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WING ON COMPANY INTERNATIONAL LIMITED

永安國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 289)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

The directors of Wing On Company International Limited (“the Company”) announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2016 (“interim financial report”).

INDEPENDENT REVIEW

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 Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, this interim financial report has been reviewed by the Company’s Audit Committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2016	2015
	Note	HK\$'000	HK\$'000
Revenue	3	883,433	952,875
Other revenue	5	21,249	26,835
Other net gain	5	2,224	11,928
Cost of department store sales	6(d)	(364,719)	(412,129)
Cost of property leasing activities	6(c)	(38,569)	(41,941)
Other operating expenses		(191,692)	(223,601)
Profit from operations		311,926	313,967
Finance costs	6(a)	(4,355)	(5,479)
		307,571	308,488
Net valuation gain on investment properties		228,016	207,014
		535,587	515,502
Share of (loss)/profit of an associate		(50,207)	32,921
Profit before taxation	6	485,380	548,423
Income tax	7	(54,183)	(48,840)
Profit for the period		431,197	499,583
Attributable to:			
Shareholders of the Company		430,280	499,092
Non-controlling interests		917	491
Profit for the period		431,197	499,583
Basic and diluted earnings per share	9	145.9 cents	169.0 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June			
	2016		2015	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit for the period		431,197		499,583
Other comprehensive income for the period (after tax and reclassification adjustments):				
Items that may be reclassified subsequently to profit or loss:				
- Foreign currency translation adjustments:				
- exchange differences on translation of financial statements of overseas subsidiaries	51,902		(125,259)	
- share of exchange differences on translation of financial statements of an overseas associate	(606)		(175)	
- release of the exchange reserve upon refund of investment in an overseas subsidiary	-		(7,554)	
		51,296		(132,988)
- Available-for-sale securities: changes in fair value recognised during the period		(120)		-
Other comprehensive income for the period		51,176		(132,988)
Total comprehensive income for the period		482,373		366,595
Attributable to:				
Shareholders of the Company		481,434		366,116
Non-controlling interests		939		479
Total comprehensive income for the period		482,373		366,595

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Non-current assets			
Investment properties		11,905,073	11,602,601
Other property, plant and equipment		432,520	449,240
		12,337,593	12,051,841
Interest in an associate		252,609	303,422
Available-for-sale securities		24,418	24,538
Deferred tax assets		3,696	7,190
		12,618,316	12,386,991
Current assets			
Trading securities		381,183	378,665
Inventories		91,017	104,762
Debtors, deposits and prepayments	10	83,361	68,081
Amounts due from fellow subsidiaries		3,222	2,622
Current tax recoverable		9,570	999
Cash and cash equivalents		3,185,184	3,116,347
		3,753,537	3,671,476
Current liabilities			
Creditors and accrued charges	11	359,323	397,070
Secured bank loan		36,562	35,638
Amounts due to fellow subsidiaries		2,565	2,811
Current tax payable		39,628	18,678
		438,078	454,197
Net current assets		3,315,459	3,217,279
Total assets less current liabilities		15,933,775	15,604,270
Non-current liabilities			
Secured bank loan		201,954	214,668
Deferred tax liabilities		522,762	508,262
		724,716	722,930
Net assets		15,209,059	14,881,340
Capital and reserves			
Share capital		29,476	29,508
Reserves		15,153,507	14,826,695
Total equity attributable to shareholders of the Company		15,182,983	14,856,203
Non-controlling interests		26,076	25,137
Total equity		15,209,059	14,881,340

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2016

		Attributable to shareholders of the Company									
	Note	Share capital	Land and building revaluation reserve	Investment revaluation reserve	Exchange reserve	Contributed surplus	General reserve fund	Retained earnings (note)	Total	Non-controlling interests	Total equity
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2016		29,508	271,037	12,760	(178,467)	754,347	1,673	13,965,345	14,856,203	25,137	14,881,340
Changes in equity for the six months ended 30 June 2016:											
Profit for the period		-	-	-	-	-	-	430,280	430,280	917	431,197
Other comprehensive income for the period		-	-	(120)	51,274	-	-	-	51,154	22	51,176
Total comprehensive income for the period		-	-	(120)	51,274	-	-	430,280	481,434	939	482,373
Share of the general reserve fund of an associate: transfer to retained earnings		-	-	-	-	-	(633)	633	-	-	-
Purchase of own shares											
- Par value paid		(32)	-	-	-	-	-	-	(32)	-	(32)
- Premium and transaction costs paid		-	-	-	-	-	-	(7,234)	(7,234)	-	(7,234)
Dividends approved in respect of the previous year	8(b)	-	-	-	-	-	-	(147,388)	(147,388)	-	(147,388)
		(32)	-	(120)	51,274	-	(633)	276,291	326,780	939	327,719
Balance at 30 June 2016		29,476	271,037	12,640	(127,193)	754,347	1,040	14,241,636	15,182,983	26,076	15,209,059
Balance at 1 January 2015		29,530	271,037	9,940	57,506	754,347	1,018	13,410,780	14,534,158	22,503	14,556,661
Changes in equity for the six months ended 30 June 2015:											
Profit for the period		-	-	-	-	-	-	499,092	499,092	491	499,583
Other comprehensive income for the period		-	-	-	(132,976)	-	-	-	(132,976)	(12)	(132,988)
Total comprehensive income for the period		-	-	-	(132,976)	-	-	499,092	366,116	479	366,595
Dividends approved in respect of the previous year	8(b)	-	-	-	-	-	-	(407,507)	(407,507)	-	(407,507)
		-	-	-	(132,976)	-	-	91,585	(41,391)	479	(40,912)
Balance at 30 June 2015		29,530	271,037	9,940	(75,470)	754,347	1,018	13,502,365	14,492,767	22,982	14,515,749
Balance at 1 July 2015		29,530	271,037	9,940	(75,470)	754,347	1,018	13,502,365	14,492,767	22,982	14,515,749
Changes in equity for the six months ended 31 December 2015:											
Profit for the period		-	-	-	-	-	-	569,422	569,422	2,159	571,581
Other comprehensive income for the period		-	-	2,820	(102,997)	-	-	-	(100,177)	(4)	(100,181)
Total comprehensive income for the period		-	-	2,820	(102,997)	-	-	569,422	469,245	2,155	471,400
Share of the general reserve fund of an associate: transfer to the general reserve fund		-	-	-	-	-	655	(655)	-	-	-
Dividends declared and paid in respect of the current year	8(a)	-	-	-	-	-	-	(100,397)	(100,397)	-	(100,397)
Purchase of own shares											
- Par value paid		(22)	-	-	-	-	-	-	(22)	-	(22)
- Premium paid		-	-	-	-	-	-	(5,390)	(5,390)	-	(5,390)
		(22)	-	2,820	(102,997)	-	655	462,980	363,436	2,155	365,591
Balance at 31 December 2015		29,508	271,037	12,760	(178,467)	754,347	1,673	13,965,345	14,856,203	25,137	14,881,340

Note: Retained earnings attributable to the shareholders of the Company as at 30 June 2016 include the aggregate net valuation gain relating to investment properties after deferred tax of HK\$9,368,235,000 (at 31 December 2015: HK\$9,140,398,000).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Operating activities		
Cash generated from operations	272,694	166,440
Tax paid	<u>(34,423)</u>	<u>(34,643)</u>
Net cash generated from operating activities	<u>238,271</u>	<u>131,797</u>
Investing activities		
Payment for the purchase of property, plant and equipment	(6,419)	(19,085)
Other cash flows arising from investing activities	<u>5,166</u>	<u>17,109</u>
Net cash used in investing activities	<u>(1,253)</u>	<u>(1,976)</u>
Financing activities		
Dividends paid to shareholders of the Company	(147,388)	(407,507)
Other cash flows arising from financing activities	<u>(29,842)</u>	<u>(24,689)</u>
Net cash used in financing activities	<u>(177,230)</u>	<u>(432,196)</u>
Net increase/(decrease) in cash and cash equivalents	59,788	(302,375)
Cash and cash equivalents at 1 January	3,116,347	3,347,260
Effect of foreign exchange rate changes	<u>9,049</u>	<u>(23,484)</u>
Cash and cash equivalents at 30 June	<u><u>3,185,184</u></u>	<u><u>3,021,401</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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 HKICPA. It was authorised for issue on 26 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2015 are available from the Stock Exchange’s website. The auditors have expressed an unqualified opinion on those financial statements in their independent auditor’s report dated 30 March 2016.

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. Of these, the following developments are relevant to the Group's financial statements:

- Annual Improvements to HKFRSs 2012-2014 Cycle
- Amendments to HKAS 1, Presentation of financial statements: Disclosure Initiative

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

Annual Improvements to HKFRSs 2012-2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, HKAS 34, Interim financial reporting, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

Amendments to HKAS 1, Presentation of financial statements: Disclosure Initiative

The amendments to HKAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report.

3. Revenue

The principal activities of the Group are the operation of department stores and property investment.

The Group's revenue comprises the invoiced value of goods sold to customers less returns, net income from concession sales and income from property investment and is analysed by principal activities as follows:

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Sale of goods	533,404	606,238
Net income from concession sales	<u>126,839</u>	<u>141,720</u>
Department stores	660,243	747,958
Property investment (note 6(c))	<u>223,190</u>	<u>204,917</u>
	<u>883,433</u>	<u>952,875</u>

4. Segment reporting

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

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

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

- Segment assets include all tangible, intangible assets and current assets with the exception of interest in an associate, investments in financial assets, current tax recoverable, deferred tax assets and other corporate assets. Segment liabilities include trade and other creditors, accrued charges and bank borrowings managed directly by the segments.
- Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

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

In addition to receiving segment information concerning segment profit, management is provided with segment information concerning revenue (including inter-segment revenue), finance costs on bank borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations.

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

	Department stores		Property investment		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	660,243	747,958	223,190	204,917	883,433	952,875
Inter-segment revenue	-	-	60,188	58,744	60,188	58,744
Reportable segment revenue	660,243	747,958	283,378	263,661	943,621	1,011,619
Reportable segment profit	82,039	97,712	228,484	204,910	310,523	302,622
	Department stores		Property investment		Total	
	At 30 June	At 31 December	At 30 June	At 31 December	At 30 June	At 31 December
	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	152,711	162,604	12,358,778	12,065,023	12,511,489	12,227,627
Additions to non-current segment assets during the period/year	380	14,538	18,586	42,882	18,966	57,420
Reportable segment liabilities	240,527	274,069	319,455	332,787	559,982	606,856

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

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Profit		
Reportable segment profit derived from the Group's external customers	310,523	302,622
Other revenue	21,249	26,835
Other net gain	2,224	11,928
Finance costs	(4,355)	(5,479)
Net valuation gain on investment properties	228,016	207,014
Share of (loss)/profit of an associate	(50,207)	32,921
Unallocated head office and corporate expenses	(22,070)	(27,418)
Consolidated profit before taxation	<u>485,380</u>	<u>548,423</u>
	At	At
	30 June	31 December
	2016	2015
	HK\$'000	HK\$'000
Assets		
Reportable segment assets	12,511,489	12,227,627
Elimination of inter-segment receivables	(5,325)	(5,330)
	<u>12,506,164</u>	<u>12,222,297</u>
Interest in an associate	252,609	303,422
Available-for-sale securities	24,418	24,538
Deferred tax assets	3,696	7,190
Trading securities	381,183	378,665
Current tax recoverable	9,570	999
Unallocated head office and corporate assets	3,194,213	3,121,356
Consolidated total assets	<u>16,371,853</u>	<u>16,058,467</u>
Liabilities		
Reportable segment liabilities	559,982	606,856
Elimination of inter-segment payables	(5,325)	(5,330)
	<u>554,657</u>	<u>601,526</u>
Current tax payable	39,628	18,678
Deferred tax liabilities	522,762	508,262
Unallocated head office and corporate liabilities	45,747	48,661
Consolidated total liabilities	<u>1,162,794</u>	<u>1,177,127</u>

5. Other revenue and other net gain

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Other revenue		
Interest income from		
- bank deposits	12,070	17,632
- trading securities	-	413
Dividend income from securities	6,640	7,305
Forfeiture of unclaimed dividends	1,397	655
Others	1,142	830
	<u>21,249</u>	<u>26,835</u>
Other net gain		
Net (loss)/gain on remeasurement to fair value of		
- trading securities	(2,390)	4,046
- derivative financial instruments	(314)	205
Net realised gain on disposal of		
- trading securities	222	5,814
- derivative financial instruments	244	614
Release of the exchange reserve upon refund of investment in an overseas subsidiary	-	7,554
Net foreign exchange gain/(loss)	4,455	(6,304)
Net gain/(loss) on disposal of plant and equipment	7	(1)
	<u>2,224</u>	<u>11,928</u>

6. Profit before taxation

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

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
(a) Finance costs		
Interest on bank loan	<u>4,355</u>	<u>5,479</u>
(b) Staff costs (excluding directors' remuneration)		
Contributions to defined contribution retirement plans	6,101	6,173
Salaries, wages and other benefits	<u>100,696</u>	<u>107,701</u>
	<u>106,797</u>	<u>113,874</u>
(c) Rentals received and receivable from investment properties		
Gross rentals (note 3)	(223,190)	(204,917)
Less: direct outgoings	<u>38,569</u>	<u>41,941</u>
	<u>(184,621)</u>	<u>(162,976)</u>
(d) Other items		
Depreciation and amortisation		
- owned assets	17,503	19,742
- lease incentives	7,206	6,419
Impairment losses on trade and other debtors recognised	16	3
Operating lease charges		
- minimum lease payments for hire of land and buildings	14,616	25,318
- contingent rentals for hire of land and buildings	176	1,068
Cost of inventories sold	<u>364,719</u>	<u>412,129</u>

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

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	<u>38,634</u>	<u>38,025</u>
Current tax – Overseas		
Provision for the period	<u>8,312</u>	<u>9,954</u>
Deferred tax		
Origination and reversal of temporary differences		
- changes in fair value of investment properties	(268)	(2,148)
- other temporary differences	<u>7,505</u>	<u>3,009</u>
	<u>7,237</u>	<u>861</u>
Total income tax expense	<u><u>54,183</u></u>	<u><u>48,840</u></u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the six months ended 30 June 2016. Taxation for overseas subsidiaries is charged similarly at the appropriate current rates of taxation ruling in the relevant countries.

8. Dividends

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

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
Interim dividend:		
- declared after the interim period	73,691	100,400
- attributable to shares purchased in September 2015	<u>-</u>	<u>(3)</u>
Interim dividend payable after the interim period of 25 HK cents (2015: 34 HK cents) per share	<u><u>73,691</u></u>	<u><u>100,397</u></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.

- (b) 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	
	2016	2015
	HK\$'000	HK\$'000
Final dividend in respect of the financial year ended 31 December 2015		
- approved during the interim period	147,541	407,507
- attributable to shares purchased in April and May 2016	<u>(153)</u>	<u>-</u>
Final dividend payable during the following interim period of 50 HK cents (2014: 138 HK cents) per share	<u><u>147,388</u></u>	<u><u>407,507</u></u>

9. Basic and diluted earnings per share

- (a) The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of the Company for the six months ended 30 June 2016 of HK\$430,280,000 (six months ended 30 June 2015: HK\$499,092,000) divided by the weighted average of 295,005,000 shares (2015: 295,295,000 shares) in issue during the interim period.

There were no outstanding potential shares throughout the periods presented.

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

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

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

	Six months ended 30 June			
	2016		2015	
	Amount	Amount	Amount	Amount
	per share	per share	per share	per share
	HK\$'000	HK cents	HK\$'000	HK cents
Profit attributable to shareholders of the Company as shown in the consolidated statement of profit or loss	430,280	145.9	499,092	169.0
Adjustments:				
Less: net valuation gain on investment properties	(228,016)	(77.3)	(207,014)	(70.1)
Less: decrease in deferred tax liabilities in relation to the net valuation gain on investment properties	(268)	(0.1)	(2,148)	(0.7)
	201,996	68.5	289,930	98.2
Add: net valuation gain on investment properties net of related deferred tax attributable to non-controlling interests	447	0.1	-	-
Underlying profit attributable to shareholders of the Company	202,443	68.6	289,930	98.2

10. Debtors, deposits and prepayments

	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Trade and other debtors	39,816	30,668
Less: allowance for doubtful debts	(21)	(5)
	<u>39,795</u>	<u>30,663</u>
Deposits and prepayments	43,566	37,418
	<u>83,361</u>	<u>68,081</u>

At the end of the reporting period, the ageing analysis of trade and other debtors (net of allowance for doubtful debts), based on the due date, is as follows:

	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Current or less than one month past due	39,232	30,200
One to three months past due	487	411
More than three months but less than twelve months past due	46	15
More than twelve months past due	30	37
	<u>39,795</u>	<u>30,663</u>

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

11. Creditors and accrued charges

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

	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Amounts not yet due	270,138	300,477
On demand or less than one month overdue	52,457	52,731
One to three months overdue	2,560	418
Three to twelve months overdue	436	333
More than twelve months overdue	1,179	1,166
Trade and other creditors	<u>326,770</u>	<u>355,125</u>
Accrued charges	32,553	41,945
	<u>359,323</u>	<u>397,070</u>

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

INTERIM RESULTS AND DIVIDEND

For the six months ended 30 June 2016, the Group's revenue was HK\$883.4 million (2015: HK\$952.9 million), a decrease of 7.3% due mainly to the decrease in department stores revenue.

Profit attributable to shareholders for the first half of 2016 was HK\$430.3 million (2015: HK\$499.1 million), a decrease of 13.8% due primarily to the share of loss of an associate in the period under review as opposed to the share of profit of the associate in the same period last year. Excluding the non-cash net valuation gain on investment properties and related deferred tax thereon, the Group's underlying profit attributable to shareholders decreased by 30.2% to HK\$202.4 million (2015: HK\$289.9 million).

Earnings per share decreased by 13.7% to 145.9 HK cents (2015: 169.0 HK cents) per share. Excluding the net valuation gain on investment properties net of related deferred tax thereon, underlying earnings per share for the period decreased by 30.1% to 68.6 HK cents (2015: 98.2 HK cents) per share.

The directors have decided to pay an interim dividend of 25 HK cents (2015: 34 HK cents) per share, absorbing a total amount of HK\$73,691,000 (2015: HK\$100,400,000). The interim dividend will be paid on 18 October 2016 (Hong Kong time) to shareholders whose names appear on the Register of Members of the Company on 12 October 2016 (Hong Kong time). The Register of Members will be closed from 6 October 2016 to 12 October 2016 (Hong Kong time), both dates inclusive, during which period no share transfer will be accepted.

To qualify for the interim dividend, share transfers to be dealt with must be lodged with the Company's Share Registrars, Tricor Progressive Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:00 p.m. on Wednesday, 5 October 2016 (Hong Kong time).

LIQUIDITY AND FINANCIAL RESOURCES

Overall Financial Position

Shareholders' equity at 30 June 2016 was HK\$15,183.0 million, an increase of 2.2% as compared to that at 31 December 2015. With cash and listed marketable securities at 30 June 2016 of about HK\$3,523.2 million as well as available banking facilities, the Group has sufficient liquidity to meet its current commitments and working capital requirements.

Borrowings and Charges on Group Assets

At 30 June 2016, the Group's total borrowings amounted to HK\$238.5 million, a decrease of about HK\$11.8 million as compared to that at 31 December 2015 due to partial mortgage loan repayments, net of exchange differences. The Group's total borrowings of HK\$238.5 million relate to a mortgage loan for Australian investment properties. The bulk of the borrowings will be repayable by the end of 2017. Certain assets, comprising principally property interests with a book value of HK\$2,496.2 million, have been pledged to banks as collateral security for banking facilities granted to the extent of HK\$239.1 million. In view of the existing strong cash position, the Group does not anticipate any liquidity problems.

Gearing Ratio

The gearing ratio, which is computed from the total borrowings of the Group divided by shareholders' equity of the Group at 30 June 2016, was 1.6% as compared with 1.7% at 31 December 2015.

Funding and Treasury Policies

The Group adopts a prudent funding and treasury policy. To minimise exposure to foreign exchange fluctuations, the Group's borrowings in Australia for its Melbourne investment properties are denominated in Australian dollars. Hence, the foreign exchange exposure is limited to the net investments in overseas subsidiaries of approximately HK\$2,207.4 million at 30 June 2016 (at 31 December 2015: HK\$2,111.3 million).

The Group's borrowings are on a floating rate basis. For overseas borrowings, when appropriate and at times of interest rate uncertainty or volatility, hedging instruments including swaps and forwards may be used to assist in the Group's management of interest rate exposure. The Group's cash and bank balances are mainly denominated in Hong Kong dollar, United States dollar and Australian dollar.

Capital Commitments and Contingent Liabilities

At 30 June 2016, the total amount of the Group's capital expenditure commitments was HK\$21.5 million (at 31 December 2015: HK\$22.0 million). As at 30 June 2016, the Group had no contingent liability (at 31 December 2015: HK\$ nil).

HALF YEAR BUSINESS REVIEW

Department Store Operations

During the period under review, the Hong Kong retail environment deteriorated further due to weak consumer spending. For the six months ended 30 June 2016, the Group's department stores business revenue decreased by 11.7% to HK\$660.2 million (2015: HK\$748.0 million), affected mainly by the poor retail market and the closure of the Group's Taikoo Shing Store in August 2015. Notwithstanding the decrease in business revenue brought by the closure of the Taikoo Shing Store, the Group managed to achieve an increase in revenue by 1.7% on a same-store basis during the period under review with its marketing efforts and promotions to boost customer traffic in its stores. This compared favorably against the Hong Kong Government's figures for the department store retail sector, which recorded a drop of 9.0% for the first six months of 2016. However, the department stores operating profit for the first half of 2016 decreased by 16.1 % to HK\$82.0 million (2015: HK\$97.7 million), due mainly to the reduced gross profit on sales and increase in operating expenses.

Property Investments

For the six months ended 30 June 2016, the Group's property investment income increased by 11.5% to HK\$228.5 million (2015: HK\$204.9 million). The Group achieved an increase by 14.8% in rental income from its commercial investment properties in Hong Kong to HK\$163.4 million (2015: HK\$142.3 million) with an overall occupancy of about 95% during the period under review. Income from the Group's commercial office properties in Melbourne increased by 5.1% to HK\$59.6 million (2015: HK\$56.7 million) while the overall occupancy rate remained stable at around 95% throughout the period under review.

Interest in an Associate

The associate notified the Group in late June 2016 that it had received certain indemnity claims from the purchaser in relation to its disposal of an automobile dealership subsidiary in the United States in October 2014. These claims, which had not been resolved amongst the concerned parties as of 30 June 2016, were made by the purchaser pursuant to the terms of the Stock Purchase Agreement and the Indemnity Escrow Agreement whereby the purchaser has rights to submit certain indemnity claims within a period of eighteen months from the completion date till 30 June 2016. Having carefully reviewed the merits of these indemnity claims and in line with legal advice, the Group considered it prudent to make a provision for indemnity claims of HK\$35.1 million in the Group's accounts for the six months ended 30 June 2016. In addition to this provision, the associate recorded an unrealised loss in its holding of certain market securities during the period under review, of which the Group's share was HK\$24.7 million (2015: gain of HK\$27.5 million).

For the six months ended 30 June 2016, the Group recorded a share of profit after tax from the associate's automobile dealership interest in the People's Republic of China of HK\$2.8 million (2015: loss of HK\$1.4 million). As explained above, the Group overall recorded a share of loss from the associate of HK\$50.2 million (2015: profit of HK\$32.9 million) for the six months ended 30 June 2016.

Others

The Group's investments in securities recorded a gain of HK\$4.3 million (2015: HK\$17.9 million) during the period under review. The Group recorded a net foreign exchange gain of HK\$4.4 million (2015: loss of HK\$6.3 million) from its holdings of foreign currencies.

STAFF

As at 30 June 2016, the Group had a total staff of 755 (at 30 June 2015: 816). The Group's remuneration policies, bonus schemes, Mandatory Provident Fund Schemes, etc., have not changed materially from the information disclosed in the 2015 Annual Report.

OUTLOOK FOR THE REMAINDER OF 2016

The Hong Kong retail market will remain difficult and challenging in the second half of 2016. Nevertheless, our department stores management will continue to strengthen merchandise contents and marketing campaigns to improve sales. The Group's investment properties in Hong Kong and Australia will continue to provide stable rental income for the Group.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions in the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2016.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its code of conduct regarding directors' securities transactions. The Company has made specific enquiries of all directors and all directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2016, the Company purchased a total of 319,000 shares of the Company on the Stock Exchange for enhancing net asset value and earnings per share of the Company. All the purchased shares were cancelled. Details of the purchases of shares are as follows:

Month	Number of shares purchased	Purchase price per share		Aggregate price paid HK\$'000
		Highest HK\$	Lowest HK\$	
April 2016	32,000	22.55	22.40	720
May 2016	272,000	23.00	22.55	6,197
June 2016	15,000	21.65	21.60	325
	<u>319,000</u>			<u>7,242</u>

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed shares of the Company during the six months ended 30 June 2016.

By Order of the Board
Karl C. Kwok
Chairman

Hong Kong, 26 August 2016

As at the date of this announcement, the executive directors of the Company are Mr. Karl C. Kwok (Chairman), Mr. Lester Kwok (Deputy Chairman and Chief Executive Officer) and Mr. Mark Kwok, the non-executive director is Dr. Bill Kwok, and the independent non-executive directors are Miss Maria Tam Wai Chu, Mr. Ignatius Wan Chiu Wong, Mr. Iain Ferguson Bruce and Mr. Leung Wing Ning.