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 2014

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 2014 ("interim financial report").

INDEPENDENT REVIEW

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, this interim financial report has been reviewed by the Company's Audit Committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2014	2013
	Note	**HK$'000**	HK$'000
Turnover	3	**971,916**	950,042
Other revenue	5	**27,686**	20,111
Other net gain/(loss)	5	**22,138**	(4,271)
Cost of department store sales	6(d)	**(417,591)**	(411,938)
Cost of property leasing activities	6(c)	**(34,913)**	(33,460)
Other operating expenses		**(213,903)**	(208,965)
Profit from operations		**355,333**	311,519
Finance costs	6(a)	**(7,882)**	(10,721)
		347,451	300,798
Valuation gains on investment properties		**46,448**	613,830
		393,899	914,628
Share of profit of an associate		**47,939**	19,684
Profit before taxation	6	**441,838**	934,312
Income tax	7	**(59,280)**	(63,276)
Profit for the period		**382,558**	871,036
Attributable to:			
Shareholders of the Company		**382,097**	870,635
Non-controlling interests		**461**	401
Profit for the period		**382,558**	871,036
Basic and diluted earnings per share	9	**129.4 cents**	294.8 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June			
	2014		2013	
	HK$'000	**HK$'000**	HK$'000	HK$'000
Profit for the period		**382,558**		871,036
Other comprehensive income for the period (after tax and reclassification adjustments):				
Item that will not be reclassified to profit or loss:				
- Share of land and building revaluation reserve of an associate		**-**		1,318
Items that may be reclassified subsequently to profit or loss:				
- Foreign currency translation adjustments:				
- exchange differences on translation of financial statements of overseas subsidiaries	**110,021**		(260,919)	
- share of exchange differences on translation of financial statements of an overseas associate	**(1,308)**		1,136	
- release of the exchange reserve upon refund of investments in overseas subsidiaries	**(11,915)**		(10,100)	
		96,798		(269,883)
- Share of cash flow hedge of an associate: net movement in the hedging reserve		**2,227**		4,477
- Available-for-sale securities: changes in fair value recognised during the period		**(450)**		-
Other comprehensive income for the period		**98,575**		(264,088)
Total comprehensive income for the period		**481,133**		606,948
Attributable to:				
Shareholders of the Company		**480,687**		606,530
Non-controlling interests		**446**		418
Total comprehensive income for the period		**481,133**		606,948

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	At 30 June 2014 HK$'000	At 31 December 2013 HK$'000
Non-current assets			
Fixed assets			
- Investment properties		**11,186,238**	11,006,024
- Other property, plant and equipment		**482,189**	496,168
		11,668,427	11,502,192
Goodwill		**-**	1,178
Interest in an associate		**976,899**	928,041
Available-for-sale securities		**21,618**	22,068
Deferred tax assets		**7,050**	8,284
		12,673,994	12,461,763
Current assets			
Trading securities		**329,991**	339,766
Inventories		**103,045**	114,296
Debtors, deposits and prepayments	10	**82,301**	54,079
Loans to an associate		**19,348**	19,361
Amounts due from fellow subsidiaries		**25,451**	4,767
Current tax recoverable		**21**	70
Cash and cash equivalents		**2,083,591**	2,054,702
		2,643,748	2,587,041
Current liabilities			
Creditors and accrued charges	11	**374,312**	420,427
Secured bank loan		**394,521**	395,309
Amounts due to fellow subsidiaries		**2,714**	2,909
Current tax payable		**53,866**	35,827
		825,413	854,472
Net current assets		**1,818,335**	1,732,569
Total assets less current liabilities		**14,492,329**	14,194,332
Non-current liabilities			
Deferred tax liabilities		**431,712**	411,094
Net assets		**14,060,617**	13,783,238
Capital and reserves			
Share capital		**29,530**	29,530
Reserves		**14,009,947**	13,733,014
Total equity attributable to shareholders of the Company		**14,039,477**	13,762,544
Non-controlling interests		**21,140**	20,694
Total equity		**14,060,617**	13,783,238

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2014

		Attributable to shareholders of the Company										
	Note	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
		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 2014		29,530	274,692	10,290	250,468	(9,338)	754,347	612	12,451,943	13,762,544	20,694	13,783,238
Changes in equity for the six months ended 30 June 2014:												
Profit for the period		-	-	-	-	-	-	-	382,097	382,097	461	382,558
Other comprehensive income for the period		-	-	(450)	96,813	2,227	-	-	-	98,590	(15)	98,575
Total comprehensive income for the period		-	-	(450)	96,813	2,227	-	-	382,097	480,687	446	481,133
Dividends approved in respect of the previous year	8(b)	-	-	-	-	-	-	-	(203,754)	(203,754)	-	(203,754)
		-	-	(450)	96,813	2,227	-	-	178,343	276,933	446	277,379
Balance at 30 June 2014		29,530	274,692	9,840	347,281	(7,111)	754,347	612	12,630,286	14,039,477	21,140	14,060,617
Balance at 1 January 2013		29,530	271,419	11,350	573,794	(16,094)	754,347	283	11,449,523	13,074,152	19,161	13,093,313
Changes in equity for the six months ended 30 June 2013:												
Profit for the period		-	-	-	-	-	-	-	870,635	870,635	401	871,036
Other comprehensive income for the period		-	1,318	-	(269,900)	4,477	-	-	-	(264,105)	17	(264,088)
Total comprehensive income for the period		-	1,318	-	(269,900)	4,477	-	-	870,635	606,530	418	606,948
Dividends approved in respect of the previous year	8(b)	-	-	-	-	-	-	-	(218,518)	(218,518)	-	(218,518)
		-	1,318	-	(269,900)	4,477	-	-	652,117	388,012	418	388,430
Balance at 30 June 2013		29,530	272,737	11,350	303,894	(11,617)	754,347	283	12,101,640	13,462,164	19,579	13,481,743
Balance at 1 July 2013		29,530	272,737	11,350	303,894	(11,617)	754,347	283	12,101,640	13,462,164	19,579	13,481,743
Changes in equity for the six months ended 31 December 2013:												
Profit for the period		-	-	-	-	-	-	-	442,173	442,173	1,121	443,294
Other comprehensive income for the period		-	1,955	(1,060)	(53,426)	2,279	-	-	-	(50,252)	(6)	(50,258)
Total comprehensive income for the period		-	1,955	(1,060)	(53,426)	2,279	-	-	442,173	391,921	1,115	393,036
Share of the general reserve fund of an associate: transfer to the general reserve fund		-	-	-	-	-	-	329	(329)	-	-	-
Dividends declared and paid in respect of the current year	8(a)	-	-	-	-	-	-	-	(91,541)	(91,541)	-	(91,541)
		-	1,955	(1,060)	(53,426)	2,279	-	329	350,303	300,380	1,115	301,495
Balance at 31 December 2013		29,530	274,692	10,290	250,468	(9,338)	754,347	612	12,451,943	13,762,544	20,694	13,783,238

Note: Retained earnings attributable to the shareholders of the Company as at 30 June 2014 include the aggregate net valuation gain relating to investment properties after deferred tax of HK$8,314,608,000 (at 31 December 2013: HK$8,269,672,000).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
Cash generated from operations	**274,726**	314,012
Tax paid	**(38,476)**	(32,410)
Net cash generated from operating activities	**236,250**	281,602
Net cash generated from investing activities	**13,564**	9,290
Financing activities		
Dividends paid to shareholders of the Company	**(203,754)**	(218,518)
Other cash flows arising from financing activities	**(30,565)**	(35,622)
Net cash used in financing activities	**(234,319)**	(254,140)
Net increase in cash and cash equivalents	**15,495**	36,752
Cash and cash equivalents at 1 January	**2,054,702**	1,939,075
Effect of foreign exchange rate changes	**13,394**	(41,736)
Cash and cash equivalents at 30 June	**2,083,591**	1,934,091

	At 30 June 2014	At 30 June 2013
	HK$'000	HK$'000
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	**183,054**	277,036
Bank deposits	**1,900,537**	1,657,055
Cash and cash equivalents	**2,083,591**	1,934,091

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1. Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the HKICPA. It was authorised for issue on 28 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 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 judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31 December 2013 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 2013 are available from the Stock Exchange's website. The auditors have expressed an unqualified opinion on those financial statements in their independent auditor's report dated 28 March 2014.

2. Changes in accounting policies

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

- Amendments to HKAS 32, Offsetting financial assets and financial liabilities
- Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

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

(a) **Amendments to HKAS 32, Offsetting financial assets and financial liabilities**

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

(b) **Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets**

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash-generating unit whose recoverable amount is based on fair value less costs of disposal. These amendments do not have an impact on the Group's interim financial report.

3. Turnover

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

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

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
Sale of goods	**611,604**	599,706
Net income from concession sales	**140,368**	132,150
Department stores	**751,972**	731,856
Property investment (note 6(c))	**219,944**	218,186
	971,916	950,042

4. Segment reporting

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

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

(a) Segment results, assets and liabilities

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

- Segment assets include all tangible, intangible assets and current assets with the exception of goodwill, interest in an associate, investments in financial assets, current tax recoverable, deferred tax assets and other corporate assets. Segment liabilities include trade and other creditors, accrued charges and bank borrowings managed directly by the segments.

- Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

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

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

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

	Department stores		Property investment		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**751,972**	731,856	**219,944**	218,186	**971,916**	950,042
Inter-segment revenue	**-**	-	**50,425**	48,609	**50,425**	48,609
Reportable segment revenue	**751,972**	731,856	**270,369**	266,795	**1,022,341**	998,651
Reportable segment profit	**111,802**	102,747	**218,268**	215,836	**330,070**	318,583

	Department stores		Property investment		Total	
	At 30 June 2014	At 31 December 2013	**At 30 June 2014**	At 31 December 2013	**At 30 June 2014**	At 31 December 2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Reportable segment assets	**171,905**	173,175	**11,678,176**	11,500,349	**11,850,081**	11,673,524
Additions to non-current segment assets during the period/year	**3,725**	7,945	**5,395**	27,648	**9,120**	35,593
Reportable segment liabilities	**280,563**	329,798	**458,852**	458,103	**739,415**	787,901

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

	Six months ended 30 June **2014** HK$'000	2013 HK$'000
Profit		
Reportable segment profit derived from the Group's external customers	**330,070**	318,583
Other revenue	**27,686**	20,111
Other net gain/(loss)	**22,138**	(4,271)
Finance costs	**(7,882)**	(10,721)
Valuation gains on investment properties	**46,448**	613,830
Share of profit of an associate	**47,939**	19,684
Unallocated head office and corporate expenses	**(24,561)**	(22,904)
Consolidated profit before taxation	**441,838**	934,312

	At 30 June 2014 HK$'000	At 31 December 2013 HK$'000
Assets		
Reportable segment assets	**11,850,081**	11,673,524
Elimination of inter-segment receivables	**(4,101)**	(4,644)
	11,845,980	11,668,880
Goodwill	**-**	1,178
Interest in an associate	**976,899**	928,041
Available-for-sale securities	**21,618**	22,068
Deferred tax assets	**7,050**	8,284
Trading securities	**329,991**	339,766
Loans to an associate	**19,348**	19,361
Current tax recoverable	**21**	70
Unallocated head office and corporate assets	**2,116,835**	2,061,156
Consolidated total assets	**15,317,742**	15,048,804
Liabilities		
Reportable segment liabilities	**739,415**	787,901
Elimination of inter-segment payables	**(4,101)**	(4,644)
	735,314	783,257
Current tax payable	**53,866**	35,827
Deferred tax liabilities	**431,712**	411,094
Unallocated head office and corporate liabilities	**36,233**	35,388
Consolidated total liabilities	**1,257,125**	1,265,566

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

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
Other revenue		
Interest income from		
- bank deposits	**15,588**	12,209
- trading securities	**548**	578
Dividend income from		
- listed securities	**6,810**	4,864
- unlisted securities	**430**	465
Forfeiture of unclaimed dividends	**3,454**	1,212
Others	**856**	783
	27,686	20,111
Other net gain/(loss)		
Net gain/(loss) on remeasurement to fair value of		
- trading securities	**5,782**	(9,508)
- derivative financial instruments	**111**	-
Net realised gain/(loss) on disposal of		
- trading securities	**4,458**	1,002
- derivative financial instruments	**954**	(4,220)
Release of the exchange reserve upon refund of investments in overseas subsidiaries	**11,915**	10,100
Net foreign exchange loss	**(1,089)**	(1,662)
Net gain on disposal of other fixed assets	**7**	17
	22,138	(4,271)

6. Profit before taxation

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

		Six months ended 30 June	
		2014	2013
		HK$'000	HK$'000
(a)	Finance costs		
	Interest on bank loan repayable within five years	**7,882**	10,721
(b)	Staff costs (excluding directors' remuneration)		
	Contributions to defined contribution retirement plans	**6,139**	5,992
	Salaries, wages and other benefits	**105,437**	101,401
		111,576	107,393
(c)	Rentals received and receivable from investment properties		
	Gross rentals (note 3)	**(219,944)**	(218,186)
	Less: direct outgoings	**34,913**	33,460
		(185,031)	(184,726)
(d)	Other items		
	Depreciation and amortisation		
	- owned assets	**17,777**	18,547
	- lease incentives	**6,678**	7,254
	Goodwill written off	**1,178**	-
	Impairment losses on trade and other debtors recognised	**4**	9
	Operating lease charges		
	- minimum lease payments for hire of land and buildings	**21,978**	21,381
	- contingent rentals for hire of land and buildings	**713**	816
	Cost of inventories sold	**417,591**	411,938

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

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	**39,930**	36,071
Current tax – Overseas		
Provision for the period	**16,033**	15,726
Deferred tax		
Origination and reversal of temporary differences		
- changes in fair value of investment properties	**1,512**	8,533
- other temporary differences	**1,805**	2,946
	3,317	11,479
Total income tax expense	**59,280**	63,276

The provision for Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the six months ended 30 June 2014. 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	
	2014	2013
	HK$'000	HK$'000
Interim dividend declared and payable after the interim period of 39 HK cents (2013: 31 HK cents) per share	**115,165**	91,541

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	
	2014	2013
	HK$'000	HK$'000
Final dividend in respect of the financial year ended 31 December 2013 of 69 HK cents (31 December 2012: 74 HK cents) per share payable during the following interim period	**203,754**	218,518

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 2014 of HK$382,097,000 (six months ended 30 June 2013: HK$870,635,000) divided by 295,295,000 shares (2013: 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 statement of profit or loss for the period is reconciled as follows:

	Six months ended 30 June			
	2014		2013	
		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 statement of profit or loss	**382,097**	**129.4**	870,635	294.8
Adjustments:				
- valuation gains on investment properties	**(46,448)**	**(15.7)**	(613,830)	(207.9)
- increase in deferred tax liabilities in relation to the valuation gains on investment properties	**1,512**	**0.5**	8,533	2.9
Underlying profit attributable to shareholders of the Company	**337,161**	**114.2**	265,338	89.8

10. Debtors, deposits and prepayments

	At 30 June 2014 HK$'000	At 31 December 2013 HK$'000
Trade and other debtors	**26,364**	25,888
Less: allowance for doubtful debts	**(25)**	(21)
	26,339	25,867
Deposits and prepayments	**55,962**	28,212
	82,301	54,079

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

	At 30 June 2014 HK$'000	At 31 December 2013 HK$'000
Current or less than one month past due	**25,405**	24,956
One to three months past due	**679**	611
More than three months but less than twelve months past due	**144**	207
More than twelve months past due	**111**	93
	26,339	25,867

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

11. Creditors and accrued charges

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

	At 30 June 2014 HK$'000	At 31 December 2013 HK$'000
Amounts not yet due	**285,732**	313,461
On demand or less than one month overdue	**47,226**	60,386
One to three months overdue	**1,752**	1,552
Three to twelve months overdue	**509**	632
More than twelve months overdue	**1,516**	1,258
Trade and other creditors	**336,735**	377,289
Accrued charges	**37,577**	43,138
	374,312	420,427

INTERIM RESULTS AND DIVIDEND

For the six months ended 30 June 2014, the Group's turnover was HK$971.9 million (2013: HK$950.0 million), an increase of 2.3% attributable mainly to the increase in the Group's department stores business turnover.

Profit attributable to shareholders for the first half of 2014 was HK$382.1 million (2013: HK$870.6 million), a decrease of 56.1% due primarily to the decrease 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 27.1% to HK$337.2 million (2013: HK$265.3 million). This was due mainly to the improved profit contributions from the Group's department stores business, securities investments and automobile dealership associate.

Earnings per share decreased by 56.1% to 129.4 HK cents (2013: 294.8 HK cents) per share. Excluding the valuation gains on investment properties net of related deferred tax thereon, underlying earnings per share for the period increased by 27.1% to 114.2 HK cents (2013: 89.8 HK cents) per share.

The directors have decided to pay an interim dividend of 39 HK cents (2013: 31 HK cents) per share, absorbing a total amount of HK$115,165,000 (2013: HK$91,541,000). The interim dividend will be paid on 17 October 2014 (Hong Kong time) to shareholders whose names appear on the Register of Members of the Company on 10 October 2014 (Hong Kong time). The Register of Members will be closed from 7 October 2014 to 10 October 2014 (Hong Kong time), both dates inclusive, during which period no share transfer will be accepted.

To qualify for the interim dividend, share transfers to be dealt with must be lodged with the Company's Share Registrars, Tricor Progressive Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:00 p.m. on Monday, 6 October 2014 (Hong Kong time).

LIQUIDITY AND FINANCIAL RESOURCES

Overall Financial Position

Shareholders' equity at 30 June 2014 was HK$14,039.5 million, an increase of 2.0% as compared to that at 31 December 2013. With cash and listed marketable securities at 30 June 2014 of about HK$2,362.9 million as well as available banking facilities, the Group has sufficient liquidity to meet its current commitments and working capital requirements.

Borrowings and Charges on Group Assets

At 30 June 2014, the Group's total borrowings amounted to HK$394.5 million, a decrease of about HK$0.8 million as compared to that at 31 December 2013 due to the partial repayments net of exchange differences. The Group's total borrowings of HK$394.5 million relate to a mortgage loan for Australian investment properties. The bulk of the borrowings will be due in December 2014. The management will renegotiate the repayment schedule nearer the time. Certain assets, comprising principally property interests with a book value of HK$2,548.6 million, have been pledged to banks as collateral security for banking facilities granted to the extent of HK$511.5 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 2014, was 2.8% as compared with 2.9% at 31 December 2013.

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$2,197.2 million at 30 June 2014 (at 31 December 2013: HK$2,085.9 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 2014, the total amount of the Group's capital expenditure commitments was HK$14.0 million (at 31 December 2013: HK$34.0 million). As at 30 June 2014, the Group had no contingent liability (at 31 December 2013: HK$ nil).

HALF YEAR BUSINESS REVIEW

Department Store Operations

The Hong Kong retail market experienced a notable slowdown in the first half of 2014 as consumer spending declined. Notwithstanding the weakening retail market, the Group's department store business remained generally stable during the six months ended 30 June 2014 and achieved an increase in turnover by 2.7% to HK$752.0 million (2013: HK$731.9 million) while its operating profit increased by 8.9% to HK$111.8 million (2013: HK$102.7 million).

Property Investments

For the six months ended 30 June 2014, the Group's property investment income increased by 1.2% to HK$218.3 million (2013: HK$215.8 million). The Group was able to maintain a stable occupancy rate of over 95% for its commercial office properties in Hong Kong during the period under review and achieved a 5.2% increase in rental income to HK$138.8 million (2013: HK$132.0 million). Income from the Group's commercial investment properties in Melbourne, Australia decreased by 6.5% to HK$74.2 million (2013: HK$79.4 million) despite an increase of 2.6% in rental income due to the weak Australian dollar in the period under review as compared to the same period last year when income is translated back to the Hong Kong dollar for reporting purposes. The overall occupancy rate of the Group's investment properties in Melbourne at 30 June 2014 was above 95%.

Automobile Dealership Business

In the first half of 2014, the business operations of the Group's automobile dealership associate remained stable. Both turnover and gross profit margin were comparable to those achieved in the corresponding period last year. During the period under review, the Group recorded a share of profit after tax of HK$10.4 million on the associate's sale of a dealership, whereas a share of loss after tax of HK$11.5 million on the associate's disposal of certain investment properties was recorded in the same period last year. Overall, the Group's share of profit after tax from the associate for the six months ended 30 June 2014 increased by 143.1% to HK$47.9 million (2013: HK$19.7 million).

On 15 June 2014, the associate entered into an agreement with an independent third party to dispose of its entire interest in its subsidiary, DCH Auto Group (USA) Inc., which is engaged in automobile dealership business in the United States. Upon the completion of the disposal which is anticipated to be on 1 October 2014, the associate will have no remaining interest in DCH Auto Group (USA) Inc., or any automobile dealership operations in the United States. The completion of the sale is subject to the satisfaction of certain conditions and may or may not proceed. Details of the disposal were published in the announcement made by the Company on 15 June 2014. If and when completed, the Group anticipates there will be a material gain from the disposal in the second half of 2014. The amount of gain to be recognised will only be finalised upon completion.

Others

The Group's investments in securities recorded a gain of HK$18.8 million (2013: a loss of HK$7.0 million) during the period under review. The Group recorded a net foreign exchange loss of HK$1.1 million (2013: HK$1.7 million) from its foreign currency deposits. During the first half of 2014, the Group recognised a foreign exchange gain of HK$11.9 million (2013: HK$10.1 million) upon the return of investments from subsidiaries in Australia.

STAFF

As at 30 June 2014, the Group had a total staff of 845 (at 30 June 2013: 814). The Group's remuneration policies, bonus schemes, Mandatory Provident Fund Schemes, etc., have not changed materially from the information disclosed in the 2013 Annual Report.

OUTLOOK FOR THE REMAINDER OF 2014

Barring unforeseen circumstances, the outlook for the Hong Kong retail sector for the second half of 2014 will remain challenging due to the decline in consumer spending. Notwithstanding this challenge, the Group expects its department stores business to perform satisfactorily in the second half of the year. The Group's commercial investment properties will continue to provide stable income for the Group. These two core businesses will continue to be the mainstay in contributions to the Group's profits. The gain from the disposal of the Group's interest in its automobile dealership associate in the United States, if and when completed in the second half of 2014, will generate additional profit for the Group.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions in the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2014.

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 2014.

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 period.

By Order of the Board
Karl C. Kwok
Chairman

Hong Kong, 28 August 2014

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