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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 2008 ANNUAL RESULTS

The directors of Wing On Company International Limited ("the Company") announce the consolidated financial results for the year ended 31 December 2008:

CONSOLIDATED INCOME STATEMENT

	Note	**2008 HK$'000**	2007 HK$'000
Turnover	2	**1,407,644**	1,294,898
Other revenue	3	**65,262**	82,245
Other net (loss)/gain	3	**(164,296)**	80,384
Cost of department store sales	4(d)	**(599,112)**	(540,277)
Cost of property leasing activities	4(c)	**(63,135)**	(69,605)
Other operating expenses		**(361,849)**	(352,288)
Profit from operations		**284,514**	495,357
Finance costs	4(a)	**(71,291)**	(63,292)
		213,223	432,065
Net valuation (loss)/gain on investment properties		**(494,995)**	1,430,901
Net gain on disposal of properties		**-**	16,053
		(281,772)	1,879,019
Share of profits of associates		**3,509**	34,971
(Loss)/profit before taxation	4	**(278,263)**	1,913,990
Income tax benefit/(expense)	5	**106,027**	(323,463)
(Loss)/profit for the year		**(172,236)**	1,590,527
Attributable to:			
Shareholders of the Company		**(172,600)**	1,589,231
Minority interests		**364**	1,296
(Loss)/profit for the year		**(172,236)**	1,590,527
Dividends attributable to the year	6		
Interim and special dividends declared and paid during the year		**50,205**	366,204
Final dividend proposed after the balance sheet date		**50,205**	153,570
		100,410	519,774
Basic (loss)/earnings per share	7(a)	**(58.4) cents**	538.1 cents

CONSOLIDATED BALANCE SHEET

	Note	At 31 December 2008 HK$'000	At 31 December 2007 HK$'000
Non-current assets			
Fixed assets			
- Investment properties		**5,654,751**	6,597,039
- Other property, plant and equipment		**660,741**	690,166
		6,315,492	7,287,205
Goodwill		**1,178**	1,178
Interest in associates		**669,482**	705,820
Available-for-sale securities		**22,989**	181,758
Deferred tax assets		**40,966**	42,019
		7,050,107	8,217,980
Current assets			
Trading securities		**176,419**	256,592
Inventories		**85,066**	74,383
Debtors, deposits and prepayments	8	**165,711**	54,476
Amounts due from fellow subsidiaries		**1,774**	6,870
Amount due from an associate		**-**	1,621
Current tax recoverable		**3,100**	371
Cash and cash equivalents		**1,118,141**	1,177,295
		1,550,211	1,571,608
Current liabilities			
Creditors and accrued charges	9	**317,147**	311,871
Amounts due to fellow subsidiaries		**1,999**	1,119
Secured bank loan		**8,549**	-
Amount due to an associate		**12,936**	59
Current tax payable		**729**	32,669
		341,360	345,718
Net current assets		**1,208,851**	1,225,890
Total assets less current liabilities		**8,258,958**	9,443,870
Non-current liabilities			
Secured bank loan		**675,368**	879,424
Deferred tax liabilities		**804,083**	986,342
		1,479,451	1,865,766
Net assets		**6,779,507**	7,578,104
Capital and reserves			
Share capital		**29,533**	29,533
Reserves		**6,734,023**	7,532,889
Total equity attributable to shareholders of the Company		**6,763,556**	7,562,422
Minority interests		**15,951**	15,682
Total equity		**6,779,507**	7,578,104

Consolidated statement of changes in equity for the year ended 31 December 2008

	Attributable to shareholders of the Company										
	Share capital	Land and building revaluation reserve	Investment revaluation reserve	Exchange reserve	Hedging reserve	Contributed surplus	General reserve fund	Retained earnings (note)	Total	Minority interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2008	29,533	181,893	9,213	365,969	(30,033)	754,347	-	6,251,500	7,562,422	15,682	7,578,104
Net (loss)/income recognised directly in equity											
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	(346,408)	-	-	-	-	(346,408)	(95)	(346,503)
Share of exchange differences on translation of financial statements of overseas associates	-	-	-	(4,045)	-	-	-	-	(4,045)	-	(4,045)
Share of cash flow hedge of an associate: changes in fair value of effective portion, net of deferred tax	-	-	-	-	(45,082)	-	-	-	(45,082)	-	(45,082)
Effect on deferred tax balances related to land and building reserve at 1 January resulting from a decrease in tax rate	-	1,675	-	-	-	-	-	-	1,675	-	1,675
Changes in fair value of available-for-sale securities	-	-	(19,151)	-	-	-	-	-	(19,151)	-	(19,151)
Net (loss)/income for the year recognised directly in equity	-	1,675	(19,151)	(350,453)	(45,082)	-	-	-	(413,011)	(95)	(413,106)
Transfers from equity											
Release of exchange reserve upon return on investments in overseas subsidiaries	-	-	-	(19,911)	-	-	-	-	(19,911)	-	(19,911)
Share of release of land and building revaluation reserve of an associate upon disposal of properties, net of deferred tax	-	(6,818)	-	-	-	-	-	-	(6,818)	-	(6,818)
Transfer to the consolidated income statement on impairment of available-for-sale securities	-	-	17,249	-	-	-	-	-	17,249	-	17,249
Loss for the year	-	-	-	-	-	-	-	(172,600)	(172,600)	364	(172,236)
Total recognised income and expense for the year	-	(5,143)	(1,902)	(370,364)	(45,082)	-	-	(172,600)	(595,091)	269	(594,822)
Share of general reserve fund of an associate: transfer to general reserve fund	-	-	-	-	-	-	66	(66)	-	-	-
Dividends approved in respect of the previous year	-	-	-	-	-	-	-	(153,570)	(153,570)	-	(153,570)
Dividends declared and paid in respect of the current year	-	-	-	-	-	-	-	(50,205)	(50,205)	-	(50,205)
	-	-	-	-	-	-	66	(203,841)	(203,775)	-	(203,775)
At 31 December 2008	29,533	176,750	7,311	(4,395)	(75,115)	754,347	66	5,875,059	6,763,556	15,951	6,779,507

Consolidated statement of changes in equity for the year ended 31 December 2008 (continued)

	Attributable to shareholders of the Company									
	Share capital	Land and building revaluation reserve	Investment revaluation reserve	Exchange reserve	Hedging reserve	Contributed surplus	Retained earnings (note)	Total	Minority interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'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 land and building revaluation 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 2008 include the aggregate net valuation gain on investment properties after deferred tax of HK$3,062,944,000 (2007: HK$3,428,787,000).

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 2008 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.

The HKICPA has issued a number of new Interpretations and an amendment to HKFRSs that are first effective for the current accounting period of the Group and the Company. However, none of these developments are relevant to the Group's or the Company's operations.

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

2. 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:

	2008 **HK$'000**	2007 HK$'000
Sale of goods	**884,173**	799,861
Net income from concession sales	**216,686**	209,839
Department stores	**1,100,859**	1,009,700
Property investment	**306,785**	285,198
	1,407,644	1,294,898

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.

2. **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	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	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)	1,100,859	1,009,700	306,785	285,198	-	-	-	-	1,407,644	1,294,898
Inter-segment revenue	-	-	76,333	75,875	(76,333)	(75,875)	-	-	-	-
Other revenue from external customers	-	-	1,801	-	-	-	2,616	1,648	4,417	1,648
Total	1,100,859	1,009,700	384,919	361,073	(76,333)	(75,875)	2,616	1,648	1,412,061	1,296,546
Segment result	142,077	121,307	282,595	251,576	-	-	-	-	424,672	372,883
Interest income from bank deposits									50,732	72,447
Unallocated operating net (expense)/income									(190,890)	50,027
Profit from operations									284,514	495,357
Finance costs									(71,291)	(63,292)
									213,223	432,065
Net valuation (loss)/gain on investment properties	-	-	(494,995)	1,430,901	-	-	-	-	(494,995)	1,430,901
Net gain on disposal of properties	-	-	-	16,053	-	-	-	-	-	16,053
									(281,772)	1,879,019
Share of profits of associates	-	-	-	-	-	-	3,509	34,971	3,509	34,971
(Loss)/profit before taxation									(278,263)	1,913,990
Income tax benefit/(expense)									106,027	(323,463)
(Loss)/profit for the year									(172,236)	1,590,527
Depreciation and amortisation	(8,106)	(9,441)	(45,165)	(44,600)	-	-	(532)	(402)	(53,803)	(54,443)
Impairment losses (recognised)/written-back										
- fixed assets	-	-	-	-	-	-	-	(33)	-	(33)
- trade and other debtors	(10)	14	-	-	-	-	-	-	(10)	14
- available-for-sale securities	-	-	-	-	-	-	(32,464)	-	(32,464)	-
Segment assets	138,986	126,453	6,301,403	7,276,475	(8,799)	(7,612)	-	-	6,431,590	7,395,316
Interest in associates									669,482	705,820
Unallocated assets									1,499,246	1,688,452
Total assets									8,600,318	9,789,588
Segment liabilities	248,527	241,764	46,633	45,880	(8,799)	(7,612)	-	-	286,361	280,032
Unallocated liabilities									1,534,450	1,931,452
Total liabilities									1,820,811	2,211,484
Capital expenditure incurred during the year	9,665	3,573	35,596	46,595	-	-	650	93	45,911	50,261

2. 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	
	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customers (turnover)	1,272,330	1,163,063	121,993	114,055	13,321	17,780	1,407,644	1,294,898
Segment result	303,095	262,140	118,453	106,910	3,124	3,833	424,672	372,883
Interest income from bank deposits							50,732	72,447
Unallocated operating net (expense)/income							(190,890)	50,027
Profit from operations							284,514	495,357
Finance costs							(71,291)	(63,292)
							213,223	432,065
Net valuation (loss)/gain on investment properties	(432,627)	1,173,587	(53,849)	255,017	(8,519)	2,297	(494,995)	1,430,901
Net gain on disposal of properties	-	2,619	-	-	-	13,434	-	16,053
							(281,772)	1,879,019
Share of profits of associates	-	-	-	-	3,509	34,971	3,509	34,971
(Loss)/profit before taxation							(278,263)	1,913,990
Income tax benefit/(expense)							106,027	(323,463)
(Loss)/profit for the year							(172,236)	1,590,527
Segment assets	4,689,006	5,142,978	1,661,125	2,164,554	90,258	95,396	6,440,389	7,402,928
Inter-segment elimination	(8,799)	(7,612)	-	-	-	-	(8,799)	(7,612)
	4,680,207	5,135,366	1,661,125	2,164,554	90,258	95,396	6,431,590	7,395,316
Capital expenditure incurred during the year	13,820	6,391	29,565	41,257	2,526	2,613	45,911	50,261

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

	2008	2007
	HK$'000	HK$'000
Other revenue		
Interest income from bank deposits	**50,732**	72,447
Interest income from listed securities	**-**	422
Interest income from loans to an associate	**1,378**	-
Dividend income from listed securities	**5,881**	5,182
Dividend income from unlisted securities	**2,854**	2,546
Compensation received on early termination of leases	**1,801**	-
Others	**2,616**	1,648
	65,262	82,245

Other net (loss)/gain

Net (loss)/gain on remeasurement to fair value of:		
- trading securities	**(153,739)**	34,476
- derivative financial instruments	**-**	196
Net realised (loss)/gain on disposal of:		
- trading securities	**(3,195)**	15,696
- derivative financial instruments	**10,862**	3,416
Impairment of available-for-sale securities (note (a))	**(32,464)**	-
Release of exchange reserve upon return on investments in overseas subsidiaries	**19,911**	16,519
Net foreign exchange (loss)/gain	**(6,148)**	10,691
Net gain on dissolution of subsidiaries (note (b))	**437**	3,156
Net gain on disposal of other fixed assets	**40**	20
Net loss on disposal of available-for-sale securities (note (c))	**-**	(3,786)
	(164,296)	80,384

Notes:

(a) The amount for the year ended 31 December 2008 included HK$17,249,000 transferred from the investment revaluation reserve.

(b) The amount for the year ended 31 December 2007 included HK$2,773,000 transferred from the exchange reserve.

(c) The amount for the year ended 31 December 2007 included a deficit of HK$4,385,000 transferred from the investment revaluation reserve.

4. (Loss)/profit before taxation

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

		2008 HK$'000	2007 HK$'000
(a)	Finance costs:		
	Interest on bank loan repayable within five years	**71,291**	63,292
(b)	Staff costs (excluding directors' remuneration):		
	Contributions to defined contribution retirement plans	**10,322**	9,752
	Salaries, wages and other benefits	**176,850**	169,354
		187,172	179,106
(c)	Rentals received and receivable from investment properties:		
	Gross rentals	**(306,785)**	(285,198)
	Less: direct outgoings	**63,135**	69,605
		(243,650)	(215,593)
(d)	Other items:		
	Depreciation and amortisation		
	- owned assets	**43,203**	44,954
	- lease incentives	**10,600**	9,489
	Impairment losses recognised/(written-back)		
	- fixed assets	**-**	33
	- trade and other debtors	**10**	(14)
	Auditors' remuneration		
	- current year	**2,558**	2,415
	- prior year	**17**	2
	Operating lease charges		
	- minimum lease payments for hire of land and buildings	**31,490**	30,036
	- contingent rentals for hire of land and buildings	**321**	164
	Cost of inventories sold	**599,112**	540,277

5. Income tax in the consolidated income statement

	2008 HK$'000	2007 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**16,138**	27,069
Over-provision in respect of prior years	**(50)**	(4)
	16,088	27,065
Current tax - Overseas		
Provision for the year	**8,429**	29,019
(Over)/under-provision in respect of prior years	**(5,809)**	396
	2,620	29,415
Deferred tax		
Effect on deferred tax balances at 1 January resulting from a decrease in tax rate		
- changes in fair value of investment properties	**(38,056)**	-
- other temporary differences	**1,753**	-
Origination and reversal of temporary differences		
- changes in fair value of investment properties	**(90,434)**	272,203
- other temporary differences	**2,002**	(5,220)
	(124,735)	266,983
Total income tax (benefit)/expense	**(106,027)**	323,463

In June 2008, the Hong Kong Government promulgated a decrease in the Hong Kong Profits Tax rate applicable to the Group's operations in Hong Kong from 17.5% to 16.5% as from the year ended 31 December 2008 and a one-off reduction of 75% of the tax payable for the year of assessment 2007/08 subject to a ceiling of HK$25,000. This decrease is taken into account in the preparation of these financial statements. Accordingly, the provision for Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the year and the opening balance of deferred tax has been re-estimated. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

6. Dividends

Dividends payable to shareholders of the Company attributable to the year

	2008 HK$'000	2007 HK$'000
Interim dividend declared and paid of 17 HK cents (2007: 24 HK cents) per share	**50,205**	70,878
Special dividend declared and paid of nil (2007: 100 HK cents) per share	-	295,326
Final dividend proposed after the balance sheet date of 17 HK cents (2007: 52 HK cents) per share	**50,205**	153,570
	100,410	519,774

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

7. Basic (loss)/earnings per share

(a) The calculation of basic (loss)/earnings per share is based on the consolidated loss attributable to shareholders of the Company for the year ended 31 December 2008 of HK$172,600,000 (2007: a profit of HK$1,589,231,000) divided by 295,326,000 shares (2007: 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 (loss)/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 (loss)/profit for the year should be adjusted for the net valuation (loss)/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 (loss)/profit attributable to shareholders of the Company as shown in the consolidated income statement for the year is reconciled as follows:

	2008		2007	
		Amount per share		Amount per share
	HK$'000	**HK cents**	HK$'000	HK cents
(Loss)/profit attributable to shareholders of the Company as shown in the consolidated income statement	**(172,600)**	**(58.4)**	1,589,231	538.1
Net valuation loss/(gain) on investment properties	**494,995**	**167.6**	(1,430,901)	(484.5)
(Decrease)/increase in deferred tax liabilities in relation to the net valuation (loss)/gain on investment properties	**(90,434)**	**(30.6)**	272,203	92.1
	231,961	**78.6**	430,533	145.7
Effect on deferred tax balances in relation to the net valuation gain on investment properties at 1 January resulting from a decrease in tax rate	**(38,056)**	**(12.9)**	-	-
Net valuation (loss)/gain on investment properties net of related deferred tax attributable to minority interests	**(662)**	**(0.2)**	1,411	0.5
Underlying profit attributable to shareholders of the Company	**193,243**	**65.5**	431,944	146.2

8. Debtors, deposits and prepayments

	2008	2007
	HK$'000	HK$'000
Trade and other debtors	**138,238**	17,715
Less: Allowance for bad and doubtful debts	**(21)**	(11)
	138,217	17,704
Deposits and prepayments	**27,494**	36,772
	165,711	54,476

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:

	2008	2007
	HK$'000	HK$'000
Current or less than one month past due	**136,709**	16,132
One to three months past due	**698**	1,092
More than three months but less than twelve months past due	**201**	469
More than twelve months past due	**609**	11
	138,217	17,704

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 and prepayments totalling HK$10,582,000 (2007: HK$9,774,000), are expected to be recovered or recognised as an expense within one year.

9. Creditors and accrued charges

	2008	2007
	HK$'000	HK$'000
Trade and other creditors	**285,828**	269,823
Accrued charges	**31,319**	41,077
Derivative financial instruments	**-**	971
	317,147	311,871

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

	2008	2007
	HK$'000	HK$'000
Amounts not yet due	**225,012**	209,107
On demand or less than one month overdue	**55,385**	54,787
One to three months overdue	**1,322**	1,986
Three to twelve months overdue	**780**	652
More than twelve months overdue	**3,329**	3,291
	285,828	269,823

2008 RESULTS AND DIVIDEND

For the year ended 31 December 2008, the Group recorded a loss of HK$172.6 million for its shareholders as compared with a profit of HK$1,589.2 million achieved in 2007. This loss was mainly due to the impact of the global financial crisis which adversely affected the Group's results and gave rise to unrealised valuation losses on the Group's investment properties in Hong Kong and Australia, unrealised losses arising from the fair value re-measurement of the Group's trading securities, impairment of the Group's investment in an investment fund and the poor results from the Group's automobile dealership associate in the United States. Excluding the net valuation loss of HK$365.8 million (2007: a net gain of HK$1,157.3 million) on investment properties net of the related deferred tax, underlying profit attributable to shareholders decreased by 55.3% to HK$193.2 million (2007: HK$431.9 million).

The Group's turnover increased by 8.7% to HK$1,407.6 million (2007: HK$1,294.9 million). The increase in the Group's turnover was mainly attributable to the continued improvement in the Group's department stores sales.

Basic loss per share was 58.4 HK cents in 2008 (2007: earnings per share of 538.1 HK cents). Excluding the net valuation loss (as compared with a gain in 2007) on investment properties and the related deferred tax thereon, underlying earnings per share for the year decreased to 65.5 HK cents (2007: 146.2 HK cents).

In respect of 2008, the directors have recommended a final dividend of 17 HK cents (2007: 52 HK cents) per share payable to shareholders on the Register of Members on 18 June 2009 (Hong Kong time) which, together with the interim dividend of 17 HK cents (2007: 24 HK cents) per share paid on 24 October 2008 (Hong Kong time) makes a total payment of 34 HK cents (2007: together with the special one-off dividend of 100 HK cents per share to commemorate the centenary of the founding of the Group's department stores business in 1907, the total dividend for 2007 was 176 HK cents) per share for the whole year. Dividend warrants will be sent to shareholders on 2 July 2009 (Hong Kong time). The Register of Members will be closed from 11 June 2009 to 18 June 2009 (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 10 June 2009 (Hong Kong time).

LIQUIDITY AND FINANCIAL RESOURCES

Overall Financial Position

Shareholders' equity as at 31 December 2008 was HK$6.8 billion, a decrease of 10.6% compared with 2007. With cash and listed marketable securities at 31 December 2008 of about HK$1.3 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 2008, the Group's total borrowings amounted to HK$683.9 million, a decrease of about HK$195.5 million, due entirely to exchange differences, as compared to that at 31 December 2007. The Group's total borrowings of HK$683.9 million relate to a mortgage loan for Australian investment properties; about 93.7% of which will be repayable after two years but within five years. In view of this maturity profile of the borrowings, the repayment pressure is low. Certain assets, comprising principally property interests with a book value of HK$5.1 billion, have been pledged to banks as collateral security for banking facilities granted to the extent of HK$0.7 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 2008, was 10.1% as compared with 11.6% at 31 December 2007.

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$1.4 billion at 31 December 2008 (at 31 December 2007: HK$1.8 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 2008, the total amount of the Group's capital expenditure commitments was HK$2,188,000 (at 31 December 2007: HK$6,551,000). An associate of the Group has issued corporate guarantees to certain financial institutions in respect of banking facilities granted to a jointly controlled entity of the associate, which expire within one year. At 31 December 2008, the maximum contingent liability shared by the Group was HK$25,175,000 (at 31 December 2007: HK$ Nil).

BUSINESS REVIEW

Department Stores Operations

As reported in the Group's 2008 Interim Report, the first half of 2008 witnessed exceptional improvement to both turnover and profit of the Group's department stores business. However, in the second half of 2008, especially after the outbreak of the global financial crisis, economic activities began to slow down, thereby dampening the growth rate of turnover and profit. Overall, the turnover of the Group's department stores during the year under review increased by 9.0% to HK$1,100.9 million (2007: HK$1,009.7 million). As a result of more efficient cost control measures, operating profit increased by 17.1% to HK$142.1 million (2007: HK$121.3 million).

Property Investments

The Group's overall property investment income for the year ended 31 December 2008 increased by 12.3% to HK$282.6 million (2007: HK$251.6 million). During the year under review, the Group was still able to obtain rental increases from tenancy renewals and new lettings while maintaining a stable occupancy of over 95% for its commercial office properties in Hong Kong. The Group achieved a 14.3% increase in rental income from its commercial investment properties in Hong Kong to HK$161.2 million (2007: HK$141.0 million) in 2008. Income from the commercial office properties in Melbourne increased by 10.7% to HK$119.0 million (2007: HK$107.5 million) which was a result of higher rental income received from lease renewals and new lettings. The overall occupancy rate for the Group's investment properties in Melbourne stayed at above 95%.

Automobile Dealership Business

As the credit crunch became more severe in the second half of 2008 in the United States, the Group's automobile dealership associate in the United States experienced a significant decline in its business from the latter part of the third quarter of 2008. In response to the negative market changes, the associate's dealership management implemented measures to drastically reduce operating costs and closed down a number of unprofitable dealerships. Notwithstanding the cost reduction measures, the associate was required to record impairment charges in respect of fixed assets and intangible assets related to non-performing or discontinued dealership operations. The associate also recorded a revaluation deficit on its investment properties as a result of falling property prices. Overall, the Group's share of after tax profit from the associate decreased by 91.8% to HK$2.8 million (2007: HK$34.2 million). Excluding a gain on fair value re-measurement of HK$22.2 million (2007: HK$3.4 million) in respect of an Employee Stock Ownership Plan and a Senior Stock Purchase Plan operated by the associate for its senior management which require re-measurement of the related financial liabilities at fair value as at each balance sheet date, the Group recorded a share of after tax loss of HK$19.4 million from the associate, compared to an after tax profit of HK$30.8 million in 2007.

Others

Affected by the decline in global stock markets, the Group recorded net realised and unrealised losses on trading securities of HK$3.2 million (2007: net gain of HK$15.7 million) and HK$153.7 million (2007: net gain of HK$34.5 million) respectively during the year under review. The Group also recorded an impairment charge of HK$32.5 million in respect of its investment in an investment fund. The Group recognised a foreign exchange gain of HK$19.9 million (2007: HK$16.5 million) during the first half of 2008 upon the return of investments from subsidiaries in Australia. However, the Group recorded a net foreign exchange loss of HK$6.1 million (2007: net gain of HK$10.7 million) in 2008.

STAFF

As at 31 December 2008, the Group had a total staff of 962 (2007: 952). The Group's remuneration policies, bonus schemes, Mandatory Provident Fund schemes, etc. have not changed materially from the information disclosed in the 2007 annual report. Details of such policies will be published in the 2008 annual report.

OUTLOOK FOR 2009

2009 will be a difficult and challenging year as the damage and destruction on global economies caused by the global financial tsunami continue to unfold. Consumer confidence and spending power are expected to further weaken, which will not be encouraging for the Group's department stores business. However, the Group's department stores management will do their utmost to weather the situation. Office rental income from the Group's investment properties in Hong Kong and overseas is expected to come under pressure in an economic down cycle. Barring further drastic declines in the local economy, it is anticipated that these two core businesses of the Group will continue to contribute profits to the Group. The Group's automobile dealership associate in the United States will continue to operate under adverse conditions as it is uncertain as to when the car market in the United States will recover. As property values in Hong Kong and overseas are expected to decline further, the mark to market treatment of the Group's investment properties will have a negative impact on the Group's results. Notwithstanding the bleak business outlook, the financial position of the Group is sound with a strong net cash position and the Group is well positioned to meet the challenges ahead.

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 2008 save as below mentioned. However, the following action has been taken by the Company in order to ensure compliance with the Code.

Prior to the Annual General Meeting held on 12 June 2008, the Company's non-executive directors were not appointed for a specific term but were 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. Since the Annual General Meeting held on 12 June 2008, all directors are appointed for a specific term.

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 2009 Annual General Meeting of the Company will be held on 18 June 2009. The Notice of Annual General Meeting will be published and dispatched on or about 30 April 2009 in the manner as required by the Listing Rules.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

The 2008 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 2009

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 Ferguson Bruce and Mr. Anthony Francis Martin Conway.