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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 2016 ANNUAL RESULTS

The directors of Wing On Company International Limited ("the Company") announce the consolidated financial results for the year ended 31 December 2016:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 December	
	Note	**2016 HK$'000**	2015 HK$'000
Revenue	3	**1,721,726**	1,871,876
Other revenue	5	**46,732**	46,260
Other net loss	5	**(1,773)**	(40,958)
Cost of department store sales	6(d)	**(701,693)**	(790,301)
Cost of property leasing activities	6(c)	**(80,873)**	(90,304)
Other operating expenses		**(391,813)**	(440,063)
Profit from operations		**592,306**	556,510
Finance costs	6(a)	**(7,826)**	(9,870)
		584,480	546,640
Net valuation gain on investment properties		**577,172**	688,358
		1,161,652	1,234,998
Share of (loss)/profit of an associate		**(26,821)**	34,345
Profit before taxation	6	**1,134,831**	1,269,343
Income tax	7	**(146,276)**	(198,179)
Profit for the year		**988,555**	1,071,164
Attributable to:			
Shareholders of the Company		**986,769**	1,068,514
Non-controlling interests		**1,786**	2,650
Profit for the year		**988,555**	1,071,164
Basic and diluted earnings per share	9(a)	**334.7 cents**	361.9 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December			
	2016		2015	
	HK$'000	**HK$'000**	HK$'000	HK$'000
Profit for the year		**988,555**		1,071,164
Other comprehensive income for the year (after tax and reclassification adjustments):				
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation adjustments:				
- exchange differences on translation of financial statements of overseas subsidiaries	**(22,636)**		(225,721)	
- share of exchange differences on translation of financial statements of an overseas associate	**(2,783)**		(2,714)	
- release of the exchange reserve upon refund of investment in an overseas subsidiary	**-**		(7,554)	
		(25,419)		(235,989)
Available-for-sale securities:				
- changes in fair value recognised during the year		**1,940**		2,820
		(23,479)		(233,169)
Total comprehensive income for the year		**965,076**		837,995
Attributable to:				
Shareholders of the Company		**963,282**		835,361
Non-controlling interests		**1,794**		2,634
Total comprehensive income for the year		**965,076**		837,995

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	At 31 December 2016 HK$'000	At 31 December 2015 HK$'000
Non-current assets			
Investment properties		**12,210,147**	11,602,601
Other property, plant and equipment		**431,399**	449,240
		12,641,546	12,051,841
Interest in an associate		**273,818**	303,422
Available-for-sale securities		**26,478**	24,538
Deferred tax assets		**6,158**	7,190
		12,948,000	12,386,991
Current assets			
Trading securities		**345,828**	378,665
Inventories		**102,135**	104,762
Debtors, deposits and prepayments	10	**77,039**	68,081
Amounts due from fellow subsidiaries		**8,312**	2,622
Current tax recoverable		**11,016**	999
Cash and cash equivalents		**3,356,832**	3,116,347
		3,901,162	3,671,476
Current liabilities			
Creditors and accrued charges	11	**433,870**	397,070
Secured bank loan		**212,742**	35,638
Amounts due to fellow subsidiaries		**2,755**	2,811
Current tax payable		**19,852**	18,678
		669,219	454,197
Net current assets		**3,231,943**	3,217,279
Total assets less current liabilities		**16,179,943**	15,604,270
Non-current liabilities			
Secured bank loan		**-**	214,668
Deferred tax liabilities		**565,532**	508,262
		565,532	722,930
Net assets		**15,614,411**	14,881,340
Capital and reserves			
Share capital		**29,461**	29,508
Reserves		**15,558,019**	14,826,695
Total equity attributable to shareholders of the Company		**15,587,480**	14,856,203
Non-controlling interests		**26,931**	25,137
Total equity		**15,614,411**	14,881,340

Consolidated statement of changes in equity for the year ended 31 December 2016

	Note	Share capital	Land and building revaluation reserve	Investment revaluation reserve	Exchange reserve	Contributed surplus	General reserve fund	Retained earnings (note)	Total	Non-controlling interests	Total equity
		Attributable to shareholders of the Company									
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2016		29,508	271,037	12,760	(178,467)	754,347	1,673	13,965,345	14,856,203	25,137	14,881,340
Changes in equity for 2016											
Profit for the year		-	-	-	-	-	-	986,769	986,769	1,786	988,555
Other comprehensive income		-	-	1,940	(25,427)	-	-	-	(23,487)	8	(23,479)
Total comprehensive income for the year		-	-	1,940	(25,427)	-	-	986,769	963,282	1,794	965,076
Share of the general reserve fund of an associate: transfer from the general reserve fund		-	-	-	-	-	(622)	622	-	-	-
Dividends approved and paid in respect of the previous year	8(b)	-	-	-	-	-	-	(147,388)	(147,388)	-	(147,388)
Dividends declared and paid in respect of the current year	8(a)	-	-	-	-	-	-	(73,671)	(73,671)	-	(73,671)
Purchase of own shares											
- par value paid		(47)	-	-	-	-	-	-	(47)	-	(47)
- premium and transaction costs paid		-	-	-	-	-	-	(10,899)	(10,899)	-	(10,899)
		(47)	-	1,940	(25,427)	-	(622)	755,433	731,277	1,794	733,071
Balance at 31 December 2016		29,461	271,037	14,700	(203,894)	754,347	1,051	14,720,778	15,587,480	26,931	15,614,411
Balance at 1 January 2015		29,530	271,037	9,940	57,506	754,347	1,018	13,410,780	14,534,158	22,503	14,556,661
Changes in equity for 2015											
Profit for the year		-	-	-	-	-	-	1,068,514	1,068,514	2,650	1,071,164
Other comprehensive income		-	-	2,820	(235,973)	-	-	-	(233,153)	(16)	(233,169)
Total comprehensive income for the year		-	-	2,820	(235,973)	-	-	1,068,514	835,361	2,634	837,995
Share of the general reserve fund of an associate: transfer to the general reserve fund		-	-	-	-	-	655	(655)	-	-	-
Dividends approved and paid in respect of the previous year	8(b)	-	-	-	-	-	-	(407,507)	(407,507)	-	(407,507)
Dividends declared and paid in respect of the current year	8(a)	-	-	-	-	-	-	(100,397)	(100,397)	-	(100,397)
Purchase of own shares											
- par value paid		(22)	-	-	-	-	-	-	(22)	-	(22)
- premium paid		-	-	-	-	-	-	(5,390)	(5,390)	-	(5,390)
		(22)	-	2,820	(235,973)	-	655	554,565	322,045	2,634	324,679
Balance at 31 December 2015		29,508	271,037	12,760	(178,467)	754,347	1,673	13,965,345	14,856,203	25,137	14,881,340

Note: Retained earnings attributable to the shareholders of the Company as at 31 December 2016 include the aggregate net valuation gain relating to investment properties after deferred tax of HK$9,671,805,000 (2015: HK$9,140,398,000).

NOTES

1. Basis of preparation

The annual results set out in the announcement do not constitute the Group's financial statements for the year ended 31 December 2016 but are extracted from those financial statements.

These financial statements have 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 (the "Listing Rules"). 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 2016 have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in respect of this announcement was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditor on this announcement.

2. Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

3. Revenue

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

The Group's revenue 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:

	2016	2015
	HK$'000	HK$'000
Sale of goods	**1,028,972**	1,161,946
Net income from concession sales	**253,654**	276,562
Department stores	**1,282,626**	1,438,508
Property investment	**439,100**	433,368
	1,721,726	1,871,876

The Group's customer base is diversified and does not have any customer with whom transactions have exceeded 10% of the Group's total revenue.

4. Segment reporting

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

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

(a) Segment results, assets and liabilities

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

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

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2016 and 2015 is set out below.

	Department stores		**Property investment**		**Total**	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**1,282,626**	1,438,508	**439,100**	433,368	**1,721,726**	1,871,876
Inter-segment revenue	**-**	-	**120,385**	117,995	**120,385**	117,995
Reportable segment revenue	**1,282,626**	1,438,508	**559,485**	551,363	**1,842,111**	1,989,871
Reportable segment profit	**151,495**	183,157	**445,666**	427,156	**597,161**	610,313
Finance costs	**-**	-	**7,826**	9,870	**7,826**	9,870
Depreciation and amortisation for the year	**7,354**	9,496	**47,687**	40,430	**55,041**	49,926
Impairment of trade and other debtors recognised/(written back)	**35**	(14)	**-**	-	**35**	(14)
Reportable segment assets	**166,298**	162,604	**12,657,860**	12,065,023	**12,824,158**	12,227,627
Additions to non-current segment assets during the year	**12,953**	14,538	**79,885**	42,882	**92,838**	57,420
Reportable segment liabilities	**313,652**	274,069	**295,811**	332,787	**609,463**	606,856

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

	2016 **HK$'000**	2015 HK$'000
Profit		
Reportable segment profit derived from the Group's external customers	**597,161**	610,313
Share of (loss)/profit of an associate	**(26,821)**	34,345
Other revenue	**46,732**	46,260
Other net loss	**(1,773)**	(40,958)
Finance costs	**(7,826)**	(9,870)
Net valuation gain on investment properties	**577,172**	688,358
Unallocated head office and corporate expenses	**(49,814)**	(59,105)
Consolidated profit before taxation	**1,134,831**	1,269,343
Assets		
Reportable segment assets	**12,824,158**	12,227,627
Elimination of inter-segment receivables	**(6,246)**	(5,330)
	12,817,912	12,222,297
Interest in an associate	**273,818**	303,422
Available-for-sale securities	**26,478**	24,538
Deferred tax assets	**6,158**	7,190
Trading securities	**345,828**	378,665
Current tax recoverable	**11,016**	999
Unallocated head office and corporate assets	**3,367,952**	3,121,356
Consolidated total assets	**16,849,162**	16,058,467
Liabilities		
Reportable segment liabilities	**609,463**	606,856
Elimination of inter-segment payables	**(6,246)**	(5,330)
	603,217	601,526
Current tax payable	**19,852**	18,678
Deferred tax liabilities	**565,532**	508,262
Unallocated head office and corporate liabilities	**46,150**	48,661
Consolidated total liabilities	**1,234,751**	1,177,127

(c) Geographic information

The following table sets out information about the geographic location of (i) the Group's revenue from external customers and (ii) the Group's investment properties and other property, plant and equipment and interest in an associate ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of investment properties and other property, plant and equipment and the location of operations in the case of interest in an associate.

	Revenue from external customers		Specified non-current assets	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (place of domicile)	**1,582,810**	1,731,602	**9,858,656**	9,437,370
Australia	**119,174**	119,646	**2,587,108**	2,433,274
The United States of America	**19,742**	20,628	**334,483**	376,197
The People's Republic of China	**-**	-	**135,117**	108,422
	138,916	140,274	**3,056,708**	2,917,893
	1,721,726	1,871,876	**12,915,364**	12,355,263

5. Other revenue and other net loss

	2016	2015
	HK$'000	HK$'000
Other revenue		
Interest income from		
- bank deposits	**25,812**	28,314
- trading securities	**-**	625
Dividend income from securities	**16,395**	14,443
Forfeiture of unclaimed dividends	**1,397**	523
Compensation received on early termination of leases	**754**	-
Others	**2,374**	2,355
	46,732	46,260
Other net loss		
Net loss on remeasurement to fair value of:		
- trading securities	**(2,437)**	(36,407)
- derivative financial instruments	**(185)**	-
Net realised gain/(loss) on disposal of:		
- trading securities	**5,137**	3,703
- derivative financial instruments	**(1,077)**	2,930
Release of the exchange reserve upon refund of investment in an overseas subsidiary	**-**	7,554
Net foreign exchange loss	**(3,035)**	(18,730)
Net loss on disposal of plant and equipment	**(176)**	(8)
	(1,773)	(40,958)

6. Profit before taxation

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

		2016 HK$'000	2015 HK$'000
(a)	Finance costs:		
	Interest on bank loan	**7,826**	9,870
(b)	Staff costs (excluding directors' remuneration):		
	Contributions to defined contribution retirement plans	**12,160**	12,568
	Salaries, wages and other benefits	**198,815**	212,666
		210,975	225,234
(c)	Rentals received and receivable from investment properties:		
	Gross rentals	**(439,100)**	(433,368)
	Less: direct outgoings	**80,873**	90,304
		(358,227)	(343,064)
(d)	Other items:		
	Depreciation and amortisation		
	- owned assets	**35,223**	38,084
	- lease incentives	**20,184**	12,037
	Impairment losses of trade and other debtors recognised/(written back)	**35**	(14)
	Auditors' remuneration		
	- audit services	**4,223**	4,076
	- tax services	**472**	442
	- other services	**1,411**	1,433
	Operating lease charges		
	- minimum lease payments for hire of land and buildings	**29,138**	43,318
	- contingent rentals for hire of land and buildings	**181**	290
	Cost of inventories sold	**701,693**	790,301

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

	2016 **HK$'000**	2015 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**70,746**	76,109
Over-provision in respect of prior years	**(60)**	(387)
	70,686	75,722
Current tax – Overseas		
Provision for the year	**11,701**	20,167
Under-provision in respect of prior years	**253**	474
	11,954	20,641
Deferred tax		
Origination and reversal of temporary differences		
- changes in fair value of investment properties	**44,780**	93,574
- other temporary differences	**18,856**	8,242
	63,636	101,816
Total income tax expense	**146,276**	198,179

The provision for Hong Kong Profits Tax for 2016 is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year, taking into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2015-16 subject to a maximum reduction of HK$20,000 for each business (2015: a maximum reduction of $20,000 was granted for the year of assessment 2014-15 and was taken into account in calculating the provision for 2015). 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 year:

	2016 **HK$'000**	2015 HK$'000
Interim dividend:		
- declared during the year	**73,691**	100,400
- attributable to shares purchased in September 2016/ September 2015	**(20)**	(3)
Interim dividend paid of 25 HK cents (2015: 34 HK cents) per share	**73,671**	100,397
Final dividend proposed after the end of the reporting period of 56 HK cents (2015: 50 HK cents) per share	**164,979**	147,541
	238,650	247,938

The final dividend proposed 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 paid during the year:

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

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 year ended 31 December 2016 of HK$986,769,000 (2015: HK$1,068,514,000) divided by the weighted average of 294,855,000 shares (2015: 295,278,000 shares) in issue during the year.

There were no outstanding potential shares throughout the years presented.

(b) Adjusted basic earnings per share excluding the net valuation gain on investment properties 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 year should be adjusted for the net valuation gain on investment properties net of related deferred tax thereon in arriving at the "underlying profit attributable to shareholders of the Company".

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

	2016		2015	
		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	**986,769**	**334.7**	1,068,514	361.9
Less: Net valuation gain on investment properties	**(577,172)**	**(195.8)**	(688,358)	(233.1)
Add: Increase in deferred tax liabilities in relation to the net valuation gain on investment properties	**44,780**	**15.2**	93,574	31.7
	454,377	**154.1**	473,730	160.5
Add: Valuation gain on investment property net of related deferred tax attributable to non-controlling interests	**985**	**0.3**	1,856	0.6
Underlying profit attributable to shareholders of the Company	**455,362**	**154.4**	475,586	161.1

10. Debtors, deposits and prepayments

	2016	2015
	HK$'000	HK$'000
Trade and other debtors	**37,432**	30,668
Less: allowance for doubtful debts	**(40)**	(5)
	37,392	30,663
Deposits and prepayments	**39,647**	37,418
	77,039	68,081

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

	2016	2015
	HK$'000	HK$'000
Current or less than one month past due	**36,925**	30,200
One to three months past due	**363**	411
More than three months but less than twelve months past due	**102**	15
More than twelve months past due	**2**	37
	37,392	30,663

According to the Group's credit policy, credit period granted to customers is generally 30 days from the date of billing.

11. Creditors and accrued charges

	2016	2015
	HK$'000	HK$'000
Trade and other creditors	**394,656**	355,125
Accrued charges	**39,214**	41,945
	433,870	397,070

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

	2016	2015
	HK$'000	HK$'000
Amounts not yet due	**288,501**	300,477
On demand or less than one month overdue	**100,980**	52,731
One to three months overdue	**3,242**	418
Three to twelve months overdue	**752**	333
More than twelve months overdue	**1,181**	1,166
	394,656	355,125

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

2016 RESULTS AND DIVIDEND

For the year ended 31 December 2016, the Group's revenue decreased by 8.0% to HK$1,721.7 million (2015: HK$1,871.9 million) due to the decline in department stores revenue.

Profit attributable to shareholders for the year ended 31 December 2016 was HK$986.8 million (2015: HK$1,068.5 million), a decrease of 7.6% due mainly to the share of loss of an associate in the year under review as opposed to the share of profit of the associate in 2015, and the decrease in profit from the Group's department stores operations. Excluding the non-cash net valuation gain on investment properties and related deferred tax thereon, the Group's underlying profit attributable to shareholders decreased by 4.2% to HK$455.4 million (2015: HK$475.6 million).

Earnings per share was 334.7 HK cents per share in 2016 (2015: 361.9 HK cents per share). Excluding the net valuation gain on investment properties and related deferred tax thereon, underlying earnings per share for the year decreased by 4.2% to 154.4 HK cents (2015: 161.1 HK cents) per share.

The Company has a practice of paying dividends to shareholders based on the amount of underlying profit attributable to shareholders for the year and makes no reference to any valuation gain or loss on investment properties. Over the last decade, the Company has consistently paid to shareholders annual dividends of about 50% of the underlying profit for each of those years. Barring unforeseen circumstances or any major funding needs, the Company intends to maintain such dividend practice. In respect of 2016, the directors have recommended a final dividend of 56 HK cents (2015: 50 HK cents) per share payable to shareholders on the Register of Members on 16 June 2017 (Hong Kong time) which, together with the interim dividend of 25 HK cents (2015: 34 HK cents) per share paid on 18 October 2016 (Hong Kong time) makes a total payment of 81 HK cents (2015: 84 HK cents) per share for the whole year.

Subject to the approval of shareholders of the proposed final dividend at the forthcoming Annual General Meeting to be held on 2 June 2017, the Register of Members will be closed from Tuesday, 13 June 2017 to Friday, 16 June 2017 (Hong Kong time), both dates inclusive, during which period no share transfers can be registered. To qualify for the final 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, 12 June 2017 (Hong Kong time). Dividend warrants will be sent to shareholders on 23 June 2017 (Hong Kong time).

BUSINESS STRATEGY

The Group's current business strategy is to focus on the operation of its department stores business and the enhancement of rental income from its commercial property investments. These are the Group's core businesses and the primary profit contributors. With Wing On Department Stores being a household name and having a presence of 110 years in Hong Kong, its management is well aware of and adapts timely to the ever changing needs of its discerning customers. The Group is confident that its department stores will continue to serve its customers well. In addition to its core business activities, the Group also engages in securities investments mainly in listed blue chip shares. With its sound financials, the Group will continue to strengthen its core business activities and look for opportunities to expand its business and to improve its earnings.

LIQUIDITY AND FINANCIAL RESOURCES

Overall Financial Position

Shareholders' equity at 31 December 2016 was HK$15,587.5 million, an increase of 4.9% as compared to that at 31 December 2015. With cash and listed marketable securities at 31 December 2016 of about HK$3,657.2 million as well as available banking facilities, the Group has sufficient liquidity to meet its current commitments and working capital requirements.

Borrowings and Charges on Group Assets

At 31 December 2016, the Group's total borrowings amounted to HK$212.7 million, a decrease of about HK$37.6 million, due to partial repayments and exchange differences, as compared to that at 31 December 2015. The Group's total borrowings of HK$212.7 million relate to a mortgage loan for Australian investment properties. The bulk of the borrowings will be repayable by the end of 2017. The management will renegotiate the repayment schedule nearer the time. Certain assets, comprising principally property interests with a book value of HK$2,587.0 million, have been pledged to banks as collateral security for banking facilities granted to the extent of HK$213.1 million. In view of the existing strong cash position, the Group does not anticipate any liquidity problems.

Gearing Ratio

The gearing ratio, which is computed from the total borrowings of the Group divided by shareholders' equity of the Group at 31 December 2016, was 1.4% as compared with 1.7% at 31 December 2015.

Funding and Treasury Policies

The Group adopts a prudent funding and treasury policy. To minimise exposure to foreign exchange fluctuations, the Group's borrowings in Australia for its Melbourne investment properties are denominated in Australian dollars. Hence, the foreign exchange exposure is limited to the net investments in overseas subsidiaries of approximately HK$2,258.5 million at 31 December 2016 (at 31 December 2015: HK$2,111.3 million).

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

Capital Commitments and Contingent Liabilities

At 31 December 2016, the total amount of the Group's capital expenditure commitments was HK$24.4 million (at 31 December 2015: HK$22.0 million). As at 31 December 2016, the Group had no contingent liability (at 31 December 2015: HK$nil).

2016 BUSINESS SUMMARY

Department Stores Operations

During 2016, the Hong Kong retailing market continued to suffer from slow economic growth and weak local and tourist spending. The Group's department stores revenue decreased by 10.8% to HK$1,282.6 million (2015: HK$1,438.5 million) for the year ended 31 December 2016. The decline was primarily due to the closure of the Group's Taikoo Shing branch store in August 2015. On a same store basis, the Group's department stores revenue decreased by 1.5%. The Group's department store operating profits decreased by 17.3% to HK$151.5 million (2015: HK$183.2 million) due mainly to the decrease in gross profit on sales.

Property Investments

For the year ended 31 December 2016, the Group's property investment income increased by 4.3% to HK$445.7 million (2015: HK$427.2 million). In 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 90% for its commercial investment properties in Hong Kong. The Group achieved a 4.3% increase in rental income from its commercial investment properties in Hong Kong to HK$320.3 million (2015: HK$307.1 million). Income from the commercial office properties in Melbourne increased by 5.7% to HK$116.4 million (2015: HK$110.1 million) due to higher rental income received from lease renewals and new lettings. The overall occupancy rate of the Group's investment properties in Melbourne was above 95%.

Automobile Dealership Business

As disclosed in the Group's 2016 interim report, the Group's associate received certain indemnity claims from the purchaser in relation to its disposal of an automobile dealership subsidiary in the United States in October 2014. Certain of these claims remained unresolved and the Group's share of the provision held by the associate is HK$34.7 million at 31 December 2016. Having reviewed these outstanding unresolved claims and in line with legal advice, the Group considered that the amount of provision currently provided in the financial statements should be adequate to cover the potential liabilities and thus no further provision was necessary. During the year under review, the associate disposed all of its holding of marketable securities and recorded a loss, of which the Group's share was HK$11.7 million (2015: a gain of HK$22.7 million).

For the year ended 31 December 2016, the Group recorded a share of profit after tax from the associate's automobile dealership interest in the People's Republic of China of HK$8.7 million (2015: HK$1.6 million). Overall, the Group recorded a share of loss from the associate of HK$26.8 million (2015: profit of HK$34.3 million).

Others

The Group's investments in securities recorded a gain of HK$17.5 million (2015: a loss of HK$15.3 million) in the year under review. The Group recorded a net foreign exchange loss of HK$3.0 million (2015: HK$18.7 million) in its holdings of foreign currencies.

STAFF

As at 31 December 2016, the Group had a total staff of 740 (2015: 780). The Group's remuneration policies, bonus schemes, Mandatory Provident Fund schemes, etc. have not changed materially from the information disclosed in the 2015 annual report. Details of such policies will be published in the 2016 annual report.

2017 OUTLOOK

The Group does not expect the retail environment to have any significant improvement in 2017. Consumer spending continues to appear depressed. Nevertheless, the Group's retail management will increase marketing efforts and promotions to boost sales, while continuing to adjust its merchandise mix to suit the fast-changing needs of its customers as well as optimizing its information and technology systems to enhance customer services. The Group will be celebrating the 110^{th} Anniversary of the founding of its department stores business this year. The Group's investment properties in Hong Kong and Australia will continue to provide stable rental income. Barring unforeseen circumstances, these two core businesses of the Group will continue to contribute profits to the Group. With the financial strength of the Group and the dedication of its management, the Group is able to face the challenges ahead and look for good investments when opportunities arise.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions in the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the financial year ended 31 December 2016.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its code of conduct regarding directors' securities transactions. The Company has made specific enquiries of all directors and all directors have confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2016, the Company purchased a total of 475,000 shares of the Company on the Stock Exchange for enhancing net asset value and earnings per share of the Company. All the purchased shares were cancelled. Details of the purchases of shares are as follows:

Month	Number of shares purchased	Purchase price per share Highest	Purchase price per share Lowest	Aggregate price paid
		HK$	HK$	HK$'000
April 2016	32,000	22.55	22.40	720
May 2016	272,000	23.00	22.55	6,197
June 2016	15,000	21.65	21.60	325
September 2016	75,000	23.40	23.20	1,748
December 2016	81,000	24.00	23.30	1,919
	475,000			10,909

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed shares of the Company during the year ended 31 December 2016.

ANNUAL GENERAL MEETING

The 2017 Annual General Meeting of the Company will be held on 2 June 2017. The Notice of Annual General Meeting will be published and dispatched on or about 27 April 2017 in the manner as required by the Listing Rules.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

The 2016 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, 30 March 2017

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.