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WING ON COMPANY INTERNATIONAL LIMITED

永安國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 289)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

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 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2022	2021
	Note	HK\$'000	HK\$'000
Revenue	3	500,075	560,916
Other revenue	5	37,822	23,952
Other net (loss)/gain	5	(204,251)	85,210
Cost of department store sales	6(d)	(122,025)	(145,096)
Cost of property leasing activities	6(b)	(45,318)	(38,873)
Other operating expenses	6(c)	(174,149)	(177,428)
(Loss)/profit from operations		(7,846)	308,681
Finance costs	6(a)	(654)	(1,173)
		(8,500)	307,508
Net valuation (loss)/gain on investment properties		(51,895)	168,631
		(60,395)	476,139
Share of (loss)/profit of an associate		(7,907)	6,626
(Loss)/profit before taxation	6	(68,302)	482,765
Income tax	7	(37,992)	(83,029)
(Loss)/profit for the period		(106,294)	399,736
Attributable to:			
Shareholders of the Company		(106,364)	399,578
Non-controlling interests		70	158
(Loss)/profit for the period		(106,294)	399,736
Basic and diluted (loss)/earnings per share	9(a)	(36.5) cents	136.9 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June			
	2022		2021	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/profit for the period		<u>(106,294)</u>		<u>399,736</u>
Other comprehensive income for the period (with nil tax effect and after reclassification adjustments):				
Item that will not be reclassified subsequently to profit or loss:				
- other investments at fair value through other comprehensive income		(4,125)		4,338
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation adjustments:				
- exchange differences on translation of financial statements of overseas subsidiaries		(152,883)	(73,856)	
- share of exchange differences on translation of financial statements of an overseas associate		<u>(2,742)</u>	<u>895</u>	
		<u>(155,625)</u>		<u>(72,961)</u>
Other comprehensive income for the period		<u>(159,750)</u>		<u>(68,623)</u>
Total comprehensive income for the period		<u>(266,044)</u>		<u>331,113</u>
Attributable to:				
Shareholders of the Company		(266,313)		330,914
Non-controlling interests		<u>269</u>		<u>199</u>
Total comprehensive income for the period		<u>(266,044)</u>		<u>331,113</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
	Note		
Non-current assets			
Investment properties		15,311,255	15,529,475
Other property, plant and equipment		<u>320,218</u>	<u>346,856</u>
		15,631,473	15,876,331
Interest in an associate		354,847	365,496
Other investments		<u>135,477</u>	<u>139,602</u>
		<u>16,121,797</u>	<u>16,381,429</u>
Current assets			
Trading securities		1,598,731	1,571,654
Inventories		80,813	76,348
Debtors, deposits and prepayments	10	68,475	57,674
Amounts due from fellow subsidiaries		7,736	8,144
Cash and cash equivalents		<u>2,259,409</u>	<u>2,544,963</u>
		<u>4,015,164</u>	<u>4,258,783</u>
Current liabilities			
Creditors and accrued charges	11	310,572	352,109
Contract liabilities		19,513	20,682
Secured bank loan		16,146	34,951
Lease liabilities		20,663	20,973
Amounts due to fellow subsidiaries		3,320	3,432
Current tax payable		<u>18,011</u>	<u>11,093</u>
		<u>388,225</u>	<u>443,240</u>
Net current assets		<u>3,626,939</u>	<u>3,815,543</u>
Total assets less current liabilities		<u>19,748,736</u>	<u>20,196,972</u>
Non-current liabilities			
Lease liabilities		10,630	19,681
Deferred tax liabilities		<u>891,839</u>	<u>928,621</u>
		<u>902,469</u>	<u>948,302</u>
Net assets		<u>18,846,267</u>	<u>19,248,670</u>
Capital and reserves			
Share capital		29,127	29,141
Reserves		<u>18,784,520</u>	<u>19,187,178</u>
Total equity attributable to shareholders of the Company		18,813,647	19,216,319
Non-controlling interests		<u>32,620</u>	<u>32,351</u>
Total equity		<u>18,846,267</u>	<u>19,248,670</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2022

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
At 1 January 2022											
		29,141	278,710	124,684	(189,881)	754,347	2,788	18,216,530	19,216,319	32,351	19,248,670
Changes in equity for the six months ended 30 June 2022:											
(Loss)/profit for the period		-	-	-	-	-	-	(106,364)	(106,364)	70	(106,294)
Other comprehensive income for the period		-	-	(4,125)	(155,824)	-	-	-	(159,949)	199	(159,750)
Total comprehensive income for the period		-	-	(4,125)	(155,824)	-	-	(106,364)	(266,313)	269	(266,044)
Purchase of own shares											
- par value paid		(14)	-	-	-	-	-	-	(14)	-	(14)
- premium and transaction costs paid		-	-	-	-	-	-	(2,359)	(2,359)	-	(2,359)
Dividends approved and paid in respect of the previous year	8(b)	-	-	-	-	-	-	(133,986)	(133,986)	-	(133,986)
Share of the general reserve fund of an associate: transfer to the general reserve fund		-	-	-	-	-	335	(335)	-	-	-
		(14)	-	(4,125)	(155,824)	-	335	(243,044)	(402,672)	269	(402,403)
At 30 June 2022											
		29,127	278,710	120,559	(345,705)	754,347	3,123	17,973,486	18,813,647	32,620	18,846,267
At 1 January 2021											
		29,187	278,710	122,170	(14,404)	754,347	1,700	17,982,321	19,154,031	32,020	19,186,051
Changes in equity for the six months ended 30 June 2021:											
Profit for the period		-	-	-	-	-	-	399,578	399,578	158	399,736
Other comprehensive income for the period		-	-	4,338	(73,002)	-	-	-	(68,664)	41	(68,623)
Total comprehensive income for the period		-	-	4,338	(73,002)	-	-	399,578	330,914	199	331,113
Purchase of own shares											
- par value paid		(21)	-	-	-	-	-	-	(21)	-	(21)
- premium and transaction costs paid		-	-	-	-	-	-	(3,639)	(3,639)	-	(3,639)
Dividends approved and paid in respect of the previous year	8(b)	-	-	-	-	-	-	(210,019)	(210,019)	-	(210,019)
Share of the general reserve fund of an associate: transfer to the general reserve fund		-	-	-	-	-	270	(270)	-	-	-
		(21)	-	4,338	(73,002)	-	270	185,650	117,235	199	117,434
At 30 June 2021											
		29,166	278,710	126,508	(87,406)	754,347	1,970	18,167,971	19,271,266	32,219	19,303,485
At 1 July 2021											
		29,166	278,710	126,508	(87,406)	754,347	1,970	18,167,971	19,271,266	32,219	19,303,485
Changes in equity for the six months ended 31 December 2021:											
Profit/(loss) for the period		-	-	-	-	-	-	152,917	152,917	(12)	152,905
Other comprehensive income for the period		-	-	(1,824)	(102,475)	-	-	-	(104,299)	144	(104,155)
Total comprehensive income for the period		-	-	(1,824)	(102,475)	-	-	152,917	48,618	132	48,750
Purchase of own shares											
- par value paid		(25)	-	-	-	-	-	-	(25)	-	(25)
- premium and transaction costs paid		-	-	-	-	-	-	(4,443)	(4,443)	-	(4,443)
Dividends declared and paid in respect of the current year	8(a)	-	-	-	-	-	-	(99,097)	(99,097)	-	(99,097)
Share of the general reserve fund of an associate: transfer to the general reserve fund		-	-	-	-	-	818	(818)	-	-	-
		(25)	-	(1,824)	(102,475)	-	818	48,559	(54,947)	132	(54,815)
At 31 December 2021											
		29,141	278,710	124,684	(189,881)	754,347	2,788	18,216,530	19,216,319	32,351	19,248,670

Note:

Retained earnings attributable to the shareholders of the Company as at 30 June 2022 include the aggregate net valuation gain relating to investment properties after deferred tax of \$12,459,281,000 (at 31 December 2021: \$12,510,869,000).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Six months ended 30 June	
		2022	2021
	Note	HK\$'000	HK\$'000
Operating activities			
(Loss)/profit before taxation		(68,302)	482,765
Adjustments for:			
Net valuation loss/(gain) on investment properties		51,895	(168,631)
Depreciation and amortisation		44,004	44,145
Interest and dividend income		(25,566)	(19,676)
Share of loss/(profit) of an associate		7,907	(6,626)
Increase in trading securities		(27,077)	(190,761)
Other cash flows arising from operating activities		(63,974)	(24,585)
Cash (used in)/generated from operations		(81,113)	116,631
Tax paid		(29,900)	(43,569)
Net cash (used in)/generated from operating activities		<u>(111,013)</u>	<u>73,062</u>
Investing activities			
Payment for purchases of investment properties and other property, plant and equipment		(9,493)	(2,452)
Decrease in other bank deposits		-	267,209
Other cash flows arising from investing activities		24,805	17,846
Net cash generated from investing activities		<u>15,312</u>	<u>282,603</u>
Financing activities			
Dividends paid to shareholders of the Company	8(b)	(133,986)	(210,019)
Other cash flows arising from financing activities		(31,518)	(34,209)
Net cash used in financing activities		<u>(165,504)</u>	<u>(244,228)</u>
Net (decrease)/increase in cash and cash equivalents		(261,205)	111,437
Cash and cash equivalents at 1 January		2,544,963	2,570,282
Effect of foreign exchange rate changes		<u>(24,349)</u>	<u>(10,081)</u>
Cash and cash equivalents at 30 June		<u>2,259,409</u>	<u>2,671,638</u>

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 2022.

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 30 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements.

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

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 2021 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 2021 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 2021 are available from the Stock Exchange's website. The auditor has expressed an unqualified opinion on those financial statements in their independent auditor's report dated 25 March 2022.

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 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.

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	
	2022	2021
	HK\$'000	HK\$'000
Under the scope of HKFRS 15,		
Revenue from contracts with customers:		
Department stores (recognised at a point in time)		
- Sales of goods	179,003	211,164
- Net income from concession sales	66,379	77,563
- Net income from consignment sales	29,281	32,056
	274,663	320,783
Property investment (recognised over time)		
- Building management fees and other rental related income	28,854	29,221
Under the scope of HKFRS 16, Leases:		
Property investment		
- Gross rentals from investment properties	196,558	210,912
	500,075	560,916

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 assets and current assets with the exception of interest in an associate, investments in financial 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 from operations before interest income.

In addition to receiving segment information concerning segment profit, management is provided with segment information concerning revenue (including inter-segment revenue), finance costs on lease liabilities and bank borrowings managed directly by the segments, depreciation, amortisation 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	
	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	274,663	320,783	225,412	240,133	500,075	560,916
Inter-segment revenue	-	-	55,264	54,694	55,264	54,694
Reportable segment revenue	274,663	320,783	280,676	294,827	555,339	615,610
Reportable segment profit/(loss)	(19,217)	(8,255)	218,884	239,797	199,667	231,542

	Department stores		Property investment		Total	
	At 30 June 2022	At 31 December 2021	At 30 June 2022	At 31 December 2021	At 30 June 2022	At 31 December 2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	150,290	155,006	15,619,282	15,850,999	15,769,572	16,006,005
Additions to non-current segment assets during the period/year	2,217	6,413	22,189	47,743	24,406	54,156
Reportable segment liabilities	200,252	238,127	128,842	157,563	329,094	395,690

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Profit		
Reportable segment profit	199,667	231,542
Other revenue	29,590	23,952
Other net (loss)/gain	(204,251)	85,210
Finance costs	(654)	(1,173)
Net valuation (loss)/gain on investment properties	(51,895)	168,631
Share of (loss)/profit of an associate	(7,907)	6,626
Unallocated head office and corporate expenses	(32,852)	(32,023)
Consolidated (loss)/profit before taxation	<u>(68,302)</u>	<u>482,765</u>
	At	At
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
Assets		
Reportable segment assets	15,769,572	16,006,005
Elimination of inter-segment receivables	(3,533)	(3,808)
	<u>15,766,039</u>	<u>16,002,197</u>
Interest in an associate	354,847	365,496
Other investments	135,477	139,602
Trading securities	1,598,731	1,571,654
Unallocated head office and corporate assets	2,281,867	2,561,263
Consolidated total assets	<u>20,136,961</u>	<u>20,640,212</u>
Liabilities		
Reportable segment liabilities	329,094	395,690
Elimination of inter-segment payables	(3,533)	(3,808)
	<u>325,561</u>	<u>391,882</u>
Current tax payable	18,011	11,093
Deferred tax liabilities	891,839	928,621
Unallocated head office and corporate liabilities	55,283	59,946
Consolidated total liabilities	<u>1,290,694</u>	<u>1,391,542</u>

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Other revenue		
Interest income from bank deposits	5,049	3,480
Interest income from investments in securities	3,846	3,954
Dividend income from investments in securities	16,671	12,242
Government grants (note)	8,872	-
Others	3,384	4,276
	<u>37,822</u>	<u>23,952</u>

Note:

In 2022, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund set up by the Government of the Hong Kong Special Administrative Region, the purpose of which was to provide financial support to enterprises to retain their employees who would otherwise be made redundant or employ more staff when the business revives as soon as the epidemic situation permits. Under the terms of the Employment Support Scheme, the Group was required not to make redundancies during the subsidy period and to spend all the funding on paying wages to its employees.

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Other net (loss)/gain		
Net (loss)/gain on remeasurement to fair value of trading securities	(227,326)	61,134
Net gain on disposal of		
- trading securities	8,210	11,534
- derivative financial instruments	10,221	12,351
Net foreign exchange gain	4,708	192
Net loss on disposal of plant and equipment	(64)	(1)
	<u>(204,251)</u>	<u>85,210</u>

6. (Loss)/profit before taxation

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
(a) Finance costs		
Interest on bank loan	236	537
Interest on lease liabilities	418	636
	<u>654</u>	<u>1,173</u>
(b) Rentals receivable from investment properties		
Gross income from property investment	(225,412)	(240,133)
Less: direct outgoings	45,318	38,873
	<u>(180,094)</u>	<u>(201,260)</u>
(c) Other operating expenses, include		
Staff costs (excluding directors' emoluments)		
- salaries, wages and other benefits	90,541	92,631
- contributions to defined contribution retirement plans	4,847	5,317
	<u>95,388</u>	<u>97,948</u>
Less: included in cost of property leasing activities	(1,378)	(2,051)
	<u>94,010</u>	<u>95,897</u>
Directors' emoluments	12,804	12,787
Depreciation		
- owned plant and equipment	6,348	6,511
- right-of-use assets	23,171	23,359
Advertising expenses	2,690	3,458
Electricity, water and gas	3,663	3,427
Credit card commission	2,708	2,723
Government rent and rates	2,710	2,903
Information technology expenses	<u>2,060</u>	<u>2,263</u>
(d) Other items		
Amortisation on lease incentives	14,485	14,275
Cost of inventories sold	<u>122,025</u>	<u>145,096</u>

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	<u>23,279</u>	<u>24,946</u>
Current tax – Overseas		
Provision for the period	<u>13,592</u>	<u>14,716</u>
Deferred tax		
Origination and reversal of temporary differences		
- changes in fair value of investment properties	(307)	38,046
- other temporary differences	<u>1,428</u>	<u>5,321</u>
	<u>1,121</u>	<u>43,367</u>
Total income tax expense	<u>37,992</u>	<u>83,029</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the six months ended 30 June 2022, 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 tax jurisdictions.

8. Dividends

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Interim dividend:		
- declared after the interim period	-	99,165
- attributable to shares purchased in July and September 2021	-	(68)
	<hr/>	<hr/>
Interim dividend payable after the interim period of nil HK cents (2021: 34 HK cents) per share	-	99,097
	<hr/>	<hr/>

The interim dividend declared after the end of the reporting period had 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	
	2022	2021
	HK\$'000	HK\$'000
Final dividend in respect of the financial year ended 31 December 2021/31 December 2020		
- approved during the interim period	134,048	210,148
- attributable to shares purchased in January, February, March, April and May 2022/April and May 2021	(62)	(129)
	<hr/>	<hr/>
Final dividend paid during the interim period of 46 HK cents (during 2021: 72 HK cents) per share	133,986	210,019
	<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 six months ended 30 June 2022 of HK\$106,364,000 (six months ended 30 June 2021: profit of HK\$399,578,000) divided by the weighted average of 291,343,000 shares (2021: 291,813,000 shares) in issue during the interim period.

There were no dilutive potential shares outstanding throughout the periods 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 period should be adjusted for the net valuation (loss)/gain on investment properties net of related deferred tax thereon in arriving at the “underlying (loss)/profit attributable to shareholders of the Company”.

The difference between the underlying (loss)/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 period is reconciled as follows:

	Six months ended 30 June			
	2022		2021	
	Amount		Amount	
	per share		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	(106,364)	(36.5)	399,578	136.9
Adjustments:				
Add/(less): Net valuation loss/(gain) on investment properties	51,895	17.8	(168,631)	(57.7)
(Less)/add: (Decrease)/increase in deferred tax liabilities in relation to the net valuation (loss)/gain on investment properties	(307)	(0.1)	38,046	13.0
	(54,776)	(18.8)	268,993	92.2
Less: Valuation loss on investment property net of related deferred tax attributable to non-controlling interests	-	-	(4)	-
Underlying (loss)/profit attributable to shareholders of the Company	(54,776)	(18.8)	268,989	92.2

10. Debtors, deposits and prepayments

	At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
Trade debtors, net of loss allowance	21,306	21,827
Deposits and prepayments	47,169	35,847
	<u>68,475</u>	<u>57,674</u>

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

	At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
Current (not past due) or less than one month past due	18,874	18,215
One to three months past due	1,054	1,175
More than three months but less than twelve months past due	1,317	2,292
More than twelve months past due	61	145
	<u>21,306</u>	<u>21,827</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 2022 HK\$'000	At 31 December 2021 HK\$'000
Amounts not yet due	210,689	244,726
On demand or less than one month overdue	49,865	55,697
One to three months overdue	5,956	5,825
Three to twelve months overdue	5,828	3,156
More than twelve months overdue	4,739	6,792
Trade and other creditors	<u>277,077</u>	<u>316,196</u>
Accrued charges	33,495	35,913
	<u>310,572</u>	<u>352,109</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 2022, the Group's revenue was HK\$500.1 million (2021: HK\$560.9 million), a decrease of 10.8% due mainly to the decrease in revenue of the Group's department stores.

The Group recorded a loss attributable to shareholders of HK\$106.4 million (2021: a profit of HK\$399.6 million) for the six months ended 30 June 2022. This loss is mainly due to the unrealised loss from the Group's investment portfolio ended 30 June 2022 as explained below, as well as the valuation loss of HK\$51.9 million recorded on the Group's investment properties for the period as compared to the net valuation gain of HK\$168.6 million recorded for the corresponding period in 2021. Excluding this non-cash item of valuation loss on investment properties and related deferred tax thereon, the Group's underlying loss attributable to shareholders for the period was HK\$54.8 million as compared to the underlying profit attributable to shareholders of HK\$269.0 million for the same period last year.

Loss per share was 36.5 HK cents (2021: earnings per share of 136.9 HK cents) per share. Excluding the valuation loss (2021: the net valuation gain) on investment properties net of related deferred tax thereon, underlying loss per share for the period amounted to 18.8 HK cents (2021: underlying earnings per share of 92.2 HK cents) per share.

In view of the underlying loss attributable to shareholders for the period, the directors have resolved not to declare an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 34 HK cents).

LIQUIDITY AND FINANCIAL RESOURCES

Overall Financial Position

Shareholders' equity at 30 June 2022 was HK\$18,813.6 million, a decrease of 2.1% as compared to that at 31 December 2021. With cash and listed marketable securities at 30 June 2022 of about HK\$3,203.9 million as well as available banking facilities, the Group has sufficient liquidity to meet its current commitments and working capital requirements.

Borrowings and Charges on Group Assets

At 30 June 2022, the Group's total borrowings amounted to HK\$16.1 million, a decrease of about HK\$18.8 million as compared to that at 31 December 2021 due to partial mortgage loan repayments and exchange differences. The Group's total borrowings of HK\$16.1 million relate to a mortgage loan for Australian investment properties. The borrowings will be repayable by the end of 2022. Certain assets, comprising principally property interests with a book value of HK\$3,684.4 million, have been pledged to banks as collateral security for banking facilities. Approximately HK\$16.1 million of such facilities has been utilised. 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 2022, was 0.1% compared with 0.2% at 31 December 2021.

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\$3,435.4 million at 30 June 2022 (at 31 December 2021: HK\$3,542.7 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 2022, the total amount of the Group's capital commitments was HK\$19.4 million (at 31 December 2021: HK\$21.2 million). As at 30 June 2022, the Group had no contingent liability (at 31 December 2021: HK\$Nil).

HALF YEAR BUSINESS REVIEW

Department Stores Operation

Against the backdrop of the COVID-19 pandemic situation in Hong Kong and the Government's restrictive social distancing measures from January to April 2022, the Group's department stores business was impacted by a weak retail environment, with shortened operating hours and significantly reduced customer traffic during the first half of 2022. The Group's department stores revenue declined notably in the first quarter owing to mainly the anti-pandemic measures and lockdowns which disrupted local economic activities and dampened consumer spending. While the Group managed to swiftly adjust its marketing strategy and promotion campaigns to seize business opportunities brought about by the Government's gradual relaxation of anti-pandemic measures and the launch of 2022 (Phase 1) Consumption Voucher Scheme in April, nevertheless its department stores revenue for the six months ended 30 June 2022 declined by 14.4% to HK\$274.7 million (2021: HK\$320.8 million). The Group's department stores operation recorded wage subsidy from the Government's 2022 Employment Support Scheme of HK\$8.2 million during the period under review. Overall, the department stores operation recorded a loss of HK\$19.2 million (2021: a loss of HK\$8.3 million), due mainly to the decrease in revenue and thus gross profit.

Property Investments

For the six months ended 30 June 2022, the Group's property investment income was HK\$218.9 million (2021: HK\$239.8 million). Income from the Group's commercial investment properties in Hong Kong decreased by 3.2% to HK\$158.0 million (2021: HK\$163.2 million) which was mainly due to the lower rentals achieved for new leases and lease renewals for its investment properties. The overall occupancy of the Group's commercial investment properties in Hong Kong remained stable at approximately 94% (2021: 94%) at 30 June 2022. Income from the Group's commercial office properties in Melbourne decreased by 19.1% to HK\$60.6 million (2021: HK\$74.9 million) due mainly to the termination of leases with a major tenant in late 2021 and a weaker Australian dollar during the period under review. Net income in terms of Australian currency decreased by 13.8%. The overall occupancy of the Group's Melbourne properties was approximately 90% (2021: 97%) at 30 June 2022.

Interest in an Associate

For the six months ended 30 June 2022, 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\$7.9 million (2021: share of profit after tax of HK\$0.5 million). Overall, the Group recorded a share of loss from the associate of HK\$7.9 million (2021: share of profit of HK\$6.6 million) for the six months ended 30 June 2022.

Others

The Group's investment portfolio was negatively affected by substantial global financial market volatilities across various asset classes during the six months ended 30 June 2022. Hence, the Group recorded a loss of HK\$190.4 million which was mainly the unrealised loss due to remeasurement to fair value of trading securities as compared to a gain of HK\$99.0 million recorded in the corresponding period in 2021. As at 30 June 2022, the Group's investment portfolio amounted to HK\$1,598.7 million (at 31 December 2021: HK\$1,571.7 million). The Group recorded a net foreign exchange gain of HK\$4.7 million (2021: a gain of HK\$0.2 million) from its holdings of foreign currencies.

STAFF

As at 30 June 2022, the Group had a total of 555 staff (at 30 June 2021: 621). The Group's remuneration policies, bonus schemes, Mandatory Provident Fund Schemes, etc., have not changed materially from the information disclosed in the 2021 Annual Report.

OUTLOOK FOR THE REMAINDER OF 2022

The Group expects that its department stores business in the second half of 2022 will remain difficult in light of the current COVID-19 pandemic situation in Hong Kong which will continue to pose challenges to the resumption of economic activities, and that the expected inflation and interest rate rises will slow down consumer spending. The Group will stay vigilant to these challenges and continue to optimise its department stores' merchandise and customer service to suit the needs of its customers. The Group will be celebrating the 115th Anniversary of the founding of its department stores business in the latter part of the year with storewide promotional activities. The Group's investment properties in Hong Kong and Australia are expected to face downward office rental pressure but will continue to contribute steady rental income in line with market conditions in the second half of the year. With its financial strength and the dedication of its management, the Group will be able to face the challenges ahead.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions in the Corporate Governance Code as set out in Appendix 14 of 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 2022.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of 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 2022.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

During the six months ended 30 June 2022, 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 2022	17,000	17.80	17.50	299
February 2022	16,000	18.48	18.00	294
March 2022	6,000	17.80	17.60	107
April 2022	86,000	17.70	17.32	1,506
May 2022	9,000	17.70	17.36	158
	<u>134,000</u>			<u>2,364</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 2022.

By Order of the Board
Karl C. Kwok
Chairman

Hong Kong, 30 August 2022

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. Leung Wing Ning and Mr. Nicholas James Debnam.