019:											
Profit for the period		-	-	-	-	-	-	575,767	575,767	338	576,105
Other comprehensive income for the period		-	-	3,060	(14,584)	-	-	-	(11,524)	(74)	(11,598)
Total comprehensive income for the period		-	-	3,060	(14,584)	-	-	575,767	564,243	264	564,507
Purchase of own shares											
- par value paid		(14)	-	-	-	-	-	-	(14)	-	(14)
- premium and transaction costs paid		-	-	-	-	-	-	(3,635)	(3,635)	-	(3,635)
Share of the general reserve fund of an associate: transfer to the general reserve fund		-	-	-	-	-	162	(162)	-	-	-
Dividends approved and paid in respect of the previous year	8(b)	-	-	-	-	-	-	(123,255)	(123,255)	-	(123,255)
		(14)	-	3,060	(14,584)	-	162	448,715	437,339	264	437,603
Balance at 30 June 2019		<u>29,346</u>	<u>271,037</u>	<u>134,439</u>	<u>(288,819)</u>	<u>754,347</u>	<u>1,703</u>	<u>18,615,729</u>	<u>19,517,782</u>	<u>32,928</u>	<u>19,550,710</u>
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		-	-	120,067	-	-	-	-	120,067	-	120,067
Adjusted balance at 1 January 2018		<u>29,389</u>	<u>271,037</u>	<u>135,207</u>	<u>335</u>	<u>754,347</u>	<u>1,051</u>	<u>16,759,284</u>	<u>17,950,650</u>	<u>31,350</u>	<u>17,982,000</u>
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: transfer 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		<u>29,389</u>	<u>271,037</u>	<u>136,889</u>	<u>(126,798)</u>	<u>754,347</u>	<u>1,559</u>	<u>17,363,338</u>	<u>18,429,761</u>	<u>31,970</u>	<u>18,461,731</u>
Balance at 1 July 2018		<u>29,389</u>	<u>271,037</u>	<u>136,889</u>	<u>(126,798)</u>	<u>754,347</u>	<u>1,559</u>	<u>17,363,338</u>	<u>18,429,761</u>	<u>31,970</u>	<u>18,461,731</u>
Changes in equity for the six months ended 31 December 2018:											
Profit for the period		-	-	-	-	-	-	893,277	893,277	754	894,031
Other comprehensive income for the period		-	-	(5,510)	(147,437)	-	-	-	(152,947)	(60)	(153,007)
Total comprehensive income for the period		-	-	(5,510)	(147,437)	-	-	893,277	740,330	694	741,024
Purchase of own shares											
- par value paid		(29)	-	-	-	-	-	-	(29)	-	(29)
- premium and transaction costs paid		-	-	-	-	-	-	(7,341)	(7,341)	-	(7,341)
Share of the general reserve fund of an associate: transfer from the general reserve fund		-	-	-	-	-	(18)	18	-	-	-
Dividends declared and paid in respect of the current year	8(a)	-	-	-	-	-	-	(82,278)	(82,278)	-	(82,278)
		(29)	-	(5,510)	(147,437)	-	(18)	803,676	650,682	694	651,376
Balance at 31 December 2018		<u>29,360</u>	<u>271,037</u>	<u>131,379</u>	<u>(274,235)</u>	<u>754,347</u>	<u>1,541</u>	<u>18,167,014</u>	<u>19,080,443</u>	<u>32,664</u>	<u>19,113,107</u>

Note:

Retained earnings attributable to the shareholders of the Company as at 30 June 2019 include the aggregate net valuation gain relating to investment properties after deferred tax of \$13,330,980,000 (at 31 December 2018: \$13,067,139,000).

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see note 2).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June	
		2019 HK\$'000	2018 HK\$'000
Operating activities			
Cash generated from operations		278,319	110,504
Tax paid		<u>(29,605)</u>	<u>(21,179)</u>
Net cash generated from operating activities		<u>248,714</u>	<u>89,325</u>
Investing activities			
Payment for the purchase of investment properties and other property, plant and equipment		(6,439)	(11,577)
Decrease in other bank deposits		58,783	86,775
Other cash flows arising from investing activities		<u>42,837</u>	<u>21,828</u>
Net cash generated from investing activities		<u>95,181</u>	<u>97,026</u>
Financing activities			
Capital element of lease payments		(13,351)	-
Interest element of lease payments		(601)	-
Dividends paid to shareholders of the Company	8(b)	(123,255)	(199,842)
Other cash flows arising from financing activities		<u>(23,375)</u>	<u>(21,911)</u>
Net cash used in financing activities		<u>(160,582)</u>	<u>(221,753)</u>
Net increase/(decrease) in cash and cash equivalents		183,313	(35,402)
Cash and cash equivalents at 1 January		2,827,500	2,941,473
Effect of foreign exchange rate changes		<u>(9,800)</u>	<u>(4,693)</u>
Cash and cash equivalents at 30 June		<u>3,001,013</u>	<u>2,901,378</u>

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see note 2).

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 2019.

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 of Certified Public Accountants ("HKICPA"). It was authorised for issue on 29 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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 2018 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 2018 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 2018 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 2019.

2. Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have 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 the interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC) 4, Determining whether an arrangement contains a lease, HK(SIC) 15, Operating leases – incentives, and HK(SIC) 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“short-term leases”) and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to other property, plant and equipment.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for right-of-use assets that meet the definition of investment property are carried at fair value.

(iii) Leasehold investment properties

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation (“leasehold investment properties”). The adoption of HKFRS 16 does not have an impact on the Group’s financial statements as the Group previously elected to apply HKAS 40, Investment properties, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

(b) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 2.7%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and
- (ii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	HK\$'000
Operating lease commitments at 31 December 2018	50,636
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	<u>1,058</u>
	51,694
Less: total future interest expenses	<u>(1,294)</u>
Present value of remaining lease payments, discounted using the incremental borrowing rates and total lease liabilities recognised at 1 January 2019	<u><u>50,400</u></u>

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018.

The Group presents right-of-use assets that do not meet the definition of investment property in “other property, plant and equipment” and presents lease liabilities separately in the consolidated statement of financial position.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group’s consolidated statement of financial position:

	Carrying amount at 31 December 2018 HK\$’000	Capitalisation of operating lease contracts HK\$’000	Carrying amount at 1 January 2019 HK\$’000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Other property, plant and equipment	381,653	50,400	432,053
Total non-current assets	16,672,325	50,400	16,722,725
Lease liabilities (current)	-	25,303	25,303
Current liabilities	490,529	25,303	515,832
Net current assets	3,305,819	(25,303)	3,280,516
Total assets less current liabilities	19,978,144	25,097	20,003,241
Lease liabilities (non-current)	-	25,097	25,097
Total non-current liabilities	865,037	25,097	890,134
Net assets	19,113,107	-	19,113,107

The analysis of the net book value of the Group’s right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 June 2019 HK\$’000	At 1 January 2019 HK\$’000
Included in “Other property, plant and equipment”:		
Land and buildings, carried at depreciated cost	39,931	49,427
Plant and equipment, carried at depreciated cost	649	973
	40,580	50,400
Ownership interests in leasehold investment properties, carried at fair value	12,609,045	12,350,872
	12,649,625	12,401,272

(c) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000
Within one year	27,144	27,837	25,303	26,289
After one year but within two years	<u>13,697</u>	<u>13,774</u>	<u>25,097</u>	<u>25,405</u>
	40,841	41,611	50,400	51,694
Less: total future interest expenses		<u>(770)</u>		<u>(1,294)</u>
Present value of lease liabilities		<u>40,841</u>		<u>50,400</u>

3. Revenue

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

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

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Under the scope of HKFRS 15, Revenue from contracts with customers:		
Department stores		
- Sales of goods	309,561	363,948
- Net income from concession sales	114,347	120,869
- Net income from consignment sales	<u>35,673</u>	<u>37,100</u>
	459,581	521,917
Property investment		
- Building management fees and other rental related income	31,273	31,181
Under the scope of HKFRS 16/HKAS 17, Leases:		
Property investment		
- Gross rentals from investment properties	<u>213,520</u>	<u>203,512</u>
	704,374	756,610

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 and current assets with the exception of interest in an associate, investments in financial assets, current tax recoverable, deferred tax assets and other corporate assets. Segment liabilities include trade and other creditors, accrued charges, contract liabilities, lease liabilities and bank borrowings managed directly by the segments.
- Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and 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 and lease liabilities 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	
	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	459,581	521,917	244,793	234,693	704,374	756,610
Inter-segment revenue	-	-	59,352	58,259	59,352	58,259
Reportable segment revenue	459,581	521,917	304,145	292,952	763,726	814,869
Reportable segment profit	31,247	57,487	254,473	225,690	285,720	283,177

	Department stores		Property investment		Total	
	At	At	At	At	At	At
	30 June	31 December	30 June	31 December	30 June	31 December
	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	219,412	176,360	16,445,559	16,212,966	16,664,971	16,389,326
Additions to non-current segment assets during the period/year	7,040	10,182	5,525	45,512	12,565	55,694
Reportable segment liabilities	335,100	248,076	238,848	271,291	573,948	519,367

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

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Profit		
Reportable segment profit	285,720	283,177
Other revenue	48,025	40,694
Other net gain/(loss)	58,188	(21,134)
Finance costs	(2,613)	(2,683)
Net valuation gain on investment properties	266,731	577,116
Share of profit of an associate	5,837	8,438
Unallocated head office and corporate expenses	(31,313)	(34,480)
Consolidated profit before taxation	<u>630,575</u>	<u>851,128</u>
	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Assets		
Reportable segment assets	16,664,971	16,389,326
Elimination of inter-segment receivables	(4,868)	(4,811)
	<u>16,660,103</u>	<u>16,384,515</u>
Interest in an associate	313,194	307,185
Other investments	146,217	143,157
Deferred tax assets	2,004	11,609
Trading securities	805,259	704,746
Unallocated head office and corporate assets	3,046,530	2,917,461
Consolidated total assets	<u>20,973,307</u>	<u>20,468,673</u>
Liabilities		
Reportable segment liabilities	573,948	519,367
Elimination of inter-segment payables	(4,868)	(4,811)
	<u>569,080</u>	<u>514,556</u>
Current tax payable	43,963	24,494
Deferred tax liabilities	752,730	760,550
Unallocated head office and corporate liabilities	56,824	55,966
Consolidated total liabilities	<u>1,422,597</u>	<u>1,355,566</u>

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

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Other revenue		
Interest income from bank deposits	32,475	25,150
Interest income from investments in securities	1,670	-
Dividend income from investments in securities	10,638	12,407
Compensation received on early termination of leases	161	414
Others	3,081	2,723
	<u>48,025</u>	<u>40,694</u>
Other net gain/(loss)		
Net gain/(loss) on remeasurement to fair value of		
- trading securities	32,712	(36,381)
- derivative financial instruments	30	89
Net gain on disposal of		
- trading securities	24,442	5,464
- derivative financial instruments	5,647	4,699
Net foreign exchange (loss)/gain	(4,590)	5,026
Net loss on disposal of plant and equipment	(53)	(31)
	<u>58,188</u>	<u>(21,134)</u>

6. Profit before taxation

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

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
(a) Finance costs		
Interest on bank loan	2,012	2,683
Interest on lease liabilities	601	-
	<u>2,613</u>	<u>2,683</u>
(b) Staff costs (excluding directors' remuneration)		
Contributions to defined contribution retirement plans	5,953	5,978
Salaries, wages and other benefits	103,359	107,240
	<u>109,312</u>	<u>113,218</u>
(c) Rentals received and receivable from investment properties		
Gross income from property investment	(244,793)	(234,693)
Less: direct outgoings	34,148	51,813
	<u>(210,645)</u>	<u>(182,880)</u>
(d) Other items		
Depreciation and amortisation		
- owned assets	18,673	18,202
- lease incentives	12,601	12,695
- right-of-use assets	13,611	-
Impairment losses of trade and other debtors written back	-	(22)
Operating lease charges under HKAS 17		
- minimum lease payments for hire of land and buildings	-	13,579
- contingent rentals for hire of land and buildings	-	27
Cost of inventories sold	<u>217,596</u>	<u>249,949</u>

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

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	<u>32,934</u>	<u>34,397</u>
Current tax – Overseas		
Provision for the period	<u>16,223</u>	<u>3,617</u>
Deferred tax		
Origination and reversal of temporary differences		
- changes in fair value of investment properties	2,931	(857)
- other temporary differences	<u>2,382</u>	<u>9,065</u>
	<u>5,313</u>	<u>8,208</u>
Total income tax expense	<u><u>54,470</u></u>	<u><u>46,222</u></u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the six months ended 30 June 2019, 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 HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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

8. Dividends

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

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Interim dividend:		
- declared after the interim period	111,516	82,288
- attributable to shares purchased in September 2018	-	(10)
	<u>111,516</u>	<u>82,288</u>
Interim dividend payable after the interim period of 38 HK cents (2018: 28 HK cents) per share	<u>111,516</u>	<u>82,278</u>

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

- (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	
	2019	2018
	HK\$'000	HK\$'000
Final dividend in respect of the financial year ended 31 December 2018/31 December 2017:		
- approved during the interim period	123,313	199,842
- attributable to shares purchased in January and May 2019	(58)	-
	<u>123,313</u>	<u>199,842</u>
Final dividend paid during the interim period of 42 HK cents (2017: 68 HK cents) per share	<u>123,255</u>	<u>199,842</u>

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 2019 of HK\$575,767,000 (six months ended 30 June 2018: HK\$804,404,000) divided by the weighted average of 293,536,000 shares (2018: 293,885,000 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			
	2019	Amount per share	2018	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	575,767	196.1	804,404	273.7
Adjustments:				
Less: Net valuation gain on investment properties	(266,731)	(90.9)	(577,116)	(196.3)
Add/(less): Increase/(decrease) in deferred tax liabilities in relation to the net valuation gain on investment properties	2,931	1.0	(857)	(0.3)
	311,967	106.2	226,431	77.1
Less: Valuation loss on investment property net of related deferred tax attributable to non-controlling interests	(41)	-	(14)	-
Underlying profit attributable to shareholders of the Company	311,926	106.2	226,417	77.1

10. Debtors, deposits and prepayments

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Trade and other debtors, net of loss allowance	37,990	32,154
Deposits and prepayments	50,388	37,405
	<u>88,378</u>	<u>69,559</u>

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

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Current or less than one month past due	37,868	31,920
One to three months past due	36	151
More than three months but less than twelve months past due	82	75
More than twelve months past due	4	8
	<u>37,990</u>	<u>32,154</u>

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 2019 HK\$'000	At 31 December 2018 HK\$'000
Amounts not yet due	344,036	297,231
On demand or less than one month overdue	58,481	69,516
One to three months overdue	3,817	7,088
Three to twelve months overdue	2,472	142
More than twelve months overdue	1,202	1,712
Trade and other creditors	<u>410,008</u>	<u>375,689</u>
Accrued charges	31,832	33,499
	<u>441,840</u>	<u>409,188</u>

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 2019, the Group's revenue was HK\$704.4 million (2018: HK\$756.6 million), a decrease of 6.9% due mainly to the decrease in department stores revenue.

Profit attributable to shareholders for the first half of 2019 was HK\$575.8 million (2018: HK\$804.4 million), a decrease of 28.4% 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 increased by 37.8% to HK\$311.9 million (2018: HK\$226.4 million). The increase was attributable mainly to the gain recorded from the Group's investments in securities as opposed to the loss recorded in the same period last year.

Earnings per share decreased by 28.4% to 196.1 HK cents (2018: 273.7 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 increased by 37.7% to 106.2 HK cents (2018: 77.1 HK cents) per share.

The directors have decided to pay an interim dividend of 38 HK cents (2018: 28 HK cents) per share, absorbing a total amount of HK\$111,516,000 (2018: HK\$82,288,000). The interim dividend will be paid on 23 October 2019 to shareholders whose names appear on the Register of Members of the Company on 14 October 2019. The Register of Members will be closed from 8 October 2019 to 14 October 2019, both dates inclusive, during which period no share transfer will be accepted.

To qualify for the interim dividend, share transfers to be dealt with must be lodged with the Company's Share Registrars, Tricor Progressive Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:00 p.m. on Friday, 4 October 2019.

LIQUIDITY AND FINANCIAL RESOURCES

Overall Financial Position

Shareholders' equity at 30 June 2019 was HK\$19,517.8 million, an increase of 2.3% as compared to that at 31 December 2018. With cash and listed marketable securities at 30 June 2019 of about HK\$3,590.90 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 2019, the Group's total borrowings amounted to HK\$121.5 million, a decrease of about HK\$18.2 million as compared to that at 31 December 2018 due to partial mortgage loan repayments and exchange differences. The Group's total borrowings of HK\$121.5 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\$3,248.9 million, have been pledged to banks as collateral security for banking facilities granted to the extent of HK\$121.5 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 2019, was 0.6% as compared with 0.7% at 31 December 2018.

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\$2,886.1 million at 30 June 2019 (at 31 December 2018: HK\$2,851.2 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 2019, the total amount of the Group's capital expenditure commitments was HK\$28.3 million (at 31 December 2018: HK\$27.4 million). As at 30 June 2019, the Group had no contingent liability (at 31 December 2018: HK\$ nil).

HALF YEAR BUSINESS REVIEW

Department Store Operations

The Group's department stores business, which serves mainly local customers in Hong Kong, continued to be difficult in the period under review. The unseasonably warm weather in January and February has adversely affected the sales of winter clothing items and winter electrical goods in the first quarter. During the second quarter, the fragile consumer sentiment amid uncertain local market conditions and the mass demonstrations since June continued to impact the department stores' sales although the sales decline was moderate in the second quarter with the launch of extra promotional events. For the six months ended 30 June 2019, the Group's department stores achieved a revenue of HK\$459.6 million, a decrease of 11.9% when compared to HK\$521.9 million achieved in 2018. Overall, the department stores operating profit for the first half of 2019 decreased by 45.7% to HK\$31.2 million (2018: HK\$57.5 million), due mainly to the decrease in revenue and thus gross profit.

Property Investments

The Group's property investment income increased by 12.8% to HK\$254.5 million (2018: HK\$225.7 million) for the six months ended 30 June 2019. Income from the Group's commercial investment properties in Hong Kong increased by 5.9% to HK\$182.6 million (2018: HK\$172.4 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 to about 99% (2018: 95%) during the period under review. Income from the Group's commercial office properties in Melbourne increased by 41.3% to HK\$68.8 million (2018: HK\$48.7 million) during the period under review. Net income in terms of Australian dollar currency increased by 53.5%, which was primarily attributable to higher rental rates achieved upon renewal of leases, the refund of certain land tax in respect of prior years, and decrease in statutory charges. The Group's Melbourne properties were fully let (2018: 96%) throughout the period under review.

Interest in an Associate

For the six months ended 30 June 2019, 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\$5.8 million (2018: share of profit after tax of HK\$4.4 million). Overall, the Group recorded a share of profit from the associate of HK\$5.8 million (2018: HK\$8.4 million) for the six months ended 30 June 2019.

Others

During the period under review, the Group's investments in securities recorded a gain of HK73.8 million (2018: a loss of HK\$14.5 million). However, the Group recorded a net foreign exchange loss of HK\$4.6 million (2018: a net gain of HK\$5.0 million) from its holdings of foreign currencies.

STAFF

As at 30 June 2019, the Group had a total staff of 659 (at 30 June 2018: 697). The Group's remuneration policies, bonus schemes, Mandatory Provident Fund Schemes, etc., have not changed materially from the information disclosed in the 2018 Annual Report.

OUTLOOK FOR THE REMAINDER OF 2019

The outlook for the Group's department stores business in the second half of the year is expected to be difficult and challenging due to mounting social unrest in Hong Kong. However, with the financial strength of the Group and a loyal customer base, the Group and its retail team are dedicated to continue to provide its customers with the best service and quality merchandise. 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 2019.

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 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2019, the Company purchased its own shares on the Stock Exchange and cancelled the shares as follows:

Shares purchased and cancelled

Month/year	Number of shares purchased	Purchase price per share		Aggregate price paid HK\$'000
		Highest HK\$	Lowest HK\$	
January 2019	46,000	25.45	25.10	1,168
May 2019	93,000	26.85	26.40	2,469
	<u>139,000</u>			<u>3,637</u>

Save as disclosed above, 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 2019.

By Order of the Board
Karl C. Kwok
Chairman

Hong Kong, 29 August 2019

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. Iain Ferguson Bruce, Mr. Leung Wing Ning and Mr. Nicholas James Debnam.