WING ON COMPANY INTERNATIONAL LIMITED
永安國際有限公司

(Incorporated in Bermuda with limited liability)
(Stock code: 289)

ANNOUNCEMENT OF 2007 ANNUAL RESULTS

The directors of Wing On Company International Limited ("the Company") announce the consolidated financial results for the year ended 31 December 2007:

CONSOLIDATED INCOME STATEMENT

	Note	**2007 HK$'000**	2006 HK$'000
Turnover	3	**1,294,898**	1,148,601
Other revenue	4	**82,245**	75,333
Other net gain	4	**80,384**	43,004
Cost of department store sales	5(d)	**(540,277)**	(468,504)
Cost of property leasing activities	5(c)	**(69,605)**	(68,691)
Other operating expenses		**(352,288)**	(336,542)
Profit from operations		**495,357**	393,201
Finance costs	5(a)	**(63,292)**	(53,397)
		432,065	339,804
Net valuation gain on investment properties		**1,430,901**	257,227
Net gain on disposal of properties		**16,053**	-
		1,879,019	597,031
Share of profits of associates		**34,971**	48,589
Profit before taxation	5	**1,913,990**	645,620
Income tax	6	**(323,463)**	(78,159)
Profit for the year		**1,590,527**	567,461
Attributable to:			
Shareholders of the Company		**1,589,231**	567,549
Minority interests		**1,296**	(88)
Profit for the year		**1,590,527**	567,461
Dividends attributable to the year	7		
Interim and special dividends declared and paid during the year		**366,204**	53,159
Final dividend proposed after the balance sheet date		**153,570**	132,897
		519,774	186,056
Basic earnings per share	8(a)	**538.1 cents**	192.2 cents

CONSOLIDATED BALANCE SHEET

	Note	**At 31 December 2007 HK$'000**	At 31 December 2006 HK$'000
Non-current assets			
Fixed assets			
- Investment properties		**6,597,039**	4,971,903
- Other property, plant and equipment		**690,166**	728,969
		7,287,205	5,700,872
Goodwill		**1,178**	1,178
Interest in associates		**705,820**	683,222
Available-for-sale securities		**181,758**	30,793
Deferred tax assets		**42,019**	35,201
		8,217,980	6,451,266
Current assets			
Trading securities		**256,592**	208,325
Inventories		**74,383**	71,877
Debtors, deposits and prepayments	9	**54,476**	58,377
Amounts due from fellow subsidiaries		**6,870**	4,788
Amount due from an associate		**1,621**	-
Current tax recoverable		**371**	2,142
Cash and cash equivalents		**1,177,295**	1,350,169
		1,571,608	1,695,678
Current liabilities			
Creditors and accrued charges	10	**311,871**	301,708
Amounts due to fellow subsidiaries		**1,119**	1,217
Amounts due to associates		**59**	14,370
Current tax payable		**32,669**	9,745
		345,718	327,040
Net current assets		**1,225,890**	1,368,638
Total assets less current liabilities		**9,443,870**	7,819,904
Non-current liabilities			
Secured bank loan		**879,424**	783,206
Deferred tax liabilities		**986,342**	689,891
		1,865,766	1,473,097
Net assets		**7,578,104**	6,346,807
Capital and reserves			
Share capital		**29,533**	29,533
Reserves		**7,532,889**	6,302,937
Total equity attributable to shareholders of the Company		**7,562,422**	6,332,470
Minority interests		**15,682**	14,337
Total equity		**7,578,104**	6,346,807

Consolidated statement of changes in equity for the year ended 31 December 2007

	Attributable to shareholders of the Company									
	Share capital HK$'000	Land and building revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Hedging reserve HK$'000	Contributed surplus HK$'000	Retained earnings HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2007	29,533	174,939	2,742	217,759	(8,220)	754,347	5,161,370	6,332,470	14,337	6,346,807
Net income recognised directly in equity										
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	165,016	-	-	-	165,016	49	165,065
Share of exchange differences on translation of financial statements of overseas associates	-	-	-	2,486	-	-	-	2,486	-	2,486
Share of cash flow hedge of an associate: changes in fair value of effective portion, net of deferred tax	-	-	-	-	(21,813)	-	-	(21,813)	-	(21,813)
Share of valuation surplus of an associate: change in fair value of land and building, net of deferred tax	-	6,954	-	-	-	-	-	6,954	-	6,954
Changes in fair value of available-for-sale securities	-	-	2,086	-	-	-	-	2,086	-	2,086
Net income for the year recognised directly in equity	-	6,954	2,086	167,502	(21,813)	-	-	154,729	49	154,778
Transfers from equity										
Deficit transferred to the consolidated income statement on disposal of available-for-sale securities	-	-	4,385	-	-	-	-	4,385	-	4,385
Release of exchange reserve upon return on investments in overseas subsidiaries	-	-	-	(16,519)	-	-	-	(16,519)	-	(16,519)
Release of exchange reserve upon dissolution of overseas subsidiaries	-	-	-	(2,773)	-	-	-	(2,773)	-	(2,773)
Profit for the year	-	-	-	-	-	-	1,589,231	1,589,231	1,296	1,590,527
Total recognised income and expense for the year	-	6,954	6,471	148,210	(21,813)	-	1,589,231	1,729,053	1,345	1,730,398
Dividends approved in respect of the previous year	-	-	-	-	-	-	(132,897)	(132,897)	-	(132,897)
Dividends declared and paid in respect of the current year	-	-	-	-	-	-	(366,204)	(366,204)	-	(366,204)
	-	-	-	-	-	-	(499,101)	(499,101)	-	(499,101)
At 31 December 2007	29,533	181,893	9,213	365,969	(30,033)	754,347	6,251,500	7,562,422	15,682	7,578,104

Note: Retained earnings attributable to the shareholders of the Company at 31 December 2007 include net valuation gain on investment properties after deferred tax of HK$3,428,787,000 (2006: HK$2,271,500,000).

Consolidated statement of changes in equity for the year ended 31 December 2007 (continued)

	Attributable to shareholders of the Company									
	Share capital HK$'000	Land and building revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Hedging reserve HK$'000	Contributed surplus HK$'000	Retained earnings HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2006	29,533	174,939	12,438	121,421	(1,284)	754,347	4,797,596	5,888,990	14,380	5,903,370
Net income recognised directly in equity										
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	94,342	-	-	-	94,342	45	94,387
Share of exchange differences on translation of financial statements of overseas associates	-	-	-	1,996	-	-	-	1,996	-	1,996
Share of cash flow hedge of an associate: changes in fair value of effective portion, net of deferred tax	-	-	-	-	(6,936)	-	-	(6,936)	-	(6,936)
Changes in fair value of available-for-sale securities	-	-	(9,696)	-	-	-	-	(9,696)	-	(9,696)
Net income for the year recognised directly in equity	-	-	(9,696)	96,338	(6,936)	-	-	79,706	45	79,751
Profit for the year	-	-	-	-	-	-	567,549	567,549	(88)	567,461
Total recognised income and expense for the year	-	-	(9,696)	96,338	(6,936)	-	567,549	647,255	(43)	647,212
Dividends approved in respect of the previous year	-	-	-	-	-	-	(150,616)	(150,616)	-	(150,616)
Dividends declared and paid in respect of the current year	-	-	-	-	-	-	(53,159)	(53,159)	-	(53,159)
	-	-	-	-	-	-	(203,775)	(203,775)	-	(203,775)
At 31 December 2006	29,533	174,939	2,742	217,759	(8,220)	754,347	5,161,370	6,332,470	14,337	6,346,807

NOTES

1. Basis of preparation

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

The figures in respect of this announcement of the Group's results for the year ended 31 December 2007 have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in respect of this announcement was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditor on this announcement.

2. Changes in accounting policies

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in the financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7 "Financial instruments: Disclosures" and the amendment to HKAS 1 "Presentation of financial statements: Capital disclosures", some additional disclosures are required.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

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

3. Turnover and segment reporting

The principal activities of the Group during the year were the operation of department stores and property investment.

The Group's turnover for the year comprised 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:

	2007	2006
	HK$'000	HK$'000
Sale of goods	**799,861**	697,105
Net income from concession sales	**209,839**	195,757
Department stores	**1,009,700**	892,862
Property investment	**285,198**	255,739
	1,294,898	1,148,601

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting system.

3. Turnover and segment reporting (continued)

Business segments

The Group comprises the following main business segments:

Department stores: The operating of department stores to offer a wide range of consumer products.

Property investment: The leasing of commercial premises to generate rental income.

	Department stores		Property investment		Inter-segment elimination		Unallocated		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers (turnover)	1,009,700	892,862	285,198	255,739	-	-	-	-	1,294,898	1,148,601
Inter-segment revenue	-	-	75,875	80,349	(75,875)	(80,349)	-	-	-	-
Other revenue from external customers	-	-	-	1,789	-	-	1,648	4,418	1,648	6,207
Total	1,009,700	892,862	361,073	337,877	(75,875)	(80,349)	1,648	4,418	1,296,546	1,154,808
Segment result	121,307	82,265	251,576	223,935	-	-	-	-	372,883	306,200
Interest income from bank deposits									72,447	62,024
Unallocated operating income net of expenses									50,027	24,977
Profit from operations									495,357	393,201
Finance costs									(63,292)	(53,397)
									432,065	339,804
Net valuation gain on investment properties	-	-	1,430,901	257,227	-	-	-	-	1,430,901	257,227
Net gain on disposal of properties	-	-	16,053	-	-	-	-	-	16,053	-
									1,879,019	597,031
Share of profits of associates	-	-	-	-	-	-	34,971	48,589	34,971	48,589
Profit before taxation									1,913,990	645,620
Income tax									(323,463)	(78,159)
Profit for the year									1,590,527	567,461
Depreciation and amortisation	(9,441)	(14,327)	(44,600)	(47,722)	-	-	(402)	(444)	(54,443)	(62,493)
Impairment losses written-back/(provided)										
- fixed assets	-	-	-	-	-	-	(33)	(68)	(33)	(68)
- trade receivables	14	1	-	-	-	-	-	-	14	1
Segment assets	126,453	131,462	7,276,475	5,689,269	(7,612)	(6,666)	-	-	7,395,316	5,814,065
Interest in associates									705,820	683,222
Unallocated assets									1,688,452	1,649,657
Total assets									9,789,588	8,146,944
Segment liabilities	241,764	241,941	45,880	38,177	(7,612)	(6,666)	-	-	280,032	273,452
Unallocated liabilities									1,931,452	1,526,685
Total liabilities									2,211,484	1,800,137
Capital expenditure incurred during the year	3,573	6,481	46,595	35,739	-	-	93	659	50,261	42,879

3. Turnover and segment reporting (continued)

Geographical segments

Hong Kong is a major market for the Group's businesses. Australia and the United States are also the major markets for property investment.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	Hong Kong		Australia		United States		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers (turnover)	1,163,063	1,021,784	114,055	105,777	17,780	21,040	1,294,898	1,148,601
Segment result	262,140	196,409	106,910	105,855	3,833	3,936	372,883	306,200
Interest income from bank deposits							72,447	62,024
Unallocated operating income net of expenses							50,027	24,977
Profit from operations							495,357	393,201
Finance costs							(63,292)	(53,397)
							432,065	339,804
Net valuation gain on investment properties	1,173,587	229,703	255,017	31,334	2,297	(3,810)	1,430,901	257,227
Net gain on disposal of properties	2,619	-	-	-	13,434	-	16,053	-
							1,879,019	597,031
Share of profits of associates	-	-	-	-	34,971	48,589	34,971	48,589
Profit before taxation							1,913,990	645,620
Income tax							(323,463)	(78,159)
Profit for the year							1,590,527	567,461
Segment assets	5,142,978	4,012,314	2,164,554	1,663,233	95,396	145,184	7,402,928	5,820,731
Inter-segment elimination	(7,612)	(6,666)	-	-	-	-	(7,612)	(6,666)
	5,135,366	4,005,648	2,164,554	1,663,233	95,396	145,184	7,395,316	5,814,065
Capital expenditure incurred during the year	6,391	18,269	41,257	21,883	2,613	2,727	50,261	42,879

4. Other revenue and other net gain

	2007 **HK$'000**	2006 HK$'000
Other revenue		
Interest income from bank deposits	**72,447**	62,024
Interest income from listed securities	**422**	448
Dividend income from listed securities	**5,182**	4,876
Dividend income from unlisted securities	**2,546**	1,778
Compensation received on early termination of leases	**-**	1,789
Others	**1,648**	4,418
	82,245	75,333

Other net gain		
Net gain on remeasurement to fair value of trading securities	**34,672**	25,335
Net realised gain on disposal of trading securities	**19,112**	12,280
Release of exchange reserve upon return on investments in overseas subsidiaries	**16,519**	-
Net foreign exchange gain	**10,691**	5,381
Net gain on dissolution of subsidiaries (note (a))	**3,156**	-
Net gain on disposal of other fixed assets	**20**	8
Net loss on disposal of available-for-sale securities (note (b))	**(3,786)**	-
	80,384	43,004

Notes: (a) includes HK$2,773,000 transferred from the exchange reserve.

(b) includes a deficit of HK$4,385,000 transferred from the investment revaluation reserve.

5. Profit before taxation

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

		2007 HK$'000	2006 HK$'000
(a)	Finance costs:		
	Interest on bank loans repayable within five years	**63,292**	53,397
(b)	Staff costs (excluding directors' remuneration):		
	Contributions to defined contribution retirement plans	**9,752**	9,350
	Salaries, wages and other benefits	**169,354**	159,092
		179,106	168,442
(c)	Rentals received and receivable from investment properties:		
	Gross rentals	**(285,198)**	(255,739)
	Less: direct outgoings	**69,605**	68,691
		(215,593)	(187,048)
(d)	Other items:		
	Depreciation and amortisation		
	- owned assets	**44,954**	54,421
	- assets held for use under finance leases	**-**	31
	- lease incentives	**9,489**	8,041
	Impairment losses (written-back)/provided		
	- fixed assets	**33**	68
	- trade receivables	**(14)**	(1)
	Auditors' remuneration		
	- current year	**2,415**	2,236
	- prior year	**2**	46
	Operating lease charges:		
	- minimum lease payments for hire of land and buildings	**30,036**	29,526
	- contingent rentals for hire of land and buildings	**164**	372
	Cost of inventories sold	**540,277**	468,504

6. **Income tax in the consolidated income statement**

	2007 **HK$'000**	2006 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**27,069**	23,502
Over-provision in respect of prior years	**(4)**	(5)
	27,065	23,497
Current tax - Overseas		
Provision for the year	**29,019**	7,848
Under-provision in respect of prior years	**396**	480
	29,415	8,328
Deferred tax		
Origination and reversal of temporary differences		
- changes in fair value of investment properties	**272,203**	48,406
- other temporary differences	**(5,220)**	(2,072)
	266,983	46,334
Total income tax expense	**323,463**	78,159

The provision for Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

7. **Dividends**

Dividends payable to shareholders of the Company attributable to the year

	2007 **HK$'000**	2006 HK$'000
Interim dividend declared and paid of 24 HK cents (2006: 18 HK cents) per share	**70,878**	53,159
Special dividend declared and paid of 100 HK cents (2006: nil) per share	**295,326**	-
Final dividend proposed after the balance sheet date of 52 HK cents (2006: 45 HK cents) per share	**153,570**	132,897
	519,774	186,056

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

8. Basic 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 year ended 31 December 2007 of HK$1,589,231,000 (2006: HK$567,549,000) divided by 295,326,000 shares (2006: 295,326,000 shares) in issue during the year.

There were no outstanding potential shares throughout the years presented.

(b) Adjusted basic earnings per share excluding the net valuation gain on investment properties and 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 year should be adjusted for the net valuation gain on investment properties and the 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 income statement for the year is reconciled as follows:

	2007		2006	
		Amount per share		Amount per share
	HK$'000	**HK cents**	HK$'000	HK cents
Profit attributable to shareholders of the Company as shown in the consolidated income statement	**1,589,231**	**538.1**	567,549	192.2
Net valuation gain on investment properties	**(1,430,901)**	**(484.5)**	(257,227)	(87.1)
Increase in deferred tax liabilities in relation to the net valuation gain on investment properties	**272,203**	**92.1**	48,406	16.4
	430,533	**145.7**	358,728	121.5
Net valuation gain/(loss) on investment properties net of related deferred tax attributable to minority interests	**1,411**	**0.5**	(308)	(0.1)
Underlying profit attributable to shareholders of the Company	**431,944**	**146.2**	358,420	121.4

9. Debtors, deposits and prepayments

	2007	2006
	HK$'000	HK$'000
Trade and other debtors	**17,715**	19,643
Less: Allowance for bad and doubtful debts	**(11)**	(25)
	17,704	19,618
Deposits and prepayments	**36,772**	38,759
	54,476	58,377

Included in debtors, deposits and prepayments are trade and other debtors (net of allowance for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	2007	2006
	HK$'000	HK$'000
Current or less than one month past due	**16,132**	18,098
One to three months past due	**1,092**	1,110
More than three months but less than twelve months past due	**469**	379
More than twelve months past due	**11**	31
	17,704	19,618

Trade and other debtors are normally due within 30 days from the date of billing.

All debtors, deposits and prepayments of the Group, apart from certain rental deposits totalling HK$9,774,000 (2006: HK$8,390,000), are expected to be recovered or recognised as an expense within one year.

10. Creditors and accrued charges

	2007	2006
	HK$'000	HK$'000
Trade and other creditors	**269,823**	273,787
Accrued charges	**41,077**	27,634
Derivative financial instruments	**971**	287
	311,871	301,708

Included in creditors and accrued charges are trade and other creditors with the following ageing analysis as of the balance sheet date:

	2007	2006
	HK$'000	HK$'000
Amounts not yet due	**209,107**	191,553
On demand or less than one month overdue	**54,787**	75,890
One to three months overdue	**1,986**	1,716
Three to twelve months overdue	**652**	1,271
More than twelve months overdue	**3,291**	3,357
	269,823	273,787

2007 RESULTS AND DIVIDEND

For the year ended 31 December 2007, the Group's profit attributable to shareholders increased by 180% to HK$1,589.2 million (2006: HK$567.5 million). This was mainly due to the significant and substantial increase in the net valuation gain on the Group's investment properties net of related deferred tax of HK$1,157.3 million in 2007 when compared to the modest increase of HK$209.1 million recorded in 2006. Excluding this non-cash item, the underlying profit attributable to shareholders increased by 20.5% to HK$431.9 million (2006: HK$358.4 million). This increase was primarily due to higher profit contributions from our department stores business, investment properties, investments in securities and foreign exchange gains.

The Group's turnover increased by 12.7% to HK$1,294.9 million (2006: HK$1,148.6 million). The increase in the Group's turnover was mainly attributable to the continued improvement in the Group's department stores sales.

Basic earnings per share increased to 538.1 HK cents in 2007 (2006: 192.2 HK cents). Excluding the earnings which are attributable to the net valuation gain on investment properties and the related deferred tax thereon, underlying earnings per share for the year increased to 146.2 HK cents (2006: 121.4 HK cents).

In respect of 2007, the directors have recommended a final dividend of 52 HK cents (2006: 45 HK cents) per share payable to shareholders on the Register of Members on 12 June 2008 (Hong Kong time) which, together with the interim dividend of 24 HK cents (2006: 18 HK cents) per share and the special one-off dividend of 100 HK cents per share to commemorate the centenary of the founding of our department stores business in 1907, both of which were paid on 25 October 2007 (Hong Kong time), makes a total payment of 176 HK cents (2006: 63 HK cents) per share for the whole year. Dividend warrants will be sent to shareholders on 25 June 2008 (Hong Kong time). The Register of Members will be closed from 5 June 2008 to 12 June 2008 (Hong Kong time), both dates inclusive, during which period no share transfer will be effected. To qualify for the final dividend, transfers to be dealt with must be lodged with the Company's Share Registrars, Tricor Progressive Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong before 4:00 p.m. on 4 June 2008 (Hong Kong time).

LIQUIDITY AND FINANCIAL RESOURCES

Overall Financial Position

Shareholders' equity as at 31 December 2007 was HK$7.6 billion, an increase of 19.4% compared with 2006. With cash and listed marketable securities at 31 December 2007 of about HK$1.4 billion as well as available banking facilities, the Group has sufficient liquidity to meet its current commitments and working capital requirements.

Borrowings and Charges on Group Assets

At 31 December 2007, the Group's total borrowings amounted to HK$879.4 million, an increase of about HK$96.2 million, due entirely to exchange differences, as compared to that at 31 December 2006. The Group's total borrowings of HK$879.4 million relate to a mortgage loan for Australian investment properties; almost all of which will be repayable after two years but within five years. In view of this maturity profile of borrowings, the repayment pressure is low. Certain assets, comprising principally property interests with a book value of HK$5.9 billion, have been pledged to banks as collateral security for banking facilities granted to the extent of HK$1.0 billion. In view of the existing strong cash position, the Group does not anticipate any liquidity problems.

Gearing Ratio

The gearing ratio, which is computed from the total borrowings of the Group divided by shareholders' equity of the Group at 31 December 2007, was 11.6% as compared with 12.4% at 31 December 2006.

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 property are denominated in Australian dollars. Hence, the foreign exchange exposure is limited to the net investments in overseas subsidiaries of approximately HK$1.8 billion at 31 December 2007 (at 31 December 2006: HK$1.5 billion).

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, United States, and Australian dollars. The use of financial instruments for hedging the Group's interest rate and foreign exchange exposure is closely monitored.

Capital Commitments and Contingent Liabilities

At 31 December 2007, the total amount of the Group's capital expenditure commitments was HK$6,551,000 (at 31 December 2006: HK$1,372,000) and contingent liabilities were insignificant.

BUSINESS REVIEW

Department Stores Operations

The Group celebrated the centenary of its department stores business during the year under review. Benefiting from a strong economy and the various centenary promotional activities, the turnover of the department stores business increased by 13.1% to HK$1,009.7 million (2006: HK$892.9 million) with its operating profit reaching HK$121.3 million (2006: HK$82.3 million), an improvement of 47.4% when compared to 2006.

Property Investments

The Group's property investment income for the year ended 31 December 2007 amounted to HK$251.6 million (2006: HK$223.9 million), an increase of 12.4%. This was due mainly to higher rental income achieved by the Group's commercial investment properties in Hong Kong.

During the year under review, the leasing demand for office space in prime locations in Hong Kong remained strong while the supply remained very limited, resulting in significant rental increases. The Group achieved a 23.4% increase in rental income from its commercial properties in Hong Kong to HK$141.0 million (2006: HK$114.3 million) with almost a full occupancy rate throughout the year.

Income from the commercial office properties in Melbourne decreased by about 10% in Australian dollar terms when compared to 2006 due mainly to the expiration of a few major tenancies in the latter part of 2006. When translating the actual result into Hong Kong dollars, a slight increase in net rental income of 1.2% to HK$107.5 million (2006: HK$106.2 million) was reported as a result of the strong Australian dollar during the year under review. Whilst the leasing demand remained strong throughout the year with vacancy rates in the market continuing to decline, the office leasing market in Melbourne remained highly competitive and, accordingly, the Group had to offer leasing incentives for new lettings and renewals for its commercial properties in Melbourne. The overall occupancy rate at 31 December 2007 was about 95% compared to an occupancy rate of about 86% at 31 December 2006.

In 2007, the Group disposed of a commercial investment property in Houston, United States, and a former staff quarter unit in Causeway Bay gaining pre-tax profits of HK$13.4 million and HK$2.6 million, respectively.

Automobile Dealership Business

In 2007, the Group's associate in the United States engaging in the automobile dealership business attained a 7.6% growth in turnover compared to 2006 as a result of the acquisition of several large dealerships in the latter part of 2006. Despite the turnover growth, the associate was affected by the slowdown in the United States economy. Overall, the Group's share of profit after tax from the associate decreased by 29.0% to HK$34.2 million (2006: HK$48.2 million).

Others

During the year under review, the Group recorded a net exchange gain of HK$10.7 million (2006: HK$5.4 million) mainly from its Australian dollar deposits and recognised a foreign exchange gain of HK$16.5 million upon the return of investments from subsidiaries in Australia. The Group also recorded net realised and unrealised gains on trading securities of HK$19.1 million (2006: HK$12.3 million) and HK$34.7 million (2006: HK$25.3 million) respectively.

STAFF

As at 31 December 2007, the Group had a total staff of 952 (2006: 953). The Group's remuneration policies, bonus schemes, Mandatory Provident Fund schemes, etc. have not changed materially from the information disclosed in the 2006 annual report. Details of such policies will be published in the 2007 annual report.

OUTLOOK FOR 2008

The Group is cautiously optimistic that consumer spending in Hong Kong will continue despite the sub-prime mortgage crisis in the United States. This will hopefully continue to benefit our department stores business. However, rising operational costs due to inflation and the weak Hong Kong dollar will be a concern for our retail operations.

The Group's investment properties in Hong Kong and Australia will continue to benefit from positive office demands, as the supply of office space in established locations remains tight in the near term. Barring a further slowdown in the United States economy and further deterioration in the supply of consumer credit, our automobile dealership associate in the United States is expected to continue to contribute profits to the Group.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (" the Listing Rules") throughout the financial year ended 31 December 2007 save as below mentioned. However, the following action has been taken by the Company in order to ensure compliance with the Code.

The Company's non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company's Bye-Laws. The Board has since April 2006 agreed that all directors (including non-executive directors) appointed or elected in future be appointed or elected for a fixed term of not more than three years. The Company has followed this practice since the Annual General Meeting held on 14 June 2006 so that when a director's current term expires, he or she may only be re-elected for a fixed term of not more than three years.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year.

ANNUAL GENERAL MEETING

The 2008 Annual General Meeting of the Company will be held on 12 June 2008. The Notice of Annual General Meeting will be published and dispatched on or about 30 April 2008 in the manner as required by the Listing Rules in due course.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

The 2007 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, 15 April 2008

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 directors are Dr. Bill Kwok, Dr. Kwok Man Cho and Dr. Philip Kwok, and the independent non-executive directors are Miss Maria Tam Wai Chu, Mr. Ignatius Wan Chiu Wong, Mr. Iain F. Bruce and Mr. Anthony Francis Martin Conway.