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 2011

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 2011 ("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 INCOME STATEMENT

		Six months ended 30 June	
		2011	2010
	Note	**HK$'000**	HK$'000
Turnover	4	**852,090**	750,968
Other revenue	5	**20,678**	16,203
Other net gain/(loss)	5	**25,808**	(8,643)
Cost of department store sales	6(d)	**(372,380)**	(329,630)
Cost of property leasing activities	6(c)	**(30,381)**	(31,598)
Other operating expenses		**(189,700)**	(176,627)
Profit from operations		**306,115**	220,673
Finance costs	6(a)	**(17,539)**	(18,071)
		288,576	202,602
Valuation gains on investment properties		**980,793**	356,556
		1,269,369	559,158
Share of profits of associates		**36,160**	20,286
Profit before taxation	6	**1,305,529**	579,444
Income tax	7	**(215,403)**	(96,999)
Profit for the period		**1,090,126**	482,445
Attributable to:			
Shareholders of the Company		**1,089,838**	482,024
Non-controlling interests		**288**	421
Profit for the period		**1,090,126**	482,445
Basic and diluted earnings per share	9	**369.1 cents**	163.2 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June			
	2011		2010	
	HK$'000	**HK$'000**	HK$'000	HK$'000
Profit for the period		**1,090,126**		482,445
Other comprehensive income for the period (after tax and reclassification adjustments):				
Foreign currency translation adjustments:				
- exchange differences on translation of financial statements of overseas subsidiaries	**90,633**		(71,138)	
- share of exchange differences on translation of financial statements of overseas associates	**462**		2,867	
- release of the exchange reserve upon return on investments in overseas subsidiaries	**(12,733)**		(645)	
		78,362		(68,916)
Land and building revaluation:				
- surplus on revaluation of land and building held for own use reclassified to investment properties		**78,843**		-
Share of cash flow hedge of an associate:				
- net movement in hedging reserve		**16,768**		(3,185)
Available-for-sale securities:				
- changes in fair value recognised during the period		**1,786**		100
		175,759		(72,001)
Total comprehensive income for the period		**1,265,885**		410,444
Attributable to:				
Shareholders of the Company		**1,265,599**		409,960
Non-controlling interests		**286**		484
Total comprehensive income for the period		**1,265,885**		410,444

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	At 30 June 2011 HK$'000	At 31 December 2010 HK$'000
Non-current assets			
Fixed assets			
- Investment properties		**9,178,019**	7,976,716
- Other property, plant and equipment		**569,679**	591,706
		9,747,698	8,568,422
Goodwill		**1,178**	1,178
Interest in associates		**754,953**	711,276
Available-for-sale securities		**29,271**	27,485
Deferred tax assets		**9,602**	25,922
		10,542,702	9,334,283
Current assets			
Trading securities		**371,427**	291,651
Inventories		**77,051**	90,437
Debtors, deposits and prepayments	10	**60,510**	50,110
Loans to an associate		**32,399**	3,264
Amounts due from fellow subsidiaries		**12,071**	1,801
Current tax recoverable		**13**	95
Cash and cash equivalents		**1,503,601**	1,569,618
		2,057,072	2,006,976
Current liabilities			
Creditors and accrued charges	11	**319,637**	359,331
Amounts due to fellow subsidiaries		**1,634**	3,645
Secured bank loan		**596,177**	594,187
Amount due to an associate		**12,676**	12,935
Current tax payable		**28,382**	19,986
		958,506	990,084
Net current assets		**1,098,566**	1,016,892
Total assets less current liabilities		**11,641,268**	10,351,175
Non-current liabilities			
Deferred tax liabilities		**1,354,919**	1,156,487
Net assets		**10,286,349**	9,194,688
Capital and reserves			
Share capital		**29,530**	29,530
Reserves		**10,238,822**	9,147,447
Total equity attributable to shareholders of the Company		**10,268,352**	9,176,977
Non-controlling interests		**17,997**	17,711
Total equity		**10,286,349**	9,194,688

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2011

		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	Non-controlling interests	Total equity
	Note	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2011		29,530	176,750	11,807	579,292	(40,241)	754,347	1,068	7,664,424	9,176,977	17,711	9,194,688
Profit for the period		-	-	-	-	-	-	-	1,089,838	1,089,838	288	1,090,126
Other comprehensive income		-	78,843	1,786	78,364	16,768	-	-	-	175,761	(2)	175,759
Total comprehensive income for the period		-	78,843	1,786	78,364	16,768	-	-	1,089,838	1,265,599	286	1,265,885
Dividends approved in respect of the previous year	8(b)	-	-	-	-	-	-	-	(174,224)	(174,224)	-	(174,224)
		-	78,843	1,786	78,364	16,768	-	-	915,614	1,091,375	286	1,091,661
Balance at 30 June 2011		29,530	255,593	13,593	657,656	(23,473)	754,347	1,068	8,580,038	10,268,352	17,997	10,286,349
Balance at 1 January 2010		29,530	176,750	9,098	354,712	(45,661)	754,347	541	6,496,002	7,775,319	16,530	7,791,849
Profit for the period		-	-	-	-	-	-	-	482,024	482,024	421	482,445
Other comprehensive income		-	-	100	(68,979)	(3,185)	-	-	-	(72,064)	63	(72,001)
Total comprehensive income for the period		-	-	100	(68,979)	(3,185)	-	-	482,024	409,960	484	410,444
Dividends approved in respect of the previous year	8(b)	-	-	-	-	-	-	-	(141,742)	(141,742)	-	(141,742)
		-	-	100	(68,979)	(3,185)	-	-	340,282	268,218	484	268,702
Balance at 30 June 2010 and 1 July 2010		29,530	176,750	9,198	285,733	(48,846)	754,347	541	6,836,284	8,043,537	17,014	8,060,551
Profit for the period		-	-	-	-	-	-	-	893,632	893,632	701	894,333
Other comprehensive income		-	-	2,609	293,559	8,605	-	-	-	304,773	(4)	304,769
Total comprehensive income for the period		-	-	2,609	293,559	8,605	-	-	893,632	1,198,405	697	1,199,102
Share of the general reserve fund of an associate: transfer to the general reserve fund		-	-	-	-	-	-	527	(527)	-	-	-
Dividends declared and paid in respect of the current year	8(a)	-	-	-	-	-	-	-	(64,965)	(64,965)	-	(64,965)
		-	-	-	-	-	-	527	(65,492)	(64,965)	-	(64,965)
Balance at 31 December 2010		29,530	176,750	11,807	579,292	(40,241)	754,347	1,068	7,664,424	9,176,977	17,711	9,194,688

Note: Retained earnings attributable to the shareholders of the Company as at 30 June 2011 include the aggregate net valuation gain relating to investment properties after deferred tax of HK$5,131,770,000 (as at 31 December 2010: HK$4,319,152,000).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
Cash generated from operations	**170,680**	114,791
Tax paid	**(22,099)**	(17,296)
Net cash generated from operating activities	**148,581**	97,495
Net cash (used in)/generated from investing activities	**(12,904)**	4,129
Net cash used in financing activities	**(217,743)**	(182,745)
Net decrease in cash and cash equivalents	**(82,066)**	(81,121)
Cash and cash equivalents at 1 January	**1,569,618**	1,510,819
Effect of foreign exchange rates changes	**16,049**	(20,157)
Cash and cash equivalents at 30 June	**1,503,601**	1,409,541

	At 30 June 2011	At 30 June 2010
	HK$'000	HK$'000
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	**74,208**	88,063
Bank deposits	**1,429,393**	1,321,478
Cash and cash equivalents	**1,503,601**	1,409,541

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 (the "Listing Rules") 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 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these 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 judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated 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 2010 annual financial statements. The condensed consolidated interim financial statements and notes thereto do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs", which term collectively includes HKASs and Interpretations).

The financial information relating to the financial year ended 31 December 2010 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2010 are available from the Stock Exchange's website. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 March 2011.

2. Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKAS 24 (revised), Related party disclosures
- Improvements to HKFRSs 2010

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

These developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements and have had no material impact on the contents of this interim financial report.

3. 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 goodwill, interest in associates, 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**	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**666,361**	582,802	**185,729**	168,166	**852,090**	750,968
Inter-segment revenue	**-**	-	**38,483**	39,731	**38,483**	39,731
Reportable segment revenue	**666,361**	582,802	**224,212**	207,897	**890,573**	790,699
Reportable segment profit	**105,049**	74,207	**175,996**	157,832	**281,045**	232,039

	Department stores		Property investment		Total	
	At 30 June 2011	At 31 December 2010	**At 30 June 2011**	At 31 December 2010	**At 30 June 2011**	At 31 December 2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Reportable segment assets	**139,692**	148,831	**9,736,671**	8,558,554	**9,876,363**	8,707,385
Additions to non-current segment assets during the period/year	**2,854**	6,513	**9,163**	28,832	**12,017**	35,345
Reportable segment liabilities	**247,933**	291,276	**646,614**	645,825	**894,547**	937,101

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

	Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
Profit		
Reportable segment profit derived from the Group's external customers	**281,045**	232,039
Share of profits of associates	**36,160**	20,286
Other revenue	**20,678**	16,203
Other net gain/(loss)	**25,808**	(8,643)
Finance costs	**(17,539)**	(18,071)
Valuation gains on investment properties	**980,793**	356,556
Unallocated head office and corporate expenses	**(21,416)**	(18,926)
Consolidated profit before taxation	**1,305,529**	579,444

	At 30 June 2011	At 31 December 2010
	HK$'000	HK$'000
Assets		
Reportable segment assets	**9,876,363**	8,707,385
Elimination of inter-segment receivables	**(5,654)**	(7,261)
	9,870,709	8,700,124
Goodwill	**1,178**	1,178
Interest in associates	**754,953**	711,276
Available-for-sale securities	**29,271**	27,485
Trading securities	**371,427**	291,651
Loans to an associate	**32,399**	3,264
Deferred tax assets	**9,602**	25,922
Current tax recoverable	**13**	95
Unallocated head office and corporate assets	**1,530,222**	1,580,264
Consolidated total assets	**12,599,774**	11,341,259
Liabilities		
Reportable segment liabilities	**894,547**	937,101
Elimination of inter-segment payables	**(5,654)**	(7,261)
	888,893	929,840
Amount due to an associate	**12,676**	12,935
Current tax payable	**28,382**	19,986
Deferred tax liabilities	**1,354,919**	1,156,487
Unallocated head office and corporate liabilities	**28,555**	27,323
Consolidated total liabilities	**2,313,425**	2,146,571

4. Turnover

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

The Group's turnover for the period 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:

	Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
Sale of goods	**547,961**	479,002
Net income from concession sales	**118,400**	103,800
Department stores	**666,361**	582,802
Property investment	**185,729**	168,166
	852,090	750,968

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

	Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
Other revenue		
Interest income from bank deposits	**12,535**	10,808
Interest income from loans to an associate	**255**	109
Interest income from listed securities	**608**	-
Dividend income from listed securities	**4,804**	2,927
Dividend income from unlisted securities	**505**	484
Forfeiture of unclaimed dividends	**1,101**	1,075
Others	**870**	800
	20,678	16,203
Other net gain/(loss)		
Net gain/(loss) on remeasurement to fair value of		
- trading securities	**4,538**	(11,960)
- derivative financial instruments	**466**	(16)
Net realised gain on disposal of		
- trading securities	**251**	102
- derivative financial instruments	**2,228**	3,926
Release of the exchange reserve upon return on investments in overseas subsidiaries	**12,733**	645
Net foreign exchange gain/(loss)	**5,601**	(1,340)
Net loss on disposal of other fixed assets	**(9)**	-
	25,808	(8,643)

6. Profit before taxation

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

		Six months ended 30 June	
		2011	2010
		HK$'000	HK$'000
(a)	Finance costs:		
	Interest on bank loan repayable within five years	**17,539**	18,071
(b)	Staff costs (excluding directors' remuneration):		
	Contributions to defined contribution retirement plans	**5,585**	5,245
	Salaries, wages and other benefits	**95,908**	89,019
		101,493	94,264
(c)	Rentals received and receivable from investment properties:		
	Gross rentals	**(185,729)**	(168,166)
	Less: direct outgoings	**30,381**	31,598
		(155,348)	(136,568)
(d)	Other items:		
	Depreciation and amortisation		
	- owned assets	**19,556**	20,944
	- lease incentives	**7,332**	5,933
	Impairment losses recognised/(written-back)		
	- trade and other debtors	**18**	(63)
	Operating lease charges		
	- minimum lease payments for hire of land and buildings	**18,631**	18,060
	- contingent rentals for hire of land and buildings	**820**	525
	Cost of inventories sold	**372,380**	329,630

7. Income tax in the consolidated income statement

	Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	**17,470**	14,716
Current tax – Overseas		
Provision for the period	**12,726**	8,714
Under/(over)-provision in respect of prior year	**9**	(360)
	12,735	8,354
Deferred tax		
Origination and reversal of temporary differences		
- changes in fair value of investment properties	**168,168**	59,645
- other temporary differences	**17,030**	14,284
	185,198	73,929
Total income tax expense	**215,403**	96,999

The provision for Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the six months ended 30 June 2011. 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	
	2011	2010
	HK$'000	HK$'000
Interim dividend declared and payable after the end of the reporting period of 33 HK cents (2010: 22 HK cents) per share	97,447	64,965

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	
	2011	2010
	HK$'000	HK$'000
Final dividend in respect of the financial year ended 31 December 2010 of 59 HK cents (31 December 2009: 48 HK cents) per share payable during the following interim period	**174,224**	141,742

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 2011 of HK$1,089,838,000 (six months ended 30 June 2010: HK$482,024,000) divided by 295,295,000 shares (2010: 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 valuation gains 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 valuation gains 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 income statement for the period is reconciled as follows:

	Six months ended 30 June			
	2011		2010	
		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	**1,089,838**	**369.1**	482,024	163.2
Valuation gains on investment properties	**(980,793)**	**(332.1)**	(356,556)	(120.7)
Increase in deferred tax liabilities in relation to the valuation gains on investment properties	**168,168**	**56.9**	59,645	20.2
Underlying profit attributable to shareholders of the Company	**277,213**	**93.9**	185,113	62.7

10. Debtors, deposits and prepayments

	At 30 June 2011 HK$'000	At 31 December 2010 HK$'000
Trade and other debtors	**23,817**	20,690
Less: allowance for doubtful debts	**(381)**	(348)
	23,436	20,342
Deposits and prepayments	**37,074**	29,768
	60,510	50,110

The ageing analysis of trade and other debtors, net of allowance for doubtful debts, is as follows:

	At 30 June 2011 HK$'000	At 31 December 2010 HK$'000
Current or less than one month past due	**22,661**	19,761
One to three months past due	**606**	472
More than three months but less than twelve months past due	**143**	62
More than twelve months past due	**26**	47
	23,436	20,342

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

11. Creditors and accrued charges

	At 30 June 2011 HK$'000	At 31 December 2010 HK$'000
Trade and other creditors	**282,395**	322,859
Accrued charges	**36,108**	36,472
Derivative financial instruments	**1,134**	-
	319,637	359,331

The ageing analysis of trade and other creditors is as follows:

	At 30 June 2011 HK$'000	At 31 December 2010 HK$'000
Amounts not yet due	**235,212**	270,734
On demand or less than one month overdue	**43,784**	48,392
One to three months overdue	**1,031**	1,433
Three to twelve months overdue	**420**	285
More than twelve months overdue	**1,948**	2,015
	282,395	322,859

INTERIM RESULTS AND DIVIDEND

For the six months ended 30 June 2011, the Group's turnover increased by 13.5% to HK$852.1 million (2010: HK$751.0 million). This increase was attributable mainly to the improvement in both the Group's department stores business turnover and the rental income from the Group's investment properties.

Profit attributable to shareholders for the first half of 2011 was HK$1,089.8 million (2010: HK$482.0 million), an increase of 126.1% due primarily to the significant increase in valuation gains on investment properties as compared to the same period last year. Excluding this non-cash item and related deferred tax thereon, the Group's underlying profit attributable to shareholders increased by 49.8% to HK$277.2 million (2010: HK$185.1 million). This was due mainly to the improved profit contributions from the Group's department store operations and property investments.

Earnings per share increased by 126.2% to 369.1 HK cents per share from 163.2 HK cents per share achieved for the same period last year. Excluding the valuation gains on investment properties net of related deferred tax thereon, underlying earnings per share for the period increased by 49.8% to 93.9 HK cents (2010: 62.7 HK cents) per share.

The directors have decided to pay an interim dividend of 33 HK cents (2010: 22 HK cents) per share, absorbing a total amount of HK$97,447,000 (2010: HK$64,965,000). The interim dividend will be paid on 19 October 2011 (Hong Kong time) to shareholders whose names appear on the Register of Members of the Company on 14 October 2011 (Hong Kong time). The Register of Members will be closed from 10 October 2011 to 14 October 2011 (Hong Kong time), both dates inclusive, during which period no share transfer will be accepted.

To qualify for the interim 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 not later than 4:00 p.m. on Friday, 7 October 2011 (Hong Kong time).

LIQUIDITY AND FINANCIAL RESOURCES

Overall Financial Position

Shareholders' equity at 30 June 2011 was HK$10,268.4 million, an increase of 11.9% as compared to that at 31 December 2010. With cash and listed marketable securities at 30 June 2011 of about HK$1,836.4 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 2011, the Group's total borrowings amounted to HK$596.2 million, an increase of about HK$2.0 million, due to exchange differences net of partial repayments, as compared to that at 31 December 2010. The Group's total borrowings of HK$596.2 million relate to a mortgage loan for Australian investment properties. The repayment of the borrowings will be due in December 2011. The management will renegotiate the repayment schedule nearer the time. As this outstanding loan is less than 30% of the security value of the Australian investment properties and taking into consideration the past timely and good repayment record, the Group does not anticipate any difficulties in extending this loan. Certain assets, comprising principally property interests with a book value of HK$2,618.4 million, have been pledged to banks as collateral security for banking facilities granted to the extent of HK$1,062.8 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 2011, was 5.8% as compared with 6.5% at 31 December 2010.

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$2,094.5 million at 30 June 2011 (at 31 December 2010: HK$1,958.7 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, Australian dollar and Renminbi.

Capital Commitments and Contingent Liabilities

At 30 June 2011, the total amount of the Group's capital expenditure commitments was HK$6.4 million (at 31 December 2010: HK$5.7 million). The Company has issued corporate guarantees to a financial institution in respect of banking facilities granted to a wholly-owned subsidiary of an associate, which expire within one year. The associate has also issued a corporate guarantee to a financial institution in respect of a financial facility granted to a jointly controlled entity of the associate, which expires within one year. At 30 June 2011, the maximum contingent liability shared by the Group was HK$24.0 million (as at 31 December 2010: HK$28.1 million).

HALF YEAR BUSINESS REVIEW

Department Store Operations

During the period under review, the Group's department store business continued to improve as consumer confidence and spending remained high and strong. With timely promotional events, regularly updated merchandise mix and quality customer service, the Group's department store business achieved a 14.3% increase in turnover to HK$666.4 million (2010: HK$582.8 million) while its operating profit increased significantly by 41.5% to HK$105.0 million (2010: HK$74.2 million).

Property Investment

Income from the Group's investment properties for the six months ended 30 June 2011 increased by 11.5% to HK$176.0 million (2010: HK$157.8 million). The Group was able to maintain an overall occupancy rate of about 95% for its commercial office properties in Hong Kong while its rental income marginally decreased to HK$94.5 million (2010: HK$95.0 million). The Melbourne office market remained buoyant due to limited supply. Income from the Group' commercial investment properties in Australia increased by 35.1% to HK$78.5 million (2010: HK$58.1 million). This was due to the higher rentals achieved for lease renewals and new lettings and the strong Australian dollar during the period under review when the income was translated back to the Hong Kong dollar for reporting purposes. The overall occupancy rate of the commercial investment properties in Australia remained at above 95%.

Automobile Dealership Business

Affected by the earthquake and tsunami which struck Japan in March this year, the Group's automobile dealership associate in the United States encountered a disruption in the supply of cars and spare parts from the Japanese automakers. This resulted in a drop in the sales of Japanese brand cars during the period under review. Nevertheless, the associate's business operations remained sound and contributed profits. For the six months ended 30 June 2011, the Group's share of the associate's profit after tax was HK$36.0 million, compared to a share of HK$16.7 million in the corresponding period last year. During the period under review, the Group's associate had acquired interests in an automobile dealership joint venture in Shandong Province, the People's Republic of China. The associate's two other automobile dealerships in Guangdong Province were able to contribute profits to the Group during the period under review, despite the shortage of inventory supplies.

Others

The stock markets were without directions during the period under review. Nevertheless, the Group's investments in securities recorded a profit of HK$12.8 million compared to a loss of HK$5.1 million in the corresponding period last year. The Group also recorded a net exchange gain of HK$5.6 million (2010: net exchange loss HK$1.3 million) mainly from its Australian dollar deposits and Renminbi deposits. The Group recognised a foreign exchange gain of HK$12.7 million (2010: HK$0.6 million) during the first half of 2011 upon the return of investments from subsidiaries in Australia.

STAFF

As at 30 June 2011, the Group had a total staff of 847 (at 30 June 2010: 955). The Group's remuneration policies, bonus schemes, Mandatory Provident Fund Schemes, etc., have not changed materially from the information disclosed in the 2010 Annual Report.

OUTLOOK FOR THE REMAINDER OF 2011

The prevailing economic uncertainties in the United States and Europe are expected to continue to adversely affect the global economy. The recent sharp downturn in overseas and Hong Kong stock markets may be a concern if these trends persist for the remainder of the year. However, the currently strong local consumption demand and tourist spending are expected to provide support for retail sales in the second half of the year. The Group's department stores business is expected to benefit from this positive retailing environment and contribute profits despite increasing inflationary pressure on operating costs. The Group's commercial property investments locally and overseas will continue to provide stable rental income. The business performance of our automobile associate in the United States in the second half of the year will depend on the resumption of inventory supplies and the recovery of the United States economy.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2011.

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 2011.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

By Order of the Board
Karl C. Kwok
Chairman

Hong Kong, 26 August 2011

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, Mr. Anthony Francis Martin Conway and Mr Leung Wing Ning.