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WING ON COMPANY INTERNATIONAL LIMITED

永安國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 289)

ANNOUNCEMENT OF 2023 ANNUAL RESULTS

The directors of Wing On Company International Limited (the “Company”) and its subsidiaries (together referred to as the “Group”) announce the consolidated results for the year ended 31 December 2023:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Year ended 31 December	
		2023	2022
		HK\$'000	HK\$'000
Revenue	3	1,056,194	1,041,028
Other revenue	5	140,654	103,297
Other net gain/(loss)	5	114,258	(240,248)
Cost of department store sales	6(d)	(287,754)	(274,945)
Cost of property leasing activities	6(b)	(106,012)	(98,259)
Other operating expenses	6(c)	(352,747)	(360,254)
Profit from operations		564,593	170,619
Finance costs	6(a)	(483)	(1,068)
		564,110	169,551
Net valuation loss on investment properties		(378,055)	(365,883)
		186,055	(196,332)
Share of loss of an associate		(9,948)	(16,185)
Profit/(loss) before taxation	6	176,107	(212,517)
Income tax	7	(54,990)	(89,096)
Profit/(loss) for the year		121,117	(301,613)
Attributable to:			
Shareholders of the Company		123,360	(300,946)
Non-controlling interests		(2,243)	(667)
Profit/(loss) for the year		121,117	(301,613)
Basic and diluted earnings/(loss) per share	9(a)	42.4 cents	(103.3) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December			
	2023		2022	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(loss) for the year		<u>121,117</u>		<u>(301,613)</u>
Other comprehensive income for the year (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		(7,100)		(12,865)
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation adjustments:				
- exchange differences on translation of financial statements of overseas subsidiaries	12,125		(201,699)	
- share of exchange differences on translation of financial statements of an overseas associate	<u>(2,736)</u>		<u>(6,137)</u>	
		<u>9,389</u>		<u>(207,836)</u>
Other comprehensive income for the year		<u>2,289</u>		<u>(220,701)</u>
Total comprehensive income for the year		<u>123,406</u>		<u>(522,314)</u>
Attributable to:				
Shareholders of the Company		125,635		(521,694)
Non-controlling interests		<u>(2,229)</u>		<u>(620)</u>
Total comprehensive income for the year		<u>123,406</u>		<u>(522,314)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December 2023	At 31 December 2022
	Note	HK\$'000	HK\$'000
Non-current assets			
Investment properties		14,601,720	14,939,515
Other property, plant and equipment		<u>296,050</u>	<u>295,370</u>
		14,897,770	15,234,885
Interest in an associate		330,490	343,174
Other investments		119,637	126,737
Prepayments	10	<u>19,556</u>	<u>-</u>
		<u>15,367,453</u>	<u>15,704,796</u>
Current assets			
Trading securities		1,872,390	1,673,297
Inventories		76,763	73,766
Debtors, deposits and prepayments	10	75,024	72,640
Amounts due from fellow subsidiaries		9,516	15,576
Current tax recoverable		7,808	87
Other bank deposits		592,027	800,386
Cash and cash equivalents		<u>1,721,409</u>	<u>1,562,081</u>
		<u>4,354,937</u>	<u>4,197,833</u>
Current liabilities			
Creditors and accrued charges	11	367,289	370,255
Contract liabilities		20,108	20,051
Lease liabilities		16,534	20,025
Amounts due to fellow subsidiaries		2,477	3,152
Current tax payable		<u>9,558</u>	<u>12,000</u>
		<u>415,966</u>	<u>425,483</u>
Net current assets		<u>3,938,971</u>	<u>3,772,350</u>
Total assets less current liabilities		<u>19,306,424</u>	<u>19,477,146</u>
Non-current liabilities			
Lease liabilities		36,855	816
Long service payment liabilities		2,699	-
Deferred tax liabilities		<u>881,538</u>	<u>891,064</u>
		<u>921,092</u>	<u>891,880</u>
Net assets		<u>18,385,332</u>	<u>18,585,266</u>
Capital and reserves			
Share capital		29,042	29,093
Reserves		<u>18,326,788</u>	<u>18,524,442</u>
Total equity attributable to shareholders of the Company		<u>18,355,830</u>	<u>18,553,535</u>
Non-controlling interests		<u>29,502</u>	<u>31,731</u>
Total equity		<u>18,385,332</u>	<u>18,585,266</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	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 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 2023											
Profit for the year		-	-	-	-	-	-	123,360	123,360	(2,243)	121,117
Other comprehensive income for the year		-	-	(7,100)	9,375	-	-	-	2,275	14	2,289
Total comprehensive income for the year		-	-	(7,100)	9,375	-	-	123,360	125,635	(2,229)	123,406
Purchase of own shares											
- par value paid		(51)	-	-	-	-	-	-	(51)	-	(51)
- premium and transaction costs paid		-	-	-	-	-	-	(6,474)	(6,474)	-	(6,474)
Dividends approved and paid in respect of the previous year	8(b)	-	-	-	-	-	-	(218,021)	(218,021)	-	(218,021)
Dividends declared and paid in respect of the current year	8(a)	-	-	-	-	-	-	(98,794)	(98,794)	-	(98,794)
		(51)	-	(7,100)	9,375	-	-	(199,929)	(197,705)	(2,229)	(199,934)
At 31 December 2023		<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 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 2022											
Loss for the year		-	-	-	-	-	-	(300,946)	(300,946)	(667)	(301,613)
Other comprehensive income for the year		-	-	(12,865)	(207,883)	-	-	-	(220,748)	47	(220,701)
Total comprehensive income for the year		-	-	(12,865)	(207,883)	-	-	(300,946)	(521,694)	(620)	(522,314)
Purchase of own shares											
- par value paid		(48)	-	-	-	-	-	-	(48)	-	(48)
- premium and transaction costs paid		-	-	-	-	-	-	(7,056)	(7,056)	-	(7,056)
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		-	-	-	-	-	323	(323)	-	-	-
		(48)	-	(12,865)	(207,883)	-	323	(442,311)	(662,784)	(620)	(663,404)
At 31 December 2022		<u>29,093</u>	<u>278,710</u>	<u>111,819</u>	<u>(397,764)</u>	<u>754,347</u>	<u>3,111</u>	<u>17,774,219</u>	<u>18,553,535</u>	<u>31,731</u>	<u>18,585,266</u>

Note:

Retained earnings attributable to the shareholders of the Company as at 31 December 2023 include the aggregate net valuation gain relating to investment properties after deferred tax of HK\$11,776,744,000 (at 31 December 2022: HK\$12,131,503,000).

NOTES

1. Basis of preparation

The annual results set out in the announcement do not constitute the Group's financial statements for the year ended 31 December 2023 but are extracted from those financial statements.

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

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2023 as set out in the announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor.

2. Changes in accounting policies

(a) New and amended HKFRSs

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

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

(b) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Government of the Hong Kong Special Administrative Region (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will come into effect from 1 May 2025 (the "Transition Date"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("MPF") scheme to reduce the long service payment ("LSP") in respect of an employee's service from the Transition Date (the abolition of the "offsetting mechanism"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly wages immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the offsetting mechanism and the abolition of such mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to offset the LSP payable to an employee as deemed contributions by that employee towards the LSP.

However, applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19, Employee benefits, that previously allowed such deemed contributions to be recognised as reduction of service cost (negative service cost) in the period the contributions were made; instead these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has changed its accounting policy in connection with its LSP liabilities and has applied the aforesaid HKICPA guidance. The cessation of applying the practical expedient in paragraph 93(b) of HKAS 19 in conjunction with the enactment of the Amendment Ordinance resulted in a catch-up profit or loss adjustment in June 2022 for the service cost up to that date and consequential impacts on current service cost, interest expense and remeasurement effects from changes in actuarial assumptions for the rest of 2022, with the corresponding adjustment to the comparative carrying amount of the LSP liability. However, considering the amount of the catch-up profit or loss adjustment was immaterial, the Group did not restate the comparative figure for the consolidated financial statements. This change in accounting policy did not have a material impact on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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:

	2023	2022
	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	423,320	399,598
- Net income from concession sales	153,955	141,670
- Net income from consignment sales	62,109	62,480
	639,384	603,748
Property investment (recognised over time)		
- Building management fees and other rental related income	58,447	57,666
Under the scope of HKFRS 16, Leases:		
Property investment		
- Gross rentals from investment properties	358,363	379,614
	1,056,194	1,041,028

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

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

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its revenue such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts that had an original expected duration of one year or less.

4. Segment reporting

The Group manages its business by two divisions, namely department stores and property investment. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Department stores: this segment operates department stores in Hong Kong.
- Property investment: this segment leases commercial premises to generate rental income. Currently the Group's investment property portfolio is located in Hong Kong, Australia and the United States of America ("USA").

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's 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 and bank borrowings 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.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2023 and 2022 is set out below.

	Department stores		Property investment		Total	
	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	639,384	603,748	416,810	437,280	1,056,194	1,041,028
Inter-segment revenue	-	-	111,021	110,961	111,021	110,961
Reportable segment revenue	<u>639,384</u>	<u>603,748</u>	<u>527,831</u>	<u>548,241</u>	<u>1,167,215</u>	<u>1,151,989</u>
Reportable segment profit/(loss)	<u>(2,805)</u>	<u>(21,277)</u>	<u>388,198</u>	<u>427,980</u>	<u>385,393</u>	<u>406,703</u>
Finance costs	483	713	-	355	483	1,068
Depreciation and amortisation for the year	25,725	29,292	62,016	55,905	87,741	85,197
Bad debts written off	-	31	1,905	2,175	1,905	2,206
Reportable segment assets	188,439	132,300	14,867,385	15,235,368	15,055,824	15,367,668
Additions to non-current segment assets during the year	72,969	5,894	26,534	33,807	99,503	39,701
Reportable segment liabilities	<u>280,426</u>	<u>249,836</u>	<u>122,707</u>	<u>118,792</u>	<u>403,133</u>	<u>368,628</u>

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

	2023 HK\$'000	2022 HK\$'000
Profit		
Reportable segment profit	385,393	406,703
Share of loss of an associate	(9,948)	(16,185)
Other revenue	139,860	77,700
Other net gain/(loss)	114,258	(240,248)
Finance costs	(483)	(1,068)
Net valuation loss on investment properties	(378,055)	(365,883)
Unallocated head office and corporate expenses	(74,918)	(73,536)
Consolidated profit/(loss) before taxation	<u>176,107</u>	<u>(212,517)</u>
 Assets		
Reportable segment assets	15,055,824	15,367,668
Elimination of inter-segment receivables	(3,572)	(3,599)
	<u>15,052,252</u>	<u>15,364,069</u>
Interest in an associate	330,490	343,174
Other investments	119,637	126,737
Trading securities	1,872,390	1,673,297
Current tax recoverable	7,808	87
Unallocated head office and corporate assets	2,339,813	2,395,265
Consolidated total assets	<u>19,722,390</u>	<u>19,902,629</u>
 Liabilities		
Reportable segment liabilities	403,133	368,628
Elimination of inter-segment payables	(3,572)	(3,599)
	<u>399,561</u>	<u>365,029</u>
Current tax payable	9,558	12,000
Deferred tax liabilities	881,538	891,064
Unallocated head office and corporate liabilities	46,401	49,270
Consolidated total liabilities	<u>1,337,058</u>	<u>1,317,363</u>

(c) **Geographic information**

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

	Revenue from external customers		Specified non-current assets	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong (place of domicile)	<u>941,332</u>	<u>910,979</u>	<u>11,094,279</u>	<u>11,365,757</u>
Australia	111,577	125,403	3,658,676	3,679,271
USA	3,285	4,646	321,918	340,423
The People's Republic of China	-	-	172,943	192,608
	<u>114,862</u>	<u>130,049</u>	<u>4,153,537</u>	<u>4,212,302</u>
	<u>1,056,194</u>	<u>1,041,028</u>	<u>15,247,816</u>	<u>15,578,059</u>

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

	2023 HK\$'000	2022 HK\$'000
Other revenue		
Interest income from bank deposits	94,685	32,467
Dividend income from investments in securities	28,820	30,470
Compensation received on early termination of leases	794	13,359
Government grants (note)	-	13,147
Interest income from investments in securities	11,201	9,063
Others	5,154	4,791
	<u>140,654</u>	<u>103,297</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, the purpose of which was to provide financial support to employers to retain their current employees or hire more employees when the business revived. Under the terms of the Employment Support Scheme, the Group was required to employ a sufficient number of employees with reference to its proposed employee headcounts in each subsidy month.

	2023 HK\$'000	2022 HK\$'000
Other net gain/(loss)		
Net gain/(loss) on remeasurement to fair value of trading securities	43,532	(259,475)
Net gain/(loss) on disposal of		
- trading securities	32,131	(5,590)
- derivative financial instruments	39,793	25,552
Net foreign exchange loss	(1,139)	(720)
Net loss on disposal of plant and equipment	(59)	(15)
	<u>114,258</u>	<u>(240,248)</u>

6. Profit/(loss) before taxation

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

	2023 HK\$'000	2022 HK\$'000
(a) Finance costs		
Interest on bank loan	-	355
Interest on lease liabilities	483	713
	<u>483</u>	<u>1,068</u>
(b) Rentals receivable from investment properties		
Gross income from property investment	(416,810)	(437,280)
Less: direct outgoings	106,012	98,259
	<u>(310,798)</u>	<u>(339,021)</u>
(c) Other operating expenses, include		
Staff costs (excluding directors' emoluments)		
- salaries, wages and other benefits	176,057	176,235
- contributions to defined contribution retirement plans	9,214	9,390
- expenses recognised in respect of long service payment liabilities	2,699	-
	<u>187,970</u>	<u>185,625</u>
Less: included in cost of property leasing activities	(3,780)	(3,297)
	<u>184,190</u>	<u>182,328</u>
Directors' emoluments	25,006	30,133
Depreciation		
- owned plant and equipment	9,903	12,203
- right-of-use assets	44,753	46,359
Auditors' remuneration		
- audit services	4,476	4,378
- tax services	502	582
- other services	2,083	2,366
Impairment losses of other debtors	650	961
Bad debts written off	1,905	2,206
Expenses relating to short-term leases	54	55
Advertising expenses	9,171	9,519
Electricity, water and gas	8,705	7,867
Credit card commission	5,839	6,003
Information technology expenses	5,595	5,619
Government rent and rates	5,258	5,421
(d) Other items		
Amortisation on lease incentives	33,973	27,944
Cost of inventories sold	287,754	274,945

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

	2023 HK\$'000	2022 HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	43,463	46,121
Over-provision in respect of prior years	<u>(158)</u>	<u>(631)</u>
	<u>43,305</u>	<u>45,490</u>
Current tax – Overseas		
Provision for the year	23,777	31,363
Over-provision in respect of prior years	<u>(2)</u>	<u>(91)</u>
	<u>23,775</u>	<u>31,272</u>
Deferred tax		
Origination and reversal of temporary differences		
- changes in fair value of investment properties	(20,912)	14,167
- other temporary differences	<u>8,822</u>	<u>(1,833)</u>
	<u>(12,090)</u>	<u>12,334</u>
Total income tax expense	<u><u>54,990</u></u>	<u><u>89,096</u></u>

The provision for Hong Kong Profits Tax for 2023 is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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

8. Dividends

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

	2023 HK\$'000	2022 HK\$'000
Interim dividend:		
- declared during the year	98,833	-
- attributable to shares purchased in July, August and September 2023	<u>(39)</u>	<u>-</u>
Interim dividend paid of 34 HK cents (2022: nil cents) per share	98,794	-
Final dividend proposed after the end of the reporting period of 60 HK cents (2022: 15 HK cents) per share	174,250	43,640
Special dividend proposed after the end of the reporting period of nil cents (2022: 60 HK cents) per share	<u>-</u>	<u>174,559</u>
	<u>273,044</u>	<u>218,199</u>

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

- (b) Dividends payable to shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2023 HK\$'000	2022 HK\$'000
Final dividend in respect of the financial year ended 31 December 2022/31 December 2021:		
- approved during the year	43,640	134,048
- attributable to shares purchased in May 2023/ January, February, March, April and May 2022	<u>(36)</u>	<u>(62)</u>
Final dividend paid during the year of 15 HK cents (during 2022: 46 HK cents) per share	<u>43,604</u>	<u>133,986</u>
Special dividend in respect of the financial year ended 31 December 2022:		
- approved during the year	174,559	-
- attributable to shares purchased in May 2023	<u>(142)</u>	<u>-</u>
Special dividend paid during the year of 60 HK cents (during 2022: nil cents) per share	<u>174,417</u>	<u>-</u>
	<u>218,021</u>	<u>133,986</u>

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

- (a) The calculation of basic earnings/(loss) per share is based on the consolidated profit attributable to shareholders of the Company for the year ended 31 December 2023 of HK\$123,360,000 (2022: loss of HK\$300,946,000) divided by the weighted average of 290,718,000 shares (2022: 291,235,000 shares) in issue during the year.

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

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

For the purpose of assessing the underlying performance of the Group, management is of the view that the profit/(loss) for the year should be adjusted for the net valuation loss on investment properties net of related deferred tax thereon in arriving at the “underlying profit attributable to shareholders of the Company”.

The difference between the underlying profit attributable to shareholders of the Company and profit/(loss) attributable to shareholders of the Company as shown in the consolidated statement of profit or loss for the year is reconciled as follows:

	2023		2022	
	Amount per share HK\$'000	Amount per share HK cents	Amount per share HK\$'000	Amount per share HK cents
Profit/(loss) attributable to shareholders of the Company as shown in the consolidated statement of profit or loss	123,360	42.4	(300,946)	(103.3)
Add: net valuation loss on investment properties	378,055	130.0	365,883	125.6
(Less)/add: (decrease)/increase in deferred tax liabilities in relation to the net valuation (loss)/gain on investment properties	(20,912)	(7.1)	14,167	4.8
	<u>480,503</u>	<u>165.3</u>	<u>79,104</u>	<u>27.1</u>
Less: valuation loss on investment property net of related deferred tax thereon attributable to non-controlling interests	<u>(2,384)</u>	<u>(0.8)</u>	<u>(684)</u>	<u>(0.2)</u>
Underlying profit attributable to shareholders of the Company	<u>478,119</u>	<u>164.5</u>	<u>78,420</u>	<u>26.9</u>

10. Debtors, deposits and prepayments

	2023	2022
	HK\$'000	HK\$'000
Trade debtors, net of loss allowance	16,782	13,748
Other debtors	23,990	26,215
Deposits and prepayments	53,808	32,677
	94,580	72,640
	94,580	72,640
Represented by:		
Non-current portion	19,556	-
Current portion	75,024	72,640
	94,580	72,640
	94,580	72,640

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:

	2023	2022
	HK\$'000	HK\$'000
Current (not past due) or less than one month past due	15,733	11,293
One to three months past due	600	2,145
More than three months but less than twelve months past due	448	260
More than twelve months past due	1	50
	16,782	13,748
	16,782	13,748

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

11. Creditors and accrued charges

	2023	2022
	HK\$'000	HK\$'000
Trade and other creditors	323,239	327,147
Accrued charges	44,050	43,108
	<u>367,289</u>	<u>370,255</u>

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

	2023	2022
	HK\$'000	HK\$'000
Amounts not yet due	272,789	265,199
On demand or less than one month overdue	47,503	53,180
One to three months overdue	1,183	3,681
Three to twelve months overdue	1,079	1,623
More than twelve months overdue	685	3,464
	<u>323,239</u>	<u>327,147</u>

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

2023 RESULTS AND DIVIDEND

For the year ended 31 December 2023, the Group's revenue was HK\$1,056.2 million (2022: HK\$1,041.0 million), a slight increase of 1.5% due mainly to the increase in revenue of the Group's department stores.

The Group recorded a profit attributable to shareholders of HK\$123.4 million for the year ended 31 December 2023 as compared to a loss of HK\$300.9 million for the year ended 31 December 2022. Such improvement was due mainly to the gain of HK\$149.0 million from the Group's investment portfolio for 2023 as compared to the loss of HK\$206.4 million for 2022, and the increase in interest income from bank deposits of HK\$62.2 million for 2023. The Group recorded a valuation loss on its investment properties of HK\$378.1 million for 2023 (2022: HK\$365.9 million). Excluding the valuation loss on the Group's investment properties and related deferred tax thereon, the Group's underlying profit attributable to shareholders for 2023 increased by 509.8% to HK\$478.1 million (2022: HK\$78.4 million), which was attributable mainly to the gain recorded from the Group's investment portfolio, the increase in interest income from bank deposits and the reduced loss from the Group's department stores operation.

Earnings per share was 42.4 HK cents (2022: loss per share of 103.3 HK cents) per share. Excluding the valuation loss on the Group's investment properties and related deferred tax thereon, the Group's underlying earnings per share for 2023 was 164.5 HK cents (2022: 26.9 HK cents) per share.

The Company has a practice of paying dividends to shareholders based on the amount of underlying profit attributable to shareholders for the year and makes no reference to any valuation gain or loss on its investment properties. Over the last decade, the Company has consistently paid to shareholders annual dividends of about 50% of the underlying profit for each of those years. Barring unforeseen circumstances or any major funding needs, the Company intends to maintain such dividend practice. For 2023, the directors have recommended a final dividend of 60 HK cents (2022: 15 HK cents) per share payable to shareholders on the register of members of the Company on 26 June 2024. A special dividend of 60 HK cents per share was paid in 2023 in respect of the year ended 31 December 2022 to commemorate the 115th Anniversary of the founding of the Group's department stores business in 1907. Together with the interim dividend of 34 HK cents (2022: nil cents) per share paid on 26 October 2023, a total dividend payment of 94 HK cents (2022: 75 HK cents) per share is declared for the entire year.

Subject to shareholders' approval of the proposed final dividend at the forthcoming Annual General Meeting to be held on Thursday, 13 June 2024, the register of members of the Company will be closed from Thursday, 20 June 2024 to Wednesday, 26 June 2024, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the final 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, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:00 p.m. on Wednesday, 19 June 2024. Dividend warrants will be sent to shareholders on Thursday, 11 July 2024.

BUSINESS STRATEGY

The Group's current business strategy is to focus on the operation of its department stores business and the enhancement of rental income from its commercial property investment. These are the Group's core businesses and the primary revenue and profit contributors. With Wing On Department Stores being a household name and having a presence of 116 years in Hong Kong, the Group is well aware of and adapts timely to the ever-changing needs of its customers. The Group is confident that its department stores will continue to serve its customers well. In addition to its core business activities, the Group also invests in equity and debt securities and investment funds managed by professional investment managers. With its sound financials, the Group will continue to strengthen its core business activities and look for opportunities to expand its business and to improve its earnings.

LIQUIDITY AND FINANCIAL RESOURCES

Overall Financial Position

Shareholders' equity at 31 December 2023 was HK\$18,355.8 million, a decrease of 1.1% as compared to HK\$18,553.5 million at 31 December 2022. With cash and listed marketable securities of HK\$3,414.7 million at 31 December 2023 (at 31 December 2022: HK\$3,370.9 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 the Group's Assets

The Group did not have any borrowings at 31 December 2023 and 2022. In 2022, the Group repaid the entire borrowings of HK\$34.9 million, which related to a mortgage loan for Australian investment properties, and the relevant mortgage was released. 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 31 December 2023 and 2022. The gearing ratio is not applicable at 31 December 2023 and 2022.

Funding and Treasury Policies

The Group adopts a prudent funding and treasury policy. Its exposure to fluctuations in the foreign exchange market was limited to the Group's net investment in overseas subsidiaries of HK\$3,474.4 million at 31 December 2023 (at 31 December 2022: HK\$3,448.5 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 31 December 2023, the Group's capital commitments amounted to HK\$57.2 million (at 31 December 2022: HK\$22.6 million). The Group had no contingent liabilities at 31 December 2023 and 2022.

2023 BUSINESS SUMMARY

Department Stores Operation

With the gradual resumption of social and economic activities in Hong Kong, the Group was able to maintain its normal department stores operating hours throughout the year under review. Both customer traffic and sales turnover picked up in 2023, notably in the first quarter. However, this sales growth did not last long. In the second half of the year under review, the Group witnessed an intensified change in the spending habits and shopping patterns of the local population. Many of them would travel north to the surrounding Greater Bay Area cities to do their shopping amongst other forms of spending. Hence, the Group's department stores business was adversely affected especially in the hard goods category.

During 2023, the Group launched more promotions with deeper discounts to boost sales. The Group's strategies to modernise its shop floors with appropriate visual merchandising display and to increase its assortments of imported apparel for fashion-conscious consumers produced positive results and the Group's sales of soft goods increased markedly. The overall sales increase was however abated by the lacklustre performance in hard goods.

For the year ended 31 December 2023, the Group's department stores recorded a revenue of HK\$639.4 million, representing an increase of 5.9% when compared to HK\$603.7 million in 2022. Overall, the department stores recorded an operating loss of HK\$2.8 million (2022: HK\$21.3 million). The reduction in operating loss was due mainly to the increase in revenue and thus gross profit. The Group's department stores operation recorded wage subsidy from the Government's 2022 Employment Support Scheme of HK\$12.2 million in 2022, whereas no such subsidy was received in 2023.

The Group pays high attention to the changing customer spending patterns and frequently adjusts its merchandise offerings and promotional campaigns to stimulate foot traffic and enhance competitiveness. The Group commenced the renovation of its wing on *Plus* branch store premises on Nathan Road in October 2023 aiming to provide a brand new shopping experience to the Group's customers with wider categories of quality merchandise and service. The renovation works, which are carried out in phases, are expected to be completed in 2025.

Property Investment

For the year ended 31 December 2023, the Group's property investment income decreased by 9.3% to HK\$388.2 million (2022: HK\$428.0 million). The significant decrease in space requirements by commercial office tenants after the COVID-19 pandemic years took a toll on the leasing operations of the Group's commercial investment properties in Hong Kong and overseas.

Income from the Group's commercial investment properties in Hong Kong for the year ended 31 December 2023 decreased by 7.8% to HK\$293.5 million (2022: HK\$318.3 million) which was mainly due to the lower rentals achieved for new leases and lease renewals. The Group recorded a sum of HK\$0.8 million being compensation received for early termination of leases (2022: HK\$13.4 million). The overall occupancy rate of the Group's commercial investment properties in Hong Kong remained stable at approximately 93% at 31 December 2023 (at 31 December 2022: 92%).

Income from the Group's commercial office properties in Melbourne for the year ended 31 December 2023 decreased by 12.5% to HK\$97.6 million (2022: HK\$111.5 million) due mainly to the reduced occupancy and a write off of HK\$11.5 million for the irrecoverable rents and landlord's lease incentives relating to an insolvent tenant. Net income in terms of Australian currency decreased by 8.7%. The overall occupancy rate of the Group's commercial investment properties in Melbourne was 85% at 31 December 2023 (at 31 December 2022: 84%).

Interest in an Associate

In 2023, the Group recorded a share of loss after tax from the associate's automobile dealerships interest in the People's Republic of China of HK\$17.5 million (2022: HK\$18.1 million). Overall, the Group recorded a share of loss from the associate of HK\$9.9 million (2022: HK\$16.2 million).

Others

At 31 December 2023, the Group's investment portfolio amounted to HK\$1,872.4 million (2022: HK\$1,673.3 million), which mainly comprised of equity and debt securities, as well as investment funds and programs managed by professional investment managers. During the year ended 31 December 2023, the Group's investment portfolio recorded a gain of HK\$149.0 million (2022: a loss of HK\$206.4 million). The Group recorded a net foreign exchange loss of HK\$1.1 million (2022: HK\$0.7 million) in its holdings of foreign currencies.

STAFF

At 31 December 2023, the Group had a total staff of 533 (at 31 December 2022: 551). The Group's remuneration policies, bonus schemes, Mandatory Provident Fund schemes, etc. have not changed materially from the information disclosed in the 2022 annual report. Details of such policies will be published in the 2023 annual report.

2024 OUTLOOK

The slow revival of Hong Kong tourism industry and reduced levels of spending by visitors, together with the surge in the local population opting to travel north to the neighbouring Mainland cities for leisure and shopping, will continue to depress the retail market in Hong Kong. As a result, the Group's department stores business in 2024 will continue to be unfavourably affected by this trend. The Group will stay focused on its current market positioning while seeking to provide its discerning customers with more value for money products and better shopping experience. The Group's commercial investment properties in Hong Kong and Melbourne will continue to contribute rental income though the property market conditions in Melbourne will continue to be challenging in view of the high office vacancy and downward office rental pressure. With the financial strength of the Group and the dedication of its management, the Group can meet the challenges ahead.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions in the Corporate Governance Code as set out in Appendix C1 to the Listing Rules throughout the financial year ended 31 December 2023.

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 and all directors have confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2023.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2023, the Company purchased a total of 515,000 shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for enhancing net asset value and earnings per share of the Company. All the purchased shares were cancelled. Details of the purchases of shares are as follows:

Month/Year	Number of shares purchased	Purchase price per share		Aggregate price paid HK\$'000
		Highest HK\$	Lowest HK\$	
May 2023	236,000	13.30	13.00	3,115
June 2023	11,000	12.66	12.64	139
July 2023	42,000	12.70	12.44	528
August 2023	29,000	12.20	12.20	354
September 2023	41,000	12.20	12.14	499
November 2023	24,000	12.16	12.08	292
December 2023	132,000	12.10	11.78	1,573
	<u>515,000</u>			<u>6,500</u>

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed shares of the Company during the year ended 31 December 2023.

ANNUAL GENERAL MEETING

The 2024 Annual General Meeting of the Company will be held on 13 June 2024. The Notice of Annual General Meeting will be published and dispatched on or about 26 April 2024 in the manner as required by the Listing Rules.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

The 2023 Annual Report containing all the information required by the Listing Rules will be published on the Stock Exchange's website in due course.

By Order of the Board
Karl C. Kwok
Chairman

Hong Kong, 27 March 2024

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 of the Company are Miss Maria Tam Wai Chu, Mr. Leung Wing Ning and Mr. Nicholas James Debnam.