

Website: <https://www.wingon.hk>



WING ON COMPANY INTERNATIONAL LIMITED

永安國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 289)

INTERIM REPORT

2024

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CORPORATE INFORMATION

BOARD OF DIRECTORS

The Board of Directors as now constituted is listed below:

Executive Directors

Mr. Karl C. Kwok, BBS, MH (Chairman)

Mr. Lester Kwok, J.P. (Deputy Chairman and Chief Executive Officer)

Dr. Bill Kwok, J.P.

Mr. Mark Kwok

Independent Non-executive Directors

Miss Maria Tam Wai Chu, GBM, GBS, J.P.

Mr. Leung Wing Ning

Mr. Nicholas James Debnam

AUDIT COMMITTEE

Mr. Nicholas James Debnam (Chairman)

Miss Maria Tam Wai Chu

Mr. Leung Wing Ning

REMUNERATION COMMITTEE

Mr. Leung Wing Ning (Chairman)

Mr. Karl C. Kwok

Mr. Nicholas James Debnam

NOMINATION COMMITTEE

Mr. Leung Wing Ning (Chairman)

Mr. Karl C. Kwok

Mr. Nicholas James Debnam

CORPORATE INFORMATION

(Continued)

AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor
registered in accordance with the
Accounting and Financial Reporting Council Ordinance
8th Floor, Prince's Building,
10 Chater Road, Central,
Hong Kong.

SECRETARY

Mr. Sin Kar Tim
7th Floor, Wing On Centre,
211 Des Voeux Road Central,
Hong Kong.

REGISTERED OFFICE

Victoria Place, 5th Floor,
31 Victoria Street,
Hamilton HM 10,
Bermuda.

PRINCIPAL OFFICE

7th Floor, Wing On Centre,
211 Des Voeux Road Central,
Hong Kong.
Website: <https://www.wingon.hk>

SHARE REGISTRARS

Tricor Progressive Limited
17/F, Far East Finance Centre,
16 Harcourt Road,
Hong Kong.

MUFG Fund Services (Bermuda) Limited
4th Floor North,
Cedar House,
41 Cedar Avenue,
Hamilton HM 12,
Bermuda.

CHAIRMAN'S STATEMENT

INTERIM RESULTS AND DIVIDEND

For the six months ended 30 June 2024, the Group's revenue was HK\$480.0 million (2023: HK\$530.8 million), a decrease of 9.6% due mainly to the decrease in revenue of the Group's department stores.

The Group recorded a loss attributable to shareholders for the six months ended 30 June 2024 of HK\$239.6 million (2023: a profit of HK\$274.2 million), which was due mainly to the valuation loss of HK\$515.8 million on the Group's investment properties for the six months ended 30 June 2024 as compared to the net valuation gain of HK\$13.8 million for the corresponding period in 2023, as well as the loss of HK\$27.0 million from the Group's department stores operation for the six months ended 30 June 2024 as compared to the profit of HK\$4.7 million for the corresponding period in 2023. Excluding the valuation loss on investment properties net of related deferred tax thereon, the Group's underlying profit attributable to shareholders for the six months ended 30 June 2024 slightly decreased by 4.2% to HK\$252.6 million (2023: HK\$263.7 million).

Loss per share was 82.5 HK cents (2023: earnings per share of 94.3 HK cents) per share. Excluding the valuation loss (2023: net valuation gain) on the Group's investment properties net of related deferred tax thereon, the Group's underlying earnings per share for the period was 87.0 HK cents (2023: 90.7 HK cents) per share.

The directors have decided to pay an interim dividend of 32 HK cents (2023: 34 HK cents) per share, absorbing a total amount of HK\$92,812,000 (2023: HK\$98,833,000). The interim dividend will be paid on Friday, 25 October 2024 to shareholders on the Register of Members of the Company on Thursday, 10 October 2024. The Register of Members will be closed from Friday, 4 October 2024 to Thursday, 10 October 2024, both dates inclusive, during which period no transfer of shares of the Company will be registered.

To qualify for the interim dividend, all properly completed share transfer forms accompanied by the relevant share certificates must be lodged for registration with the share registrar of the Company in Hong Kong, Tricor Progressive Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:00 p.m. on Thursday, 3 October 2024.

CHAIRMAN'S STATEMENT

(Continued)

LIQUIDITY AND FINANCIAL RESOURCES

Overall Financial Position

Shareholders' equity at 30 June 2024 was HK\$17,853.4 million, a decrease of 2.7% as compared to HK\$18,355.8 million at 31 December 2023. With cash and listed marketable securities at 30 June 2024 of HK\$3,497.8 million (at 31 December 2023: HK\$3,414.7 million) as well as available banking facilities, the Group has sufficient liquidity to meet its current commitments and working capital requirements.

Borrowings and Charges on Group Assets

The Group did not have any borrowings at 30 June 2024 and 31 December 2023. In view of the existing strong cash position, the Group does not anticipate any liquidity problems.

Gearing Ratio

The Group did not have any borrowings at 30 June 2024 and 31 December 2023. The gearing ratio is not applicable at 30 June 2024 and 31 December 2023.

Funding and Treasury Policies

The Group adopts a prudent funding and treasury policy. Its exposure to fluctuations in the foreign exchange market mainly arose from the Group's net investment in subsidiaries outside Hong Kong of HK\$3,388.7 million at 30 June 2024 (at 31 December 2023: HK\$3,474.4 million). 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 2024, the Group's capital commitments amounted to HK\$114.2 million (at 31 December 2023: HK\$57.2 million). The Group had no contingent liabilities at 30 June 2024 and 31 December 2023.

HALF YEAR BUSINESS REVIEW

Department Stores Operation

The Hong Kong retail market remained disappointing and challenging in the first half of 2024. While online sales continued to flourish during the period, the constantly changing shopping habits of residents in Hong Kong and the increase in outbound travel and cross-border consumption adversely affected the local retail sector, resulting in a slump in total retail sales in Hong Kong. The Group's department stores business was not immune to the adverse trend, despite extra promotions with deeper discounts launched to boost sales. Affected by the notable decrease in retail activities, the sales turnover of the department stores dropped during the period under review. The rainy weather encountered during the Group's major sales events held in May and June seriously impacted on the performance of its freestanding department stores on high streets.

CHAIRMAN'S STATEMENT

(Continued)

HALF YEAR BUSINESS REVIEW (Continued)

Department Stores Operation (Continued)

For the six months ended 30 June 2024, the Group's department stores recorded a revenue of HK\$272.2 million, representing a decrease of 16.6% when compared to HK\$326.3 million in 2023. Overall, the department stores recorded an operating loss of HK\$27.0 million (2023: a profit of HK\$4.7 million), due mainly to the decrease in revenue.

The Group commenced the renovation of its wing on *Plus* branch store premises on Nathan Road in October 2023 and, during the period under review, has completed the renovation works for three floors. The renovation works for the remaining five floors are expected to be completed in 2025.

Property Investments

For the six months ended 30 June 2024, the Group's property investment income was HK\$192.5 million (2023: HK\$192.2 million). Income from the Group's commercial investment properties in Hong Kong decreased by 4.8% to HK\$143.8 million (2023: HK\$151.1 million) which was mainly due to the lower rentals achieved for new leases and lease renewals and a slight decrease in average occupancy rate. The overall occupancy rate of the Group's commercial investment properties in Hong Kong remained stable at approximately 91% at 30 June 2024 (at 30 June 2023: 93%). Income from the Group's commercial office properties in Melbourne increased by 18.4% to HK\$49.6 million (2023: HK\$41.9 million). The Group wrote-off a total sum of HK\$11.7 million for the irrecoverable rents and landlord's lease incentives relating to an insolvent tenant in 2023, whereas no such write-off happened in 2024.

Excluding the write-off item in 2023, income from the Group's commercial office properties in Melbourne decreased by 7.5% which was attributable mainly to the increase in outgoings for land tax charges, partly offset by the increase in rental on annual reviews. Net income in terms of Australian currency increased by 21.1%. The overall occupancy rate of the Group's investment properties in Melbourne was approximately 85% at 30 June 2024 (at 30 June 2023: 85%).

In response to the tenants' growing demand for high quality offices with end-of-trip facilities and other amenities, during the period the Group commissioned a feasibility study for an upgrade of the building facilities of the Group's commercial properties in Melbourne, aiming to enhance the properties' premium-grade status with ample facilities to meet the leasing requirements of tenants nowadays.

CHAIRMAN'S STATEMENT

(Continued)

HALF YEAR BUSINESS REVIEW (Continued)

Interest in an Associate

For the six months ended 30 June 2024, 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\$16.2 million (2023: HK\$9.8 million). Overall, the Group recorded a share of loss after tax from the associate for the six months ended 30 June 2024 of HK\$12.6 million (2023: HK\$6.0 million).

Others

For the six months ended 30 June 2024, the Group recorded a gain of HK\$127.8 million (2023: HK\$93.0 million) from its investment portfolio, which included mainly the unrealised gain due to remeasurement to fair value of trading securities of HK\$79.1 million (2023: HK\$39.4 million). At 30 June 2024, the Group's investment portfolio amounted to HK\$1,986.3 million (at 31 December 2023: HK\$1,872.4 million). The Group recorded a net foreign exchange loss of HK\$2.7 million (2023: a net gain of HK\$0.6 million) from its holdings of foreign currencies.

STAFF

At 30 June 2024, the Group had a total of 523 staff (at 30 June 2023: 543 staff). The Group's remuneration policies, bonus schemes, Mandatory Provident Fund Schemes, etc., have not changed materially from the information disclosed in the 2023 Annual Report.

OUTLOOK FOR THE REMAINDER OF 2024

The Group expects that its department stores business will remain difficult in the remainder of the year with no end in sight for the unfavourable local retail climate. The Group will continue to take swift measures to monitor and adjust its merchandise selections to meet customer needs, clear off its inventories more aggressively and continue to keep operating expenses in check. The Group's investment properties in Hong Kong and Australia will continue to contribute rental income in line with market conditions, though the local office leasing market will remain challenging. With the financial strength of the Group and the dedication of its management, the Group can meet the challenges ahead.

Karl C. Kwok
Chairman

Hong Kong, 29 August 2024

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF WING ON COMPANY INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 8 to 36 which comprises the consolidated statement of financial position of Wing On Company International Limited as of 30 June 2024 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors are responsible for the preparation and presentation of the interim financial report in accordance with HKAS 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2024 is not prepared, in all material respects, in accordance with HKAS 34, Interim financial reporting.

KPMG

Certified Public Accountants
8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong

29 August 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2024 \$'000	2023 \$'000
Revenue	3(a)	479,998	530,836
Other revenue	4	76,987	67,973
Other net gain	4	106,678	76,741
Cost of department store sales	5(d)	(122,594)	(145,251)
Cost of property leasing activities	5(b)	(53,166)	(50,185)
Other operating expenses	5(c)	<u>(183,595)</u>	<u>(173,076)</u>
Profit from operations		304,308	307,038
Finance costs	5(a)	<u>(1,792)</u>	<u>(174)</u>
		302,516	306,864
Net valuation (loss)/gain on investment properties	8(a)	<u>(515,758)</u>	<u>13,791</u>
		(213,242)	320,655
Share of loss of an associate		<u>(12,566)</u>	<u>(6,047)</u>
(Loss)/profit before taxation	5	(225,808)	314,608
Income tax	6	<u>(17,051)</u>	<u>(41,014)</u>
(Loss)/profit for the period		<u><u>(242,859)</u></u>	<u><u>273,594</u></u>
Attributable to:			
Shareholders of the Company		(239,576)	274,180
Non-controlling interests		<u>(3,283)</u>	<u>(586)</u>
(Loss)/profit for the period		<u><u>(242,859)</u></u>	<u><u>273,594</u></u>
Basic and diluted (loss)/earnings per share	7(a)	<u><u>(82.5) cents</u></u>	<u><u>94.3 cents</u></u>

The notes on pages 16 to 36 form part of this interim financial report. Details of dividends payable to shareholders of the Company are set out in note 13(a).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June			
	2024		2023	
	\$'000	\$'000	\$'000	\$'000
(Loss)/profit for the period		(242,859)		273,594
		<u> </u>		<u> </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		(742)		(3,718)
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation adjustments:				
– exchange differences on translation of financial statements of subsidiaries outside Hong Kong		(81,177)		(82,505)
– share of exchange differences on translation of financial statements of an associate outside Hong Kong		<u>(2,399)</u>		<u>(2,779)</u>
		<u>(83,576)</u>		<u>(85,284)</u>
Other comprehensive income for the period		<u>(84,318)</u>		<u>(89,002)</u>
Total comprehensive income for the period		<u>(327,177)</u>		<u>184,592</u>
Attributable to:				
Shareholders of the Company		(323,886)		185,062
Non-controlling interests		<u>(3,291)</u>		<u>(470)</u>
Total comprehensive income for the period		<u>(327,177)</u>		<u>184,592</u>

The notes on pages 16 to 36 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024 – unaudited
(Expressed in Hong Kong dollars)

		At 30 June 2024 \$'000	At 31 December 2023 \$'000
	Note		
Non-current assets			
Investment properties	8	13,991,164	14,601,720
Other property, plant and equipment		309,940	296,050
		14,301,104	14,897,770
Interest in an associate	9	315,525	330,490
Other investments		118,895	119,637
Prepayments	10	4,169	19,556
		14,739,693	15,367,453
Current assets			
Trading securities		1,986,313	1,872,390
Inventories		80,237	76,763
Debtors, deposits and prepayments	10	95,860	75,024
Amounts due from fellow subsidiaries		20,618	9,516
Current tax recoverable		13,176	7,808
Other bank deposits	11	562,923	592,027
Cash and cash equivalents	11	1,830,487	1,721,409
		4,589,614	4,354,937
Current liabilities			
Creditors and accrued charges	12	512,243	367,289
Contract liabilities		20,335	20,108
Lease liabilities		17,170	16,534
Amounts due to fellow subsidiaries		2,497	2,477
Current tax payable		21,739	9,558
		573,984	415,966
Net current assets		4,015,630	3,938,971
Total assets less current liabilities carried forward		18,755,323	19,306,424

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024 – unaudited
(Continued)
(Expressed in Hong Kong dollars)

	Note	At 30 June 2024 \$'000	At 31 December 2023 \$'000
Total assets less current liabilities brought forward		18,755,323	19,306,424
Non-current liabilities			
Lease liabilities		28,179	36,855
Long service payment liabilities		2,699	2,699
Deferred tax liabilities		844,854	881,538
		<u>875,732</u>	<u>921,092</u>
NET ASSETS		<u>17,879,591</u>	<u>18,385,332</u>
Capital and reserves			
Share capital	13(b)	29,004	29,042
Reserves		<u>17,824,376</u>	<u>18,326,788</u>
Total equity attributable to shareholders of the Company		17,853,380	18,355,830
Non-controlling interests		<u>26,211</u>	<u>29,502</u>
TOTAL EQUITY		<u>17,879,591</u>	<u>18,385,332</u>

The notes on pages 16 to 36 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024 – unaudited

(Expressed in Hong Kong dollars)

		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
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2024	29,042	278,710	104,719	(388,389)	754,347	3,111	17,574,290	18,355,830	29,502	18,385,332
Changes in equity for the six months ended 30 June 2024										
Loss for the period	-	-	-	-	-	-	(239,576)	(239,576)	(3,283)	(242,859)
Other comprehensive income for the period	-	-	(742)	(83,568)	-	-	-	(84,310)	(8)	(84,318)
Total comprehensive income for the period	-	-	(742)	(83,568)	-	-	(239,576)	(323,886)	(3,291)	(327,177)
Purchase of own shares 13(b)										
– par value paid	(38)	-	-	-	-	-	-	(38)	-	(38)
– premium and transaction costs paid	-	-	-	-	-	-	(4,469)	(4,469)	-	(4,469)
Dividends approved and payable in respect of the previous year 13(a)(ii)	-	-	-	-	-	-	(174,057)	(174,057)	-	(174,057)
	(38)	-	(742)	(83,568)	-	-	(418,102)	(502,450)	(3,291)	(505,741)
	<u>29,004</u>	<u>278,710</u>	<u>103,977</u>	<u>(471,957)</u>	<u>754,347</u>	<u>3,111</u>	<u>17,156,188</u>	<u>17,853,380</u>	<u>26,211</u>	<u>17,879,591</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024 – unaudited

(Continued)

(Expressed in Hong Kong dollars)

		Attributable to shareholders of the Company									
	Note	Land and building Share capital	revaluation reserve	Investment revaluation reserve	Exchange reserve	Contributed surplus	General reserve fund	Retained earnings	Total	Non- controlling interests	Total equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2023		29,093	278,710	111,819	(397,764)	754,347	3,111	17,774,219	18,553,535	31,731	18,585,266
Changes in equity for the six months ended 30 June 2023											
Profit/(loss) for the period		-	-	-	-	-	-	274,180	274,180	(586)	273,594
Other comprehensive income for the period		-	-	(3,718)	(85,400)	-	-	-	(89,118)	116	(89,002)
Total comprehensive income for the period		-	-	(3,718)	(85,400)	-	-	274,180	185,062	(470)	184,592
Purchase of own shares	13(b)										
– par value paid		(25)	-	-	-	-	-	-	(25)	-	(25)
– premium and transaction costs paid		-	-	-	-	-	-	(3,242)	(3,242)	-	(3,242)
Dividends approved and payable in respect of the previous year	13(a)(ii)	-	-	-	-	-	-	(218,021)	(218,021)	-	(218,021)
		(25)	-	(3,718)	(85,400)	-	-	52,917	(36,226)	(470)	(36,696)
At 30 June 2023		<u>29,068</u>	<u>278,710</u>	<u>108,101</u>	<u>(483,164)</u>	<u>754,347</u>	<u>3,111</u>	<u>17,827,136</u>	<u>18,517,309</u>	<u>31,261</u>	<u>18,548,570</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024 – unaudited

(Continued)

(Expressed in Hong Kong dollars)

		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
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2023	29,068	278,710	108,101	(483,164)	754,347	3,111	17,827,136	18,517,309	31,261	18,548,570
Changes in equity for the six months ended 31 December 2023										
Loss for the period	-	-	-	-	-	-	(150,820)	(150,820)	(1,657)	(152,477)
Other comprehensive income for the period	-	-	(3,382)	94,775	-	-	-	91,393	(102)	91,291
Total comprehensive income for the period	-	-	(3,382)	94,775	-	-	(150,820)	(59,427)	(1,759)	(61,186)
Purchase of own shares										
– par value paid	(26)	-	-	-	-	-	-	(26)	-	(26)
– premium and transaction costs paid	-	-	-	-	-	-	(3,232)	(3,232)	-	(3,232)
Dividend declared and paid in respect of the current year	13(a)(i) -	-	-	-	-	-	(98,794)	(98,794)	-	(98,794)
	(26)	-	(3,382)	94,775	-	-	(252,846)	(161,479)	(1,759)	(163,238)
	<u>29,042</u>	<u>278,710</u>	<u>104,719</u>	<u>(388,389)</u>	<u>754,347</u>	<u>3,111</u>	<u>17,574,290</u>	<u>18,355,830</u>	<u>29,502</u>	<u>18,385,332</u>
At 31 December 2023										

Note:

Retained earnings attributable to shareholders of the Company at 30 June 2024 include the aggregate net valuation gain relating to investment properties after deferred tax of \$11,284,556,000 (at 31 December 2023: \$11,776,744,000).

The notes on pages 16 to 36 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2024 \$'000	2023 \$'000
Operating activities			
(Loss)/profit before taxation		(225,808)	314,608
Adjustments for:			
Net valuation loss/(gain) on investment properties		515,758	(13,791)
Depreciation and amortisation		41,836	46,721
Interest and dividend income		(71,410)	(63,905)
Share of loss of an associate		12,566	6,047
Increase in trading securities		(113,923)	(159,932)
Other cash flows arising from operating activities		<u>(55,985)</u>	<u>(49,798)</u>
Cash generated from operations		103,034	79,950
Tax paid		<u>(27,515)</u>	<u>(26,936)</u>
Net cash generated from operating activities		<u>75,519</u>	<u>53,014</u>
Investing activities			
Payment for purchases of investment properties and other property, plant and equipment		(49,154)	(7,402)
Decrease in other bank deposits		29,104	324,033
Other cash flows arising from investing activities		<u>71,423</u>	<u>59,535</u>
Net cash generated from investing activities		<u>51,373</u>	<u>376,166</u>
Financing activities			
Cash flows arising from financing activities		<u>(14,469)</u>	<u>(13,550)</u>
Net cash used in financing activities		<u>(14,469)</u>	<u>(13,550)</u>
Net increase in cash and cash equivalents		112,423	415,630
Cash and cash equivalents at 1 January		1,721,409	1,562,081
Effect of foreign exchange rate changes		<u>(3,345)</u>	<u>(14,480)</u>
Cash and cash equivalents at 30 June	11	<u>1,830,487</u>	<u>1,963,231</u>

The notes on pages 16 to 36 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise stated)

1. Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 29 August 2024.

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 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, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated interim 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 2023 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”).

This 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. KPMG’s independent review report to the Board of Directors is included on page 7. In addition, this interim financial report has been reviewed by the Company’s Audit Committee.

The financial information relating to the financial year ended 31 December 2023 that is included in this 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 2023 are available from the websites of the Company and the Stock Exchange. The auditor has expressed an unqualified opinion on those financial statements in their independent auditor’s report dated 27 March 2024.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

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 this 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 and segment reporting

(a) 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. Disaggregation of revenue by category is analysed as follows:

	Six months ended 30 June	
	2024	2023
	\$'000	\$'000
Under the scope of HKFRS 15, Revenue from contracts with customers:		
Department stores (recognised at a point in time)		
– Sales of goods	179,137	215,750
– Net income from concession sales	68,023	77,588
– Net income from consignment sales	25,044	32,940
	<u>272,204</u>	<u>326,278</u>
Property investment (recognised over time)		
– Building management fees and other rental related income	27,652	29,225
Under the scope of HKFRS 16, Leases:		
Property investment		
– Gross rentals from investment properties	180,142	175,333
	<u>479,998</u>	<u>530,836</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

3. Revenue and segment reporting (Continued)

(b) 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").

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most 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 and other corporate assets. Segment liabilities include trade and other creditors, accrued charges, lease liabilities and contract liabilities 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, the Group's most senior executive management is provided with segment information concerning revenue (including inter-segment revenue), finance costs on lease liabilities managed directly by the segments, depreciation and amortisation, bad debts written off and additions to non-current segment assets used by the segments in their operations.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

3. Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

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		Six months ended		Six months ended	
	30 June		30 June		30 June	
	2024	2023	2024	2023	2024	2023
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	272,204	326,278	207,794	204,558	479,998	530,836
Inter-segment revenue	–	–	55,390	55,575	55,390	55,575
Reportable segment revenue	<u>272,204</u>	<u>326,278</u>	<u>263,184</u>	<u>260,133</u>	<u>535,388</u>	<u>586,411</u>
Reportable segment profit/(loss)	<u>(27,041)</u>	<u>4,734</u>	<u>192,545</u>	<u>192,163</u>	<u>165,504</u>	<u>196,897</u>
Finance costs	1,792	174	–	–	1,792	174
Depreciation and amortisation	12,984	13,343	28,501	32,938	41,485	46,281
Bad debts written off	–	–	–	1,929	–	1,929
	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,929</u>	<u>–</u>	<u>1,929</u>
	Department stores		Property investment		Total	
	At	At	At	At	At	At
	30 June	31 December	30 June	31 December	30 June	31 December
	2024	2023	2024	2023	2024	2023
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reportable segment assets	205,972	188,439	14,251,042	14,867,385	14,457,014	15,055,824
Additions to non-current segment assets during the period/year	44,620	72,969	8,962	26,534	53,582	99,503
Reportable segment liabilities	<u>246,661</u>	<u>280,426</u>	<u>101,344</u>	<u>122,707</u>	<u>348,005</u>	<u>403,133</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

3. Revenue and segment reporting (Continued)

(b) Segment reporting (Continued)

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

	Six months ended 30 June	
	2024	2023
	\$'000	\$'000
Profit		
Reportable segment profit	165,504	196,897
Other revenue	76,987	67,973
Other net gain	106,678	76,741
Finance costs	(1,792)	(174)
Net valuation (loss)/gain on investment properties	(515,758)	13,791
Share of loss of an associate	(12,566)	(6,047)
Unallocated head office and corporate expenses	(44,861)	(34,573)
	<u>(225,808)</u>	<u>314,608</u>
	At	At
	30 June	31 December
	2024	2023
	\$'000	\$'000
Assets		
Reportable segment assets	14,457,014	15,055,824
Elimination of inter-segment receivables	(3,533)	(3,572)
	<u>14,453,481</u>	<u>15,052,252</u>
Interest in an associate	315,525	330,490
Other investments	118,895	119,637
Trading securities	1,986,313	1,872,390
Current tax recoverable	13,176	7,808
Unallocated head office and corporate assets	2,441,917	2,339,813
	<u>19,329,307</u>	<u>19,722,390</u>
Liabilities		
Reportable segment liabilities	348,005	403,133
Elimination of inter-segment payables	(3,533)	(3,572)
	<u>344,472</u>	<u>399,561</u>
Current tax payable	21,739	9,558
Deferred tax liabilities	844,854	881,538
Unallocated head office and corporate liabilities	238,651	46,401
	<u>1,449,716</u>	<u>1,337,058</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

4. Other revenue and other net gain

	Six months ended 30 June	
	2024	2023
	\$'000	\$'000
Other revenue		
Interest income from bank deposits	49,882	43,968
Dividend income from investments in securities	15,619	14,277
Interest income from investments in securities	5,909	5,660
Others	5,577	4,068
	<u>76,987</u>	<u>67,973</u>
Other net gain		
Net gain on remeasurement to fair value of trading securities	79,129	39,440
Net gain on disposal of		
– trading securities	13,696	16,111
– derivative financial instruments	16,518	20,677
Net foreign exchange (loss)/gain	(2,655)	558
Net loss on disposal of plant and equipment	(10)	(45)
	<u>106,678</u>	<u>76,741</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

5. (Loss)/profit before taxation

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

	Six months ended 30 June	
	2024	2023
	\$'000	\$'000
(a) Finance costs		
Interest on lease liabilities	<u>1,792</u>	<u>174</u>
(b) Rentals receivable from investment properties		
Gross income from property investment	(207,794)	(204,558)
Less: direct outgoings	<u>53,166</u>	<u>50,185</u>
	<u>(154,628)</u>	<u>(154,373)</u>
(c) Other operating expenses, include		
Staff costs (excluding directors' emoluments)		
– salaries, wages and other benefits	94,912	87,815
– contributions to defined contribution retirement plans	<u>4,484</u>	<u>4,596</u>
	99,396	92,411
Less: included in cost of property leasing activities	<u>(1,918)</u>	<u>(2,008)</u>
	<u>97,478</u>	<u>90,403</u>
Depreciation		
– owned plant and equipment	5,833	5,226
– right-of-use assets	21,531	22,566
Directors' emoluments	14,663	10,234
Advertising expenses	3,893	3,286
Electricity, water and gas	3,745	4,606
Information technology expenses	3,308	2,066
Government rent and rates	2,574	2,654
Credit card commission	2,422	3,055
Bad debts written off	<u>-</u>	<u>1,929</u>
(d) Other items		
Amortisation on lease incentives	14,472	18,929
Cost of inventories sold	<u>122,594</u>	<u>145,251</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

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

	Six months ended 30 June	
	2024	2023
	\$'000	\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	22,221	23,315
Current tax – Overseas		
Provision for the period	11,990	13,107
Deferred tax		
Origination and reversal of temporary differences		
– changes in fair value of investment properties	(20,167)	4,031
– other temporary differences	3,007	561
	(17,160)	4,592
Total income tax expense	17,051	41,014

The provision for Hong Kong Profits Tax is calculated at 16.5% (2023: 16.5%) of the estimated assessable profits for the six months ended 30 June 2024, 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 \$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Taxation for subsidiaries outside Hong Kong is charged similarly at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

7. 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 2024 of \$239,576,000 (2023: profit of \$274,180,000) divided by the weighted average of 290,252,000 shares (2023: 290,862,000 shares) in issue during the interim period.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

7. Basic and diluted (loss)/earnings per share (Continued)

(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 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 period is reconciled as follows:

	Six months ended 30 June			
	2024	(Loss)/ earnings per share	2023	Earnings/ (loss) per share
	\$'000	cents	\$'000	cents
(Loss)/profit attributable to shareholders of the Company as shown in the consolidated statement of profit or loss	(239,576)	(82.5)	274,180	94.3
Add/(less): net valuation loss/(gain) on investment properties	515,758	177.7	(13,791)	(4.7)
(Less)/add: (decrease)/increase in deferred tax liabilities in relation to the net valuation (loss)/gain on investment properties	<u>(20,167)</u>	<u>(7.0)</u>	<u>4,031</u>	<u>1.3</u>
	256,015	88.2	264,420	90.9
Less: valuation loss on investment property net of related deferred tax attributable to non-controlling interests	<u>(3,403)</u>	<u>(1.2)</u>	<u>(681)</u>	<u>(0.2)</u>
Underlying profit attributable to shareholders of the Company	<u>252,612</u>	<u>87.0</u>	<u>263,739</u>	<u>90.7</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

8. Investment properties

(a) Fair value measurement of investment properties

Investment properties of the Group situated in Australia were revalued at 30 June 2024 by M3 Property Australia Pty. Ltd., Certified Practising Valuers, who have among their staff members of the Australian Property Institute. Investment properties of the Group situated in Hong Kong and the USA were revalued at 30 June 2024 by the directors with reference to the market updates from firms of independent surveyors to update the professional valuations that were carried out at 31 December 2023.

As a result, valuation loss of \$515,758,000 (2023: net valuation gain of \$13,791,000) and credit of deferred tax of \$20,167,000 (2023: debit of \$4,031,000) thereon have been included in the consolidated statement of profit or loss for the six months ended 30 June 2024.

(b) Investment properties leased out under operating leases

The Group's total future undiscounted lease payments under non-cancellable operating leases are receivable as follows:

	At 30 June 2024 \$'000	At 31 December 2023 \$'000
Within one year	293,102	285,382
After one year but within two years	232,674	195,465
After two years but within three years	138,079	132,341
After three years but within four years	62,554	92,976
After four years but within five years	31,110	35,600
After five years	42,076	53,557
	<u>799,595</u>	<u>795,321</u>

9. Interest in an associate

	At 30 June 2024 \$'000	At 31 December 2023 \$'000
Unlisted shares		
Share of net assets other than intangible assets	311,566	326,279
Share of intangible assets of an associate	3,959	4,211
	<u>315,525</u>	<u>330,490</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

10. Debtors, deposits and prepayments

	At 30 June 2024	At 31 December 2023
	\$'000	\$'000
Trade debtors, net of loss allowance	16,799	16,782
Other debtors	28,753	23,990
Deposits and prepayments	54,477	53,808
	<u>100,029</u>	<u>94,580</u>

Represented by:

Non-current portion	4,169	19,556
Current portion	95,860	75,024
	<u>100,029</u>	<u>94,580</u>

All current portion of debtors, deposits and prepayments of the Group, apart from certain rental deposits totalling \$18,262,000 (at 31 December 2023: \$18,875,000), are expected to be recovered or recognised as an expense within one year.

The non-current portion of prepayments of the Group represents the advance payments for purchases of other property, plant and equipment.

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 2024	At 31 December 2023
	\$'000	\$'000
Current (not past due) or less than one month past due	15,593	15,733
One to three months past due	457	600
More than three months but less than twelve months past due	743	448
More than twelve months past due	6	1
	<u>16,799</u>	<u>16,782</u>

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

11. Cash and bank balances

	At 30 June 2024 \$'000	At 31 December 2023 \$'000
Cash at bank and in hand	465,107	388,443
Bank deposits		
– within three months to maturity when placed	1,365,380	1,332,966
– more than three months to maturity when placed	562,923	592,027
	<u>2,393,410</u>	<u>2,313,436</u>
Represented by:		
Cash and cash equivalents	1,830,487	1,721,409
Other bank deposits	562,923	592,027
	<u>2,393,410</u>	<u>2,313,436</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

12. Creditors and accrued charges

	At	At
	30 June	31 December
	2024	2023
	\$'000	\$'000
Trade and other creditors	467,255	323,239
Accrued charges	44,988	44,050
	<u>512,243</u>	<u>367,289</u>

All creditors and accrued charges of the Group, apart from certain rental deposits received totalling \$37,233,000 (at 31 December 2023: \$49,341,000), are expected to be settled or recognised as income within one year or are repayable on demand.

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

	At	At
	30 June	31 December
	2024	2023
	\$'000	\$'000
Amounts not yet due	253,350	272,789
On demand or less than one month overdue	211,230	47,503
One to three months overdue	1,881	1,183
Three to twelve months overdue	140	1,079
More than twelve months overdue	654	685
	<u>467,255</u>	<u>323,239</u>

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

13. Capital, reserves and dividends

(a) Dividends

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

	Six months ended 30 June	
	2024	2023
	\$'000	\$'000
Interim dividend:		
– declared after the interim period	92,812	98,833
– attributable to shares purchased in July, August and September 2023	-	(39)
	<u>92,812</u>	<u>98,794</u>
Interim dividend payable after the interim period of 32 cents (2023: 34 cents) per share	<u>92,812</u>	<u>98,794</u>

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

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

	Six months ended 30 June	
	2024	2023
	\$'000	\$'000
Final dividend in respect of the financial year ended 31 December 2023/ 31 December 2022		
– approved during the interim period	174,250	43,640
– attributable to shares purchased in January, February, April, May and June 2024 (note (b)(i))/May 2023	(193)	(36)
	<u>174,057</u>	<u>43,604</u>
Final dividend payable during the interim period of 60 cents (payable during 2023: 15 cents) per share	<u>174,057</u>	<u>43,604</u>
Special dividend in respect of the financial year ended 31 December 2022		
– approved during the interim period	-	174,559
– attributable to shares purchased in May 2023	-	(142)
	<u>-</u>	<u>174,417</u>
Special dividend payable during the interim period of nil cents (payable during 2023: 60 cents) per share	<u>-</u>	<u>174,417</u>
	<u>174,057</u>	<u>218,021</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

13. Capital, reserves and dividends (Continued)

(b) Purchase of own shares

(i) Shares purchased and cancelled

During the six months ended 30 June 2024, the Company purchased its own shares on the Stock Exchange and cancelled the purchased shares as follows:

Month/year	Number of shares purchased	Aggregate price paid \$'000	Highest price paid per share \$	Lowest price paid per share \$
January 2024	79,000	950	12.18	11.86
February 2024	6,000	71	11.90	11.90
April 2024	161,000	1,908	12.00	11.80
May 2024	45,000	533	11.96	11.78
June 2024	86,000	1,027	12.30	11.66
	<u>377,000</u>	<u>4,489</u>		

Pursuant to section 42A of the Bermuda Companies Act 1981, the above purchased shares were cancelled upon purchase and the issued share capital of the Company was reduced by the nominal value of these shares of \$38,000 (2023: \$25,000) for the six months ended 30 June 2024 accordingly. The premium and transaction costs paid on the purchase of the shares of \$4,451,000 (2023: \$3,229,000) and \$18,000 (2023: \$13,000) respectively were charged against retained earnings for the six months ended 30 June 2024.

- (ii) The holders of shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

14. Fair value measurement of financial instruments

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following tables present the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 30 June 2024 \$'000	Fair value measurements at 30 June 2024 categorised into			Fair value at 31 December 2023 \$'000	Fair value measurements at 31 December 2023 categorised into		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
		\$'000	\$'000	\$'000		\$'000	\$'000	\$'000
Recurring fair value measurements								
Assets								
Other investments	118,895	-	-	118,895	119,637	-	-	119,637
Trading securities	1,986,313	1,104,342	881,971	-	1,872,390	1,101,312	771,078	-

During the six months ended 30 June 2024 and the year ended 31 December 2023, there were no transfers between financial instruments in different levels. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

14. Fair value measurement of financial instruments (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The trading securities in Level 2 represent investment funds. The fair value of these investment funds is based on prices quoted by financial institutions with reference to quoted price in an active market of the listed securities comprising the fund portfolio being valued.

(iii) Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range
Other investments	Adjusted net assets	Discount for lack of marketability	40% (at 31 December 2023: 40%)
		Minority discount	15% (at 31 December 2023: 15%)
		Control premium	10% (at 31 December 2023: 10%)

The fair value of other investments is determined using the net assets value adjusted for lack of marketability discount and minority discount and the quoted price in an active market of a listed equity instrument adjusted for control premium. The fair value is negatively correlated to the discount for lack of marketability and minority discount and positively correlated to the control premium.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

14. Fair value measurement of financial instruments (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

(iii) Information about Level 3 fair value measurements (Continued)

At 30 June 2024, it is estimated that an increase/decrease of 3% (at 30 June 2023: 3%) in each of the unobservable inputs, with all other variables held constant, would have increased/decreased the Group's other comprehensive income as follows:

	Six months ended 30 June		
	2024	2023	
Increase/ (decrease) in unobservable inputs %	Effect on other comprehensive income \$'000	Effect on other comprehensive income \$'000	
Discount for lack of marketability	3 (3)	(4,997) 5,032	(5,220) 5,217
Minority discount	3 (3)	(3,507) 3,542	(3,683) 3,680
Control premium	3 (3)	532 (494)	570 (570)
	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

14. Fair value measurement of financial instruments (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

(iii) Information about Level 3 fair value measurements (Continued)

The movements during the period in the balance of Level 3 fair value measurements are as follows:

	Other investments \$'000
At 1 January 2024	119,637
Debited to other comprehensive income during the period	<u>(742)</u>
At 30 June 2024	<u>118,895</u>
At 1 January 2023	126,737
Debited to other comprehensive income during the period	<u>(3,718)</u>
At 30 June 2023 and 1 July 2023	123,019
Debited to other comprehensive income during the period	<u>(3,382)</u>
At 31 December 2023	<u>119,637</u>

Any gains or losses arising from the remeasurement of the Group's unlisted equity securities held for long-term strategic purposes are recognised in the investment revaluation reserve in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

(b) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 30 June 2024 and 31 December 2023.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

15. Commitments

Capital commitments outstanding at 30 June 2024 not provided for in this interim financial report were as follows:

	At 30 June 2024 \$'000	At 31 December 2023 \$'000
Authorised and contracted for		
– additions to investment properties	31,885	31,016
– additions to other property, plant and equipment	<u>82,353</u>	<u>26,192</u>
	<u>114,238</u>	<u>57,208</u>

16. Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group for the six months ended 30 June 2024 is as follows:

	Six months ended 30 June	
	2024 \$'000	2023 \$'000
Salaries and other short-term employee benefits	28,992	16,591
Contributions to defined contribution retirement plans	<u>470</u>	<u>452</u>
	<u>29,462</u>	<u>17,043</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

16. Material related party transactions (Continued)

(b) Recurring transactions

Fellow subsidiaries represent subsidiaries of Wing On International Holdings Limited, the Company's immediate holding company. Material related party transactions are as follows:

- (i) A fellow subsidiary rents retail premises to a subsidiary of the Group. Rental and management fees payable to this fellow subsidiary amounted to \$11,735,000 (2023: \$11,735,000) during the period. The amount due from the fellow subsidiary at 30 June 2024 amounted to \$1,956,000 (at 31 December 2023: \$1,956,000).
- (ii) A subsidiary of the Group rents office premises to a fellow subsidiary. Rental and management fees receivable from this fellow subsidiary amounted to \$2,738,000 (2023: \$2,777,000) during the period. The amount due to the fellow subsidiary at 30 June 2024 amounted to \$1,188,000 (at 31 December 2023: \$1,339,000).
- (iii) Fellow subsidiaries, engaged in securities trading, deal in securities for certain subsidiaries of the Group. Commission of \$339,000 (2023: \$421,000) was payable to these fellow subsidiaries during the period. The amounts due from these fellow subsidiaries at 30 June 2024 amounted to \$18,662,000 (at 31 December 2023: \$7,560,000).
- (iv) A subsidiary of the Group provides building and tenancy management services to a fellow subsidiary. Building and tenancy management services income receivable from this fellow subsidiary amounted to \$861,000 (2023: \$850,000) during the period. The amount due to the fellow subsidiary at 30 June 2024 amounted to \$1,309,000 (at 31 December 2023: \$1,138,000).

The directors are of the opinion that the above transactions were carried out at pre-determined amounts in accordance with terms mutually agreed by the Group and the respective companies.

17. Approval of the interim financial report

The interim financial report was approved by the Board of Directors on 29 August 2024.

SUPPLEMENTARY INFORMATION

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2024, the Company applied the principles of the Corporate Governance Code (the “CG Code”) as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) to its corporate structure and practices. The Company has also complied with all applicable code provisions in the CG Code throughout the six months ended 30 June 2024.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 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 of the Company (the “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 2024.

DIRECTORS’ INTERESTS IN SHARES

At 30 June 2024, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under section 352 of the SFO were as follows:

(a) The Company

Name of Director	Personal interests (held as beneficial owner)	Number of ordinary shares held			Total interests	Total interests as a % of the issued voting shares
		Family interests (interests of spouse)	Corporate interests (interests of controlled corporation)	Other interests		
Karl C. Kwok	480,620	–	–	–	480,620	0.166
Lester Kwok	649,050	–	–	–	649,050	0.224
Bill Kwok	958,298	295,000	255,000 (Note 1)	–	1,508,298	0.520
Mark Kwok	556,910	–	10,000 (Note 2)	–	566,910	0.195
Leung Wing Ning	10,000	–	–	–	10,000	0.003
Nicholas James Debnam	15,000	–	–	–	15,000	0.005

Notes:

1. Dr. Bill Kwok is entitled to control not less than one-third of the voting power at general meetings of a private company which beneficially owns 255,000 ordinary shares in the Company.
2. Mr. Mark Kwok is entitled to control not less than one-third of the voting power at general meetings of a private company which beneficially owns 10,000 ordinary shares in the Company.

SUPPLEMENTARY INFORMATION

(Continued)

DIRECTORS' INTERESTS IN SHARES (Continued)

(b) Kee Wai Investment Company (BVI) Limited

Name of Director	Personal interests (held as beneficial owner)	Number of ordinary shares held			Total interests	Total interests as a % of the issued voting shares
		Family interests (interests of spouse)	Corporate interests (interests of controlled corporation)	Other interests		
Karl C. Kwok	14,250	-	-	-	14,250	25
Lester Kwok	14,250	-	-	-	14,250	25
Bill Kwok	14,250	-	-	-	14,250	25
Mark Kwok	14,250	-	-	-	14,250	25

Note: The above Directors together control 100% of the voting rights in Kee Wai Investment Company (BVI) Limited.

(c) The Wing On Fire & Marine (2011) Limited

Name of Director	Personal interests (held as beneficial owner)	Number of ordinary shares held			Total interests	Total interests as a % of the issued voting shares
		Family interests (interests of spouse)	Corporate interests (interests of controlled corporation)	Other interests		
Karl C. Kwok	324	-	-	-	324	0.017
Lester Kwok	216	-	-	-	216	0.012
Bill Kwok	216	-	-	-	216	0.012
Mark Kwok	216	-	-	-	216	0.012

In addition to the above, certain Directors hold shares in a subsidiary on trust and as nominee for its intermediary holding company.

Save as disclosed herein, none of the Directors nor the chief executive officer of the Company has any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporation (as defined above) which are required to be notified to the Company and the Stock Exchange pursuant to section 347 of the SFO or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUPPLEMENTARY INFORMATION

(Continued)

SUBSTANTIAL SHAREHOLDERS

At 30 June 2024, according to the information available to the Company, the following companies were interested in 5% or more of the issued share capital of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Number of ordinary shares held	Total interests as a % of the issued voting shares
(i) Wing On International Holdings Limited	180,545,138	62.249
(ii) Wing On Corporate Management (BVI) Limited	180,545,138	62.249
(iii) Kee Wai Investment Company (BVI) Limited	180,545,138	62.249

Note: For the avoidance of doubt and double counting, it should be noted that duplication occurs in respect of all of the above-stated shareholdings to the extent that the shareholdings stated against party (i) above are entirely duplicated in the relevant shareholdings stated against party (ii) above, with the same duplication of the shareholdings in respect of (ii) in (iii). All of the abovenamed parties are deemed to be interested in the relevant shareholdings under the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Details of the purchase of own shares by the Company during the period are set out in Note 13(b) to the interim financial report. The purchases were made for the purpose of enhancing the net asset value per share and earnings per share of the Company.

Save as disclosed in Note 13(b) to the interim financial report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the period.