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

ANNOUNCEMENT OF 2019 ANNUAL RESULTS

The directors of Wing On Company International Limited ("the Company") and its subsidiaries (together referred to as "the Group") announce the consolidated results for the year ended 31 December 2019:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 December	
		2019	2018
	Note	**HK$'000**	HK$'000
Revenue	3	**1,371,494**	1,462,829
Other revenue	5	**89,727**	90,833
Other net gain/(loss)	5	**80,757**	(100,335)
Cost of department store sales	6(d)	**(424,804)**	(469,373)
Cost of property leasing activities	6(b)	**(76,889)**	(97,171)
Other operating expenses	6(c)	**(395,654)**	(422,449)
Profit from operations		**644,631**	464,334
Finance costs	6(a)	**(4,353)**	(5,093)
		640,278	459,241
Net valuation gain on investment properties		**302,586**	1,387,462
		942,864	1,846,703
Share of profit of an associate		**19,498**	10,904
Profit before taxation	6	**962,362**	1,857,607
Income tax	7	**(195,549)**	(158,670)
Profit for the year		**766,813**	1,698,937
Attributable to:			
Shareholders of the Company		**765,658**	1,697,681
Non-controlling interests		**1,155**	1,256
Profit for the year		**766,813**	1,698,937
Basic and diluted earnings per share	9(a)	**261.0 cents**	577.7 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

	Year ended 31 December			
	2019		2018	
	HK$'000	**HK$'000**	HK$'000	HK$'000
Profit for the year		**766,813**		1,698,937
Other comprehensive income for the year (after tax and reclassification adjustments):				
Item that may not be reclassified subsequently to profit or loss:				
- other investments at fair value through other comprehensive income		**(6,060)**		(3,828)
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation adjustments:				
- exchange differences on translation of financial statements of overseas subsidiaries	**(32,156)**		(269,515)	
- share of exchange differences on translation of financial statements of an overseas associate	**(2,264)**		(4,997)	
		(34,420)		(274,512)
		(40,480)		(278,340)
Total comprehensive income for the year		**726,333**		1,420,597
Attributable to:				
Shareholders of the Company		**725,358**		1,419,283
Non-controlling interests		**975**		1,314
Total comprehensive income for the year		**726,333**		1,420,597

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

	Note	At 31 December 2019 HK$'000	At 31 December 2018 HK$'000
Non-current assets			
Investment properties		**16,090,297**	15,828,721
Other property, plant and equipment		**387,574**	381,653
		16,477,871	16,210,374
Interest in an associate		**324,419**	307,185
Other investments		**140,237**	143,157
Deferred tax assets		**436**	11,609
		16,942,963	16,672,325
Current assets			
Trading securities		**883,022**	704,746
Inventories		**99,526**	116,515
Debtors, deposits and prepayments	10	**68,271**	69,559
Amounts due from fellow subsidiaries		**18,201**	3,209
Other bank deposits		**13,543**	74,819
Cash and cash equivalents		**2,993,692**	2,827,500
		4,076,255	3,796,348
Current liabilities			
Creditors and accrued charges	11	**359,910**	409,188
Contract liabilities		**18,373**	18,137
Secured bank loan		**103,290**	35,196
Lease liabilities		**27,399**	-
Amounts due to fellow subsidiaries		**3,818**	3,514
Current tax payable		**80,587**	24,494
		593,377	490,529
Net current assets		**3,482,878**	3,305,819
Total assets less current liabilities		**20,425,841**	19,978,144
Non-current liabilities			
Secured bank loan		**-**	104,487
Lease liabilities		**1,020**	-
Deferred tax liabilities		**843,880**	760,550
		844,900	865,037
Net assets		**19,580,941**	19,113,107
Capital and reserves			
Share capital		**29,256**	29,360
Reserves		**19,518,046**	19,051,083
Total equity attributable to shareholders of the Company		**19,547,302**	19,080,443
Non-controlling interests		**33,639**	32,664
Total equity		**19,580,941**	19,113,107

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 YEAR ENDED 31 DECEMBER 2019

		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
		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 2019											
Profit for the year		-	-	-	-	-	-	765,658	765,658	1,155	766,813
Other comprehensive income		-	-	(6,060)	(34,240)	-	-	-	(40,300)	(180)	(40,480)
Total comprehensive income for the year		-	-	(6,060)	(34,240)	-	-	765,658	725,358	975	726,333
Purchase of own shares											
- par value paid		(104)	-	-	-	-	-	-	(104)	-	(104)
- premium and transaction costs paid		-	-	-	-	-	-	(23,666)	(23,666)	-	(23,666)
Dividends approved and paid in respect of the previous year	8(b)	-	-	-	-	-	-	(123,255)	(123,255)	-	(123,255)
Dividends declared and paid in respect of the current year	8(a)	-	-	-	-	-	-	(111,474)	(111,474)	-	(111,474)
Share of the general reserve fund of an associate: transfer to the general reserve fund		-	-	-	-	-	159	(159)	-	-	-
		(104)	-	(6,060)	(34,240)	-	159	507,104	466,859	975	467,834
Balance at 31 December 2019		29,256	271,037	125,319	(308,475)	754,347	1,700	18,674,118	19,547,302	33,639	19,580,941
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 2018											
Profit for the year		-	-	-	-	-	-	1,697,681	1,697,681	1,256	1,698,937
Other comprehensive income		-	-	(3,828)	(274,570)	-	-	-	(278,398)	58	(278,340)
Total comprehensive income for the year		-	-	(3,828)	(274,570)	-	-	1,697,681	1,419,283	1,314	1,420,597
Purchase of own shares											
- par value paid		(29)	-	-	-	-	-	-	(29)	-	(29)
- premium and transaction costs paid		-	-	-	-	-	-	(7,341)	(7,341)	-	(7,341)
Dividends approved and paid in respect of the previous year	8(b)	-	-	-	-	-	-	(199,842)	(199,842)	-	(199,842)
Dividends declared and paid in respect of the current year	8(a)	-	-	-	-	-	-	(82,278)	(82,278)	-	(82,278)
Share of the general reserve fund of an associate: transfer to the general reserve fund		-	-	-	-	-	490	(490)	-	-	-
		(29)	-	(3,828)	(274,570)	-	490	1,407,730	1,129,793	1,314	1,131,107
Balance at 31 December 2018		29,360	271,037	131,379	(274,235)	754,347	1,541	18,167,014	19,080,443	32,664	19,113,107

Note:
Retained earnings attributable to the shareholders of the Company as at 31 December 2019 include the aggregate net valuation gain relating to investment properties after deferred tax of $13,273,443,000 (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).

NOTES

1. Basis of preparation

The annual results set out in the announcement do not constitute the Group's financial statements for the year ended 31 December 2019 but are extracted from those financial statements.

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. This announcement also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). In addition, this announcement has been reviewed by the Company's Audit Committee.

The figures in respect of this announcement of the Group's results for the year ended 31 December 2019 have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in respect of this announcement was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditor on this announcement.

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, Leases, 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. 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.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

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:

(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 and transitional impact

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 which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

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 a practical expedient at the date of initial application of HKFRS 16. When the Group measures 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).

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	1,058
	51,694
Less: total future interest expenses	(1,294)
Present value of remaining lease payments, discounted using the incremental borrowing rates and total lease liabilities recognised at 1 January 2019	50,400

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.

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
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
Non-current liabilities	865,037	25,097	890,134
Net assets	19,113,107	-	19,113,107

(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.

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:

	2019	2018
	HK$'000	HK$'000
Under the scope of HKFRS 15, Revenue from contracts with customers:		
Department stores		
- Sales of goods	**590,077**	679,996
- Net income from concession sales	**220,787**	243,771
- Net income from consignment sales	**68,860**	70,677
	879,724	994,444
Property investment		
- Building management fees and other rental related income	**62,716**	61,926
Under the scope of HKFRS 16/HKAS 17, Leases:		
Property investment		
- Gross rentals from investment properties	**429,054**	406,459
	1,371,494	1,462,829

Disaggregation of revenue from contracts with customers by geographical locations is disclosed in note 4(c).

The Group's customer base is diversified and does not have any customer with whom transactions have exceeded 10% of the Group's total revenue.

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 ("USA").

(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 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, accrued charges, lease liabilities, contract liabilities and bank borrowings managed directly by the segments.

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

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

In addition to receiving segment information concerning segment profit, management is provided with segment information concerning revenue (including inter-segment revenue), finance costs on lease liabilities and bank borrowings managed directly by the segments, depreciation, amortisation and 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 years ended 31 December 2019 and 2018 is set out below.

	Department stores		**Property investment**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**879,724**	994,444	**491,770**	468,385	**1,371,494**	1,462,829
Inter-segment revenue	**-**	-	**119,179**	116,240	**119,179**	116,240
Reportable segment revenue	**879,724**	994,444	**610,949**	584,625	**1,490,673**	1,579,069
Reportable segment profit	**37,832**	97,897	**505,127**	461,388	**542,959**	559,285
Finance costs	**1,067**	-	**3,286**	5,093	**4,353**	5,093
Depreciation and amortisation for the year	**37,481**	9,434	**50,659**	51,696	**88,140**	61,130
Impairment losses of trade debtors written back	**(11)**	(18)	**-**	-	**(11)**	(18)
Reportable segment assets	**179,913**	176,360	**16,460,132**	16,212,966	**16,640,045**	16,389,326
Additions to non-current segment assets during the year	**14,530**	10,182	**25,644**	45,512	**40,174**	55,694
Reportable segment liabilities	**241,913**	248,076	**224,506**	271,291	**466,419**	519,367

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).

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

	2019 HK$'000	2018 HK$'000
Profit		
Reportable segment profit	**542,959**	559,285
Share of profit of an associate	**19,498**	10,904
Other revenue	**89,727**	90,833
Other net gain/(loss)	**80,757**	(100,335)
Finance costs	**(4,353)**	(5,093)
Net valuation gain on investment properties	**302,586**	1,387,462
Unallocated head office and corporate expenses	**(68,812)**	(85,449)
Consolidated profit before taxation	**962,362**	1,857,607

	2019 HK$'000	2018 HK$'000
Assets		
Reportable segment assets	**16,640,045**	16,389,326
Elimination of inter-segment receivables	**(5,634)**	(4,811)
	16,634,411	16,384,515
Interest in an associate	**324,419**	307,185
Other investments	**140,237**	143,157
Deferred tax assets	**436**	11,609
Trading securities	**883,022**	704,746
Unallocated head office and corporate assets	**3,036,693**	2,917,461
Consolidated total assets	**21,019,218**	20,468,673
Liabilities		
Reportable segment liabilities	**466,419**	519,367
Elimination of inter-segment payables	**(5,634)**	(4,811)
	460,785	514,556
Current tax payable	**80,587**	24,494
Deferred tax liabilities	**843,880**	760,550
Unallocated head office and corporate liabilities	**53,025**	55,966
Consolidated total liabilities	**1,438,277**	1,355,566

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties and other property, plant and equipment and interest in an associate ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of investment properties and other property, plant and equipment and the location of operations in the case of interest in an associate.

	Revenue from external customers		Specified non-current assets	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (place of domicile)	**1,230,754**	1,322,136	**12,721,983**	12,732,272
Australia	**127,956**	126,012	**3,538,147**	3,265,738
USA	**12,784**	14,681	**340,783**	334,154
People's Republic of China	**-**	-	**201,377**	185,395
	140,740	140,693	**4,080,307**	3,785,287
	1,371,494	1,462,829	**16,802,290**	16,517,559

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

	2019	2018
	HK$'000	HK$'000
Other revenue		
Interest income from bank deposits	**59,615**	56,099
Interest income from investments in securities	**4,047**	676
Dividend income from investments in securities	**19,318**	24,781
Compensation received on early termination of leases	**2,701**	5,601
Others	**4,046**	3,676
	89,727	90,833
Other net gain/(loss)		
Net gain/(loss) on remeasurement to fair value of trading securities	**40,942**	(114,406)
Net realised gain on disposal of		
- trading securities	**37,592**	8,533
- derivative financial instruments	**12,590**	8,029
Net foreign exchange loss	**(10,670)**	(2,454)
Net gain/(loss) on disposal of plant and equipment	**303**	(37)
	80,757	(100,335)

6. Profit before taxation

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

	2019 HK$'000	2018 HK$'000
(a) Finance costs		
Interest on bank loan	**3,286**	5,093
Interest on lease liabilities	**1,067**	-
	4,353	5,093
(b) Rentals receivable from investment properties		
Gross income from property investment	**(491,770)**	(468,385)
Less: direct outgoings	**76,889**	97,171
	(414,881)	(371,214)
(c) Other operating expenses, include		
Staff costs (excluding directors' emoluments)		
- salaries, wages and other benefits	**199,646**	210,339
- contributions to defined contribution retirement plans	**11,560**	11,837
	211,206	222,176
Less: included in cost of property leasing activities	**(4,031)**	(3,885)
	207,175	218,291
Directors' emoluments	**24,960**	29,414
Depreciation		
- land and buildings*	**-**	25,186
- owned plant and equipment	**12,333**	11,493
- right-of-use assets*	**52,386**	-
Auditors' remuneration		
- audit services	**4,932**	4,746
- tax services	**648**	543
- other services	**1,256**	1,496
Impairment losses of trade debtors written back	**(11)**	(18)
Operating lease charges under HKAS 17*		
- minimum lease payments for hire of land and buildings	**-**	27,171
- contingent rentals for hire of land and buildings	**-**	30
Advertising expenses	**14,640**	13,842
Information technology expenses	**9,275**	19,126
Credit card commission	**7,722**	8,953
Electricity, water and gas	**7,122**	7,173
Government rent and rates	**6,775**	6,539
Legal and professional fees	**4,846**	8,152

* The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, comparative information is not restated (see note 2).

(d) Other items

	2019 HK$'000	2018 HK$'000
Amortisation on leases incentives	**24,621**	25,405
Cost of inventories sold	**424,804**	469,373

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

	2019 **HK$'000**	2018 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**62,378**	63,312
Over-provision in respect of prior years	**(60)**	(92)
	62,318	63,220
Current tax – Overseas		
Provision for the year	**30,895**	17,140
(Over)/under-provision in respect of prior years	**(45)**	662
	30,850	17,802
Deferred tax		
Origination and reversal of temporary differences		
- changes in fair value of investment properties	**95,713**	67,231
- other temporary differences	**6,668**	10,417
	102,381	77,648
Total income tax expense	**195,549**	158,670

The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year 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 year:

	2019	2018
	HK$'000	HK$'000
Interim dividend:		
- declared during the year	**111,516**	82,288
- attributable to shares purchased in July 2019/September 2018	**(42)**	(10)
Interim dividend paid of 38 HK cents (2018: 28 HK cents) per share	**111,474**	82,278
Final dividend proposed after the end of the reporting period of 65 HK cents (2018: 42 HK cents) per share	**190,165**	123,313
	301,639	205,591

The final dividend proposed 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 year :

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

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 year ended 31 December 2019 of HK$765,658,000 (2018: HK$1,697,681,000) divided by the weighted average of 293,391,000 shares (2018: 293,857,000 shares) in issue during the year.

There were no dilutive potential shares outstanding throughout the years 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, management is of the view that the profit for the year 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 year is reconciled as follows:

	2019		2018	
		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	**765,658**	**261.0**	1,697,681	577.7
Less: Net valuation gain on investment properties	**(302,586)**	**(103.1)**	(1,387,462)	(472.2)
Add: Increase in deferred tax liabilities in relation to the net valuation gain on investment properties	**95,713**	**32.6**	67,231	22.9
	558,785	**190.5**	377,450	128.4
Add: Valuation gain on investment property net of related deferred tax attributable to non-controlling interests	**569**	**0.2**	582	0.2
Underlying profit attributable to shareholders of the Company	**559,354**	**190.7**	378,032	128.6

10. Debtors, deposits and prepayments

	2019 **HK$'000**	2018 HK$'000
Trade debtors, net of loss allowance	**22,424**	32,154
Deposits and prepayments	**45,847**	37,405
	68,271	69,559

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:

	2019 **HK$'000**	2018 HK$'000
Current (not past due) or less than one month past due	**21,980**	31,920
One to three months past due	**329**	151
More than three months but less than twelve months past due	**76**	75
More than twelve months past due	**39**	8
	22,424	32,154

According to the Group's credit policy, the credit period granted to customers is generally 30 days from the date of billing.

11. Creditors and accrued charges

	2019 **HK$'000**	2018 HK$'000
Trade and other creditors	**323,308**	375,689
Accrued charges	**36,602**	33,499
	359,910	409,188

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

	2019 **HK$'000**	2018 HK$'000
Amounts not yet due	**257,265**	297,231
On demand or less than one month overdue	**60,545**	69,516
One to three months overdue	**3,592**	7,088
Three to twelve months overdue	**413**	142
More than twelve months overdue	**1,493**	1,712
	323,308	375,689

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

12. Non-adjusting event after the reporting period

The outbreak of COVID-19 ("the outbreak") in Hong Kong since early 2020 caused a significant adverse impact on the Group's department stores business. The recent wide spread of the outbreak throughout the world will definitely affect the global economy and is expected not to be resolved within a short period.

The Group's department stores business will be operating under extreme difficulties resulting in a significant drop in revenue. The fair value of the Group's investment properties and investment portfolio will also be subject to fluctuations due to the outbreak.

At present, it is difficult for the Group's management to assess the financial impact of the outbreak. The Group's management will continue to monitor the situation and minimise the impact.

The outbreak is a non-adjusting event after the financial year end and does not result in any adjustments to the consolidated financial statements for the year ended 31 December 2019.

2019 RESULTS AND DIVIDEND

For the year ended 31 December 2019, the Group's revenue decreased by 6.2% to HK$1,371.5 million (2018: HK$1,462.8 million) due to the decline in department stores revenue.

Profit attributable to shareholders for the year ended 31 December 2019 was HK$765.7 million (2018: HK$1,697.7 million), a decrease of 54.9% due mainly to the decrease in net valuation gain on investment properties which only achieved a gain of HK$302.6 million (2018: HK$1,387.5 million). Excluding this non-cash item and related deferred tax thereon, the Group's underlying profit attributable to shareholders increased by 48.0% to HK$559.4 million in 2019 (2018: HK$378.0 million) which was attributable to the gain recorded from the Group's investments in securities as opposed to the loss recorded in 2018 and increase in contribution from the Group's property investments, partly offset by the decline in profit from the Group's department stores operations.

Earnings per share was 261.0 HK cents per share in 2019 (2018: 577.7 HK cents per share). Excluding the net valuation gain on investment properties and related deferred tax thereon, underlying earnings per share for the year increased by 48.3% to 190.7 HK cents (2018: 128.6 HK cents) per share.

The Company has a practice of paying dividends to shareholders based on the amount of underlying profit attributable to shareholders for the year and makes no reference to any valuation gain or loss on investment properties. Over the last decade, the Company has consistently paid to shareholders annual dividends of about 50% of the underlying profit for each of those years. Barring unforeseen circumstances or any major funding needs, the Company intends to maintain such dividend practice. In respect of 2019, the directors have recommended a final dividend of 65 HK cents (2018: 42 HK cents) per share payable to shareholders on the Register of Members on 17 June 2020 which, together with the interim dividend of 38 HK cents (2018: 28 HK cents) per share paid on 23 October 2019 making a total payment of 103 HK cents (2018: 70 HK cents) per share for the whole year.

Subject to the approval of shareholders of the proposed final dividend at the forthcoming Annual General Meeting to be held on 4 June 2020, the Register of Members will be closed from Friday, 12 June 2020 to Wednesday, 17 June 2020, both dates inclusive, during which period no share transfers can be registered. To qualify for the final dividend, share transfers to be dealt with must be lodged with the Company's Share Registrar, Tricor Progressive Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:00 p.m. on Thursday, 11 June 2020. Dividend warrants will be sent to shareholders on 22 June 2020.

BUSINESS STRATEGY

The Group's current business strategy is to focus on the operation of its department stores business and the enhancement of rental income from its commercial property investments. These are the Group's core businesses and the primary profit contributors. With Wing On Department Stores being a household name and having a presence of more than 110 years in Hong Kong, its management is well aware of and adapts timely to the ever changing needs of its customers. The Group is confident that its department stores will continue to serve its customers well. In addition to its core business activities, the Group also engages in securities investments mainly in blue chip shares on major stock exchanges and investment funds managed by professional investment managers. With its sound financials, the Group will continue to strengthen its core business activities and look for opportunities to expand its business and to improve its earnings.

LIQUIDITY AND FINANCIAL RESOURCES

Overall Financial Position

Shareholders' equity at 31 December 2019 was HK$19,547.3 million, an increase of 2.4% as compared to that at 31 December 2018. With cash and listed marketable securities at 31 December 2019 of about HK$3,658.6 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 31 December 2019, the Group's total borrowings amounted to HK$103.3 million, a decrease of about HK$36.4 million, due to partial repayments and exchange differences, as compared to that at 31 December 2018. The Group's total borrowings of HK$103.3 million relate to a mortgage loan for Australian investment properties. The mortgage loan was renewed in November 2017 for three years to November 2020, the bulk of which will be repayable by the end of 2020. Certain assets, comprising principally property interests with a book value of HK$3,537.9 million, have been pledged to banks as collateral security for banking facilities granted to the extent of HK$103.3 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 31 December 2019, was 0.5% 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 dollar. Hence, the foreign exchange exposure is limited to the net investments in overseas subsidiaries of approximately HK$3,122.1 million at 31 December 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 31 December 2019, the total amount of the Group's capital expenditure commitments was HK$33.5 million (at 31 December 2018: HK$27.4 million). As at 31 December 2019, the Group had no contingent liability (at 31 December 2018: HK$nil).

2019 BUSINESS SUMMARY

Department Stores Operations

2019 was a difficult year for the Hong Kong retail sector including the Group's department stores business. During the first half of 2019, the unseasonably warm weather in January and February adversely affected the sales of winter clothing items and winter electrical goods. In the second half of 2019, the weakening of consumer confidence amid the prolonged social unrest and disturbances took a heavy toll on retail activities. The Group's department stores operations were severely disrupted during this period due to the protests which frequently took place on weekends and at times in the vicinity of our stores, requiring our stores to either shorten their business hours or close shop for the whole day. To tackle the adverse business environment, the Group took various actions to support the department stores business including offering deeper discounts, launching extra sale promotions and extending the duration of its two popular Super Sale and Special Sale promotions. With these actions, the Group managed to lessen the sales decline in the second half of 2019 and reduce its summer inventory to a manageable level. Overall, the Group's department stores revenue decreased by 11.5% to HK$879.7 million (2018: HK$994.4 million) for the year ended 31 December 2019. The Group's department stores operating profit decreased by 61.4% to HK$37.8 million (2018: HK$97.9 million) due mainly to the decrease in revenue and gross profit.

Property Investments

For the year ended 31 December 2019, the Group's property investment income increased by 9.5% to HK$505.1 million (2018: HK$461.4 million). Income from the Group's commercial investment properties in Hong Kong increased by 6.1% to HK$369.4 million (2018: HK$348.3 million) which was attributable to the increase in occupancy of Wing On Kowloon Centre and the higher rental rates achieved from lease renewals and new leases of both Wing On Centre and Wing On Kowloon Centre during the year. The overall occupancy of the Group's commercial investment properties in Hong Kong increased to about 99% (2018: 98%) at 31 December 2019. Income from the Group's commercial office properties in Melbourne increased by 22.2% to HK$131.5 million (2018: HK$107.6 million) during 2019. Net income in Australian dollar terms increased by 30.9% which was due mainly to the higher rental rates achieved from lease renewals and the recovery of certain land tax in respect of prior years. The overall occupancy rate of the Group's investment properties in Melbourne was 100% (2018: 100%) at 31 December 2019.

Interest in an Associate

For the year ended 31 December 2019, 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$3.9 million (2018: HK$4.9 million). Overall, the Group recorded a share of profit from the associate of HK$19.5 million (2018: HK$10.9 million).

Others

As at 31 December 2019, the Group's investment portfolio amounted to HK$883.0 million (2018: HK$704.7 million), which mainly comprised of blue-chip securities on major stock exchanges and investment funds managed by professional investment managers. During the year under review, the Group's investment portfolio recorded a gain of HK$112.6 million (2018: a loss of HK$74.1 million) due to the strong performance of global financial markets, resulting in positive contribution from the investment portfolio. The Group recorded a net foreign exchange loss of HK$10.6 million (2018: HK$2.4 million) in its holdings of foreign currencies.

STAFF

As at 31 December 2019, the Group had a total staff of 648 (2018: 686). 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. Details of such policies will be published in the 2019 annual report.

2020 OUTLOOK

The Group envisages that the Hong Kong retail market will remain grim at least for the first half of 2020, if not longer. The already weak consumer spending trend compounded by the outbreak of the new coronavirus COVID-19 since January 2020, which has since this month been declared as a pandemic by the World Health Organization, will undoubtably have severe implications for many business sectors including retail. This virus has already caused a noticeable drop in customer visits to our department stores resulting in significant adverse impact on its revenue in the past two months. The Group's investment portfolio will come under pressure from the recent turbulent trading of global financial markets to the COVID-19 pandemic. The Group's commercial investment properties in Hong Kong and Australia will continue to provide stable rental income. With its financial strength and a dedicated management, the Group is able to face the challenges ahead and look for good investments when opportunities arise.

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 financial year ended 31 December 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 year ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2019, the Company purchased a total of 1,042,000 shares of the Company on the Stock Exchange for enhancing net asset value and earnings per share of the Company. All the purchased shares were cancelled. Details of the purchases of shares are as follows:

Month/Year	Number of shares purchased	Purchase price per share Highest HK$	Lowest HK$	Aggregate price paid HK$'000
January 2019	46,000	25.45	25.10	1,168
May 2019	93,000	26.85	26.40	2,469
July 2019	110,000	24.75	24.25	2,691
October 2019	72,000	23.00	22.00	1,634
November 2019	112,000	22.95	22.70	2,553
December 2019	609,000	22.40	21.00	13,174
	1,042,000			23,689

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 year ended 31 December 2019.

RE-DESIGNATION OF DIRECTOR

Dr. Bill Kwok will be re-designated from a Non-executive Director to an Executive Director with effect from 1 April 2020.

ANNUAL GENERAL MEETING

The 2020 Annual General Meeting of the Company will be held on 4 June 2020. The Notice of Annual General Meeting will be published and dispatched on or about 29 April 2020 in the manner as required by the Listing Rules.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

The 2019 Annual Report containing all the information required by the Listing Rules will be published on the Stock Exchange's website in due course.

By Order of the Board
Karl C. Kwok
Chairman

Hong Kong, 30 March 2020

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.