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

ANNOUNCEMENT OF 2020 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 2020:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Year ended 31 December	
		2020 HK\$'000	2019 HK\$'000
Revenue	3	1,187,645	1,371,494
Other revenue	5	105,469	89,727
Other net gain	5	39,087	80,757
Cost of department store sales	6(d)	(342,976)	(424,804)
Cost of property leasing activities	6(b)	(89,776)	(76,889)
Other operating expenses	6(c)	(382,494)	(395,654)
Profit from operations		516,955	644,631
Finance costs	6(a)	(1,879)	(4,353)
		515,076	640,278
Net valuation (loss)/gain on investment properties		(886,418)	302,586
		(371,342)	942,864
Share of profit of an associate		10,808	19,498
(Loss)/profit before taxation	6	(360,534)	962,362
Income tax	7	(97,081)	(195,549)
(Loss)/profit for the year		(457,615)	766,813
Attributable to:			
Shareholders of the Company		(456,149)	765,658
Non-controlling interests		(1,466)	1,155
(Loss)/profit for the year		(457,615)	766,813
Basic and diluted (loss)/earnings per share	9(a)	(156.2) cents	261.0 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December			
	2020		2019	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/profit for the year		<u>(457,615)</u>		<u>766,813</u>
Other comprehensive income for the year				
(with nil tax effect and after				
reclassification adjustments):				
Items that may not be reclassified subsequently to profit or loss:				
- other investments at fair value through other comprehensive income		(3,149)		(6,060)
- surplus on revaluation of land and buildings held for own use reclassified to investment properties		<u>7,673</u>	-	
			4,524	(6,060)
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation adjustments:				
- exchange differences on translation of financial statements of overseas subsidiaries		288,307		(32,156)
- share of exchange differences on translation of financial statements of an overseas associate		5,130		(2,264)
- share of the exchange reserve released upon dissolution of a subsidiary of the associate		<u>481</u>	-	
			293,918	(34,420)
			<u>298,442</u>	<u>(40,480)</u>
Total comprehensive income for the year		<u>(159,173)</u>		<u>726,333</u>
Attributable to:				
Shareholders of the Company		(157,554)		725,358
Non-controlling interests		<u>(1,619)</u>		<u>975</u>
Total comprehensive income for the year		<u>(159,173)</u>		<u>726,333</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December 2020 HK\$'000	At 31 December 2019 HK\$'000
Non-current assets			
Investment properties		15,543,351	16,090,297
Other property, plant and equipment		<u>394,359</u>	<u>387,574</u>
		15,937,710	16,477,871
Interest in an associate		340,838	324,419
Other investments		137,088	140,237
Deferred tax assets		<u>-</u>	<u>436</u>
		<u>16,415,636</u>	<u>16,942,963</u>
Current assets			
Trading securities		1,208,923	883,022
Inventories		77,511	99,526
Debtors, deposits and prepayments	10	62,155	68,271
Amounts due from fellow subsidiaries		22,868	18,201
Current tax recoverable		5,547	-
Other bank deposits		269,499	13,543
Cash and cash equivalents		<u>2,570,282</u>	<u>2,993,692</u>
		<u>4,216,785</u>	<u>4,076,255</u>
Current liabilities			
Creditors and accrued charges	11	334,000	359,910
Contract liabilities		18,068	18,373
Secured bank loan		38,063	103,290
Lease liabilities		19,630	27,399
Amounts due to fellow subsidiaries		5,382	3,818
Current tax payable		<u>30,492</u>	<u>80,587</u>
		<u>445,635</u>	<u>593,377</u>
Net current assets		<u>3,771,150</u>	<u>3,482,878</u>
Total assets less current liabilities		<u>20,186,786</u>	<u>20,425,841</u>
Non-current liabilities			
Secured bank loan		36,873	-
Lease liabilities		38,238	1,020
Deferred tax liabilities		<u>925,624</u>	<u>843,880</u>
		<u>1,000,735</u>	<u>844,900</u>
Net assets		<u>19,186,051</u>	<u>19,580,941</u>
Capital and reserves			
Share capital		29,187	29,256
Reserves		<u>19,124,844</u>	<u>19,518,046</u>
Total equity attributable to shareholders of the Company		19,154,031	19,547,302
Non-controlling interests		<u>32,020</u>	<u>33,639</u>
Total equity		<u>19,186,051</u>	<u>19,580,941</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

		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 2020		29,256	271,037	125,319	(308,475)	754,347	1,700	18,674,118	19,547,302	33,639	19,580,941
Changes in equity for 2020											
Loss for the year		-	-	-	-	-	-	(456,149)	(456,149)	(1,466)	(457,615)
Other comprehensive income		-	7,673	(3,149)	294,071	-	-	-	298,595	(153)	298,442
Total comprehensive income for the year		-	7,673	(3,149)	294,071	-	-	(456,149)	(157,554)	(1,619)	(159,173)
Purchase of own shares											
- par value paid		(69)	-	-	-	-	-	-	(69)	-	(69)
- premium and transaction costs paid		-	-	-	-	-	-	(13,728)	(13,728)	-	(13,728)
Dividends approved and paid in respect of the previous year	8(b)	-	-	-	-	-	-	(189,801)	(189,801)	-	(189,801)
Dividends declared and paid in respect of the current year	8(a)	-	-	-	-	-	-	(32,119)	(32,119)	-	(32,119)
		(69)	7,673	(3,149)	294,071	-	-	(691,797)	(393,271)	(1,619)	(394,890)
Balance at 31 December 2020		29,187	278,710	122,170	(14,404)	754,347	1,700	17,982,321	19,154,031	32,020	19,186,051
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

Note:

Retained earnings attributable to the shareholders of the Company as at 31 December 2020 include the aggregate net valuation gain relating to investment properties after deferred tax of \$12,378,612,000 (at 31 December 2019: \$13,273,443,000).

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 2020 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. 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 2020 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 number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

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:

	2020 HK\$'000	2019 HK\$'000
Under the scope of HKFRS 15, Revenue from contracts with customers:		
Department stores		
- Sales of goods	471,009	590,077
- Net income from concession sales	167,098	220,787
- Net income from consignment sales	69,925	68,860
	<u>708,032</u>	<u>879,724</u>
Property investment		
- Building management fees and other rental related income	58,591	62,716
Under the scope of HKFRS 16, Leases:		
Property investment		
- Gross rentals from investment properties	421,022	429,054
	<u>1,187,645</u>	<u>1,371,494</u>

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, bad debts written off 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 2020 and 2019 is set out below.

	Department stores		Property investment		Total	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue from external customers	708,032	879,724	479,613	491,770	1,187,645	1,371,494
Inter-segment revenue	-	-	119,673	119,179	119,673	119,179
Reportable segment revenue	<u>708,032</u>	<u>879,724</u>	<u>599,286</u>	<u>610,949</u>	<u>1,307,318</u>	<u>1,490,673</u>
Reportable segment profit	<u>2,519</u>	<u>37,832</u>	<u>487,845</u>	<u>505,127</u>	<u>490,364</u>	<u>542,959</u>
Finance costs	455	1,067	1,424	3,286	1,879	4,353
Depreciation and amortisation for the year	36,999	37,481	54,258	50,659	91,257	88,140
Impairment losses of trade debtors recognised/(written back)	-	(11)	579	-	579	(11)
Bad debts written off	12	-	1,235	-	1,247	-
Reportable segment assets	180,332	179,913	15,889,686	16,460,132	16,070,018	16,640,045
Additions to non-current segment assets during the year	59,866	14,530	38,245	25,644	98,111	40,174
Reportable segment liabilities	<u>255,896</u>	<u>241,913</u>	<u>187,066</u>	<u>224,506</u>	<u>442,962</u>	<u>466,419</u>

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

	2020 HK\$'000	2019 HK\$'000
Profit		
Reportable segment profit	490,364	542,959
Share of profit of an associate	10,808	19,498
Other revenue	60,379	89,727
Other net gain	39,087	80,757
Finance costs	(1,879)	(4,353)
Net valuation (loss)/gain on investment properties	(886,418)	302,586
Unallocated head office and corporate expenses	(72,875)	(68,812)
Consolidated (loss)/profit before taxation	<u>(360,534)</u>	<u>962,362</u>
Assets		
Reportable segment assets	16,070,018	16,640,045
Elimination of inter-segment receivables	(5,755)	(5,634)
	<u>16,064,263</u>	<u>16,634,411</u>
Interest in an associate	340,838	324,419
Other investments	137,088	140,237
Deferred tax assets	-	436
Trading securities	1,208,923	883,022
Current tax recoverable	5,547	-
Unallocated head office and corporate assets	2,875,762	3,036,693
Consolidated total assets	<u>20,632,421</u>	<u>21,019,218</u>
Liabilities		
Reportable segment liabilities	442,962	466,419
Elimination of inter-segment payables	(5,755)	(5,634)
	<u>437,207</u>	<u>460,785</u>
Current tax payable	30,492	80,587
Deferred tax liabilities	925,624	843,880
Unallocated head office and corporate liabilities	53,047	53,025
Consolidated total liabilities	<u>1,446,370</u>	<u>1,438,277</u>

(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	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Hong Kong (place of domicile)	<u>1,045,629</u>	<u>1,230,754</u>	<u>11,829,061</u>	<u>12,721,983</u>
Australia	129,481	127,956	3,912,897	3,538,147
USA	12,535	12,784	332,092	340,783
People's Republic of China	-	-	204,498	201,377
	<u>142,016</u>	<u>140,740</u>	<u>4,449,487</u>	<u>4,080,307</u>
	<u>1,187,645</u>	<u>1,371,494</u>	<u>16,278,548</u>	<u>16,802,290</u>

5. Other revenue and other net gain

	2020 HK\$'000	2019 HK\$'000
Other revenue		
Government grants (note)	38,979	-
Interest income from bank deposits	27,505	59,615
Interest income from investments in securities	6,737	4,047
Dividend income from investments in securities	19,659	19,318
Compensation received on early termination of leases	754	2,701
Compensation received for premises reinstatement	7,841	-
Others	3,994	4,046
	<u>105,469</u>	<u>89,727</u>

Note: In 2020, the Group successfully applied for funding support from the Employment Support Scheme, Retail Sector Subsidy Scheme and one-off subsidy for registered owners of goods vehicles under the Anti-epidemic Fund set up by the Government of the Hong Kong Special Administrative Region (“the Government”), the purpose of which is to provide financial support to enterprises and to retain their employees who would otherwise be made redundant. Under the terms of the Employment Support Scheme, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to its employees.

	2020 HK\$'000	2019 HK\$'000
Other net gain		
Net gain on remeasurement to fair value of trading securities	4,056	40,942
Net gain on disposal of		
- trading securities	16,916	37,592
- derivative financial instruments	17,523	12,590
Net foreign exchange gain/(loss)	600	(10,670)
Net (loss)/gain on disposal of plant and equipment	(8)	303
	<u>39,087</u>	<u>80,757</u>

6. (Loss)/profit before taxation

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

	2020 HK\$'000	2019 HK\$'000
(a) Finance costs		
Interest on bank loan	1,424	3,286
Interest on lease liabilities	455	1,067
	<u>1,879</u>	<u>4,353</u>
(b) Rentals receivable from investment properties		
Gross income from property investment	(479,613)	(491,770)
Less: direct outgoings	89,776	76,889
	<u>(389,837)</u>	<u>(414,881)</u>
(c) Other operating expenses, include		
Staff costs (excluding directors' emoluments)		
- salaries, wages and other benefits	189,001	199,646
- contributions to defined contribution retirement plans	10,777	11,560
	<u>199,778</u>	<u>211,206</u>
Less: included in cost of property leasing activities	(3,882)	(4,031)
	<u>195,896</u>	<u>207,175</u>
Directors' emoluments	32,996	24,960
Depreciation		
- owned plant and equipment	13,155	12,333
- right-of-use assets	51,978	52,386
Auditors' remuneration		
- audit services	4,984	4,932
- tax services	577	648
- other services	1,453	1,256
Impairment losses of trade debtors recognised/ (written back)	579	(11)
Bad debts written off	1,247	-
Expenses relating to short-term leases	119	-
Advertising expenses	11,225	14,640
Information technology expenses	5,863	9,275
Credit card commission	6,230	7,722
Electricity, water and gas	6,548	7,122
Government rent and rates	<u>6,384</u>	<u>6,775</u>
(d) Other items		
Amortisation on leases incentives	27,478	24,621
Cost of inventories sold	<u>342,976</u>	<u>424,804</u>

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

	2020 HK\$'000	2019 HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	53,803	62,378
Over-provision in respect of prior years	(768)	(60)
	<u>53,035</u>	<u>62,318</u>
Current tax – Overseas		
Provision for the year	34,079	30,895
Over-provision in respect of prior years	(214)	(45)
	<u>33,865</u>	<u>30,850</u>
Deferred tax		
Origination and reversal of temporary differences		
- changes in fair value of investment properties	10,367	95,713
- other temporary differences	(186)	6,668
	<u>10,181</u>	<u>102,381</u>
Total income tax expense	<u>97,081</u>	<u>195,549</u>

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 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:

	2020	2019
	HK\$'000	HK\$'000
Interim dividend:		
- declared during the year	32,120	111,516
- attributable to shares purchased in July 2020/July 2019	(1)	(42)
	<hr/>	<hr/>
Interim dividend paid of 11 HK cents (2019: 38 HK cents) per share	32,119	111,474
Final dividend proposed after the end of the reporting period of 72 HK cents (2019: 65 HK cents) per share	210,148	190,165
	242,267	301,639
	<hr/> <hr/>	<hr/> <hr/>

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:

	2020	2019
	HK\$'000	HK\$'000
Final dividend in respect of the financial year ended 31 December 2019/31 December 2018:		
- approved during the year	190,165	123,313
- attributable to shares purchased in January, February, April and May 2020/January and May 2019	(364)	(58)
	<hr/>	<hr/>
Final dividend paid during the year of 65 HK cents (during 2019: 42 HK cents) per share	189,801	123,255
	<hr/> <hr/>	<hr/> <hr/>

9. Basic and diluted (loss)/earnings per share

- (a) The calculation of basic (loss)/earnings per share is based on the consolidated loss attributable to shareholders of the Company for the year ended 31 December 2020 of HK\$456,149,000 (2019: profit of HK\$765,658,000) divided by the weighted average of 292,087,000 shares (2019: 293,391,000 shares) in issue during the year.

There were no dilutive potential shares outstanding throughout the years presented.

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

For the purpose of assessing the underlying performance of the Group, management is of the view that the (loss)/profit for the year should be adjusted for the net valuation (loss)/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 (loss)/profit attributable to shareholders of the Company as shown in the consolidated statement of profit or loss for the year is reconciled as follows:

	2020		2019	
	Amount per share		Amount per share	
	HK\$'000	HK cents	HK\$'000	HK cents
(Loss)/profit attributable to shareholders of the Company as shown in the consolidated statement of profit or loss	(456,149)	(156.2)	765,658	261.0
Add/(less): Net valuation loss/(gain) on investment properties	886,418	303.5	(302,586)	(103.1)
Add: Increase in deferred tax liabilities in relation to the net valuation gain on investment properties	10,367	3.6	95,713	32.6
	440,636	150.9	558,785	190.5
(Less)/add: Valuation (loss)/gain on investment property net of related deferred tax attributable to non-controlling interests	(1,954)	(0.7)	569	0.2
Underlying profit attributable to shareholders of the Company	438,682	150.2	559,354	190.7

10. Debtors, deposits and prepayments

	2020	2019
	HK\$'000	HK\$'000
Trade debtors, net of loss allowance	21,472	22,424
Deposits and prepayments	40,683	45,847
	62,155	68,271

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:

	2020	2019
	HK\$'000	HK\$'000
Current (not past due) or less than one month past due	20,694	21,980
One to three months past due	82	329
More than three months but less than twelve months past due	336	76
More than twelve months past due	360	39
	21,472	22,424

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

	2020	2019
	HK\$'000	HK\$'000
Trade and other creditors	292,981	323,308
Accrued charges	41,019	36,602
	334,000	359,910

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

	2020	2019
	HK\$'000	HK\$'000
Amounts not yet due	227,328	257,265
On demand or less than one month overdue	59,419	60,545
One to three months overdue	3,257	3,592
Three to twelve months overdue	1,342	413
More than twelve months overdue	1,635	1,493
	292,981	323,308

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

2020 RESULTS AND DIVIDEND

For the year ended 31 December 2020, the Group's revenue decreased by 13.4% to HK\$1,187.6 million (2019: HK\$1,371.5 million) due mainly to the decline in department stores revenue.

The Group recorded a loss attributable to shareholders of HK\$456.1 million (2019: a profit of HK\$765.7 million) for the year ended 31 December 2020, which was due mainly to the net valuation loss on investment properties of HK\$886.4 million recorded during the year as opposed to a net valuation gain of HK\$302.6 million recorded in 2019. Excluding this non-cash item and related deferred tax thereon, the Group's underlying profit attributable to shareholders decreased by 21.6% to HK\$438.7 million (2019: HK\$559.4 million). The decrease was primarily due to decline in profits from the Group's core businesses, decrease in gain recorded from the Group's investments in securities and reduced interest income from bank deposits.

Loss per share was 156.2 HK cents (2019: earnings per share of 261.0 HK cents) per share. Excluding the net valuation loss (2019: the net valuation gain) on investment properties and related deferred tax thereon, underlying earnings per share for the year decreased by 21.2% to 150.2 HK cents (2019: 190.7 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 2020, the directors have recommended a final dividend of 72 HK cents (2019: 65 HK cents) per share payable to shareholders on the Register of Members on 16 June 2021 which, together with the interim dividend of 11 HK cents (2019: 38 HK cents) per share paid on 22 October 2020 making a total payment of 83 HK cents (2019: 103 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 3 June 2021, the Register of Members will be closed from Friday, 11 June 2021 to Wednesday, 16 June 2021, 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, 10 June 2021. Dividend warrants will be sent to shareholders on 22 June 2021.

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 equity and debt securities 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 2020 was HK\$19,154.0 million, a decrease of 2.0% as compared to that at 31 December 2019. With cash and listed marketable securities at 31 December 2020 of about HK\$3,673.3 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 2020, the Group's total borrowings amounted to HK\$74.9 million, a decrease of about HK\$28.4 million, due to partial repayments net of exchange differences, as compared to that at 31 December 2019. The Group's total borrowings of HK\$74.9 million relate to a mortgage loan for Australian investment properties. The mortgage loan was renewed in November 2020 for two years to November 2022 and total amounts of HK\$38.0 million and HK\$36.9 million will be repayable in 2021 and 2022 respectively. Certain assets, comprising principally property interests with a book value of HK\$3,912.7 million, have been pledged to banks as collateral security for banking facilities granted to the extent of HK\$74.9 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 2020, was 0.4% as compared with 0.5% at 31 December 2019.

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\$3,515.4 million at 31 December 2020 (at 31 December 2019: HK\$3,122.1 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 2020, the total amount of the Group's capital commitments was HK\$34.0 million (at 31 December 2019: HK\$33.5 million). As at 31 December 2020, the Group had no contingent liability (at 31 December 2019: HK\$Nil).

2020 BUSINESS SUMMARY

Department Stores Operation

2020 was a difficult year for the Group's department stores business due to the outbreak of the COVID-19 pandemic. This has severely and drastically disrupted tourism, retail, other consumer related activities and businesses in Hong Kong, triggering a radical contraction in local consumer spending. Faced with the extremely difficult business environment, the Group took measures swiftly to curtail expenses and boost sales, which included, among others, reducing payroll and related costs, offering deeper discounts to reduce inventory, launching extra sale promotions and extending the duration of major sale events. Despite the Group's efforts to alleviate the adverse situations, revenue of the department stores was impacted badly due to the very low shopper turnout and weak consumer spending. While the Group still managed to achieve increases in sales of household products, however its sales of apparel, shoes, handbags, travel goods and cosmetic products dropped significantly. Net income from concession sales also declined during the year due to the closure of some concession counters and the Group's offer of reduced licence fee charges to concession counters as a result of reduced business. For the year ended 31 December 2020, the Group's department stores achieved a revenue of HK\$708.0 million, a decrease of 19.5% when compared to HK\$879.7 million achieved in 2019. Overall, the Group's department stores achieved an operating profit of HK\$2.5 million (2019: HK\$37.8 million), aided by the receipt of wage subsidy from the government's Employment Support Scheme of HK\$32.1 million.

Property Investments

For the year ended 31 December 2020, the Group's property investment income decreased by 3.4% to HK\$487.8 million (2019: HK\$505.1 million). Income from the Group's commercial investment properties in Hong Kong decreased by 2.4% to HK\$360.7 million (2019: HK\$369.4 million) which was mainly due to the termination of leases with a major tenant at Wing On Centre in 2020, whilst the Group overall managed to achieve higher rental rates from new leases and lease renewals of the building. The overall occupancy of the Group's commercial investment properties in Hong Kong decreased to about 93% (2019: 99%) at 31 December 2020. Income from the Group's commercial office properties in Melbourne decreased by 6.8% to HK\$122.6 million (2019: HK\$131.5 million) during 2020 which was due mainly to recovery of certain land tax in respect of prior years recorded in 2019. The overall occupancy rate of the Group's investment properties in Melbourne was 98% (2019: 100%) at 31 December 2020.

Interest in an Associate

For the year ended 31 December 2020, 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\$7.3 million (2019: HK\$3.9 million). Overall, the Group recorded a share of profit from the associate of HK\$10.8 million (2019: HK\$19.5 million).

Others

As at 31 December 2020, the Group's investment portfolio amounted to HK\$1,208.9 million (2019: HK\$883.0 million), which mainly comprised of equity and debt securities, as well as investment funds and programs managed by professional investment managers. During the year, the Group's investment portfolio recorded a gain of HK\$63.3 million (2019: HK\$112.6 million), with positive and balanced contributions from most of the investment strategies and asset classes. The portfolio benefited from the timing of additional investments that were made throughout the year. The Group recorded a net foreign exchange gain of HK\$0.6 million (2019: a loss of HK\$10.6 million) in its holdings of foreign currencies.

STAFF

As at 31 December 2020, the Group had a total staff of 633 (2019: 648). The Group's remuneration policies, bonus schemes, Mandatory Provident Fund schemes, etc. have not changed materially from the information disclosed in the 2019 annual report. Details of such policies will be published in the 2020 annual report.

2021 OUTLOOK

The retail environment in Hong Kong and the Group's department stores business will remain extremely challenging in 2021 amid global economic uncertainties as a result of the COVID-19 pandemic, near zero inbound tourism and the disruption to business caused by the ongoing pandemic. The Group is aware of the fluctuating pandemic situation locally and the changing retail environment due to it, and will adapt its marketing strategy, merchandise direction and customer service to the changing consumer behaviours, particularly those of local residents who are the Group's main customers, whilst keeping expenditure in check. The Group's commercial investment properties in Hong Kong and Australia will continue to provide stable rental income although their rental growth potential in the short to medium term will be limited due to the economic uncertainties and reduction in tenant demand. With the financial strength of the Group and the dedication of its 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 2020.

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 2020.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2020, the Company purchased a total of 689,000 shares of the Company on The Stock Exchange of Hong Kong Limited (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		Aggregate price paid HK\$'000
		Highest	Lowest	
		HK\$	HK\$	
January 2020	135,000	22.20	21.50	2,950
February 2020	231,000	21.45	21.00	4,915
April 2020	155,000	19.20	18.90	2,955
May 2020	39,000	19.20	19.10	746
July 2020	10,000	17.52	17.52	175
December 2020	119,000	16.90	16.78	2,008
	<u>689,000</u>			<u>13,749</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 year ended 31 December 2020.

ANNUAL GENERAL MEETING

The 2021 Annual General Meeting of the Company will be held on 3 June 2021. The Notice of Annual General Meeting will be published and dispatched on or about 29 April 2021 in the manner as required by the Listing Rules.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

The 2020 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 2021

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), Dr. Bill Kwok and Mr. Mark 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.