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

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

ANNOUNCEMENT OF 2017 ANNUAL RESULTS

The directors of Wing On Company International Limited ("the Company") announce the consolidated financial results for the year ended 31 December 2017:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 December	
	Note	**2017 HK$'000**	2016 HK$'000
Revenue	3	**1,647,960**	1,721,726
Other revenue	5	**78,868**	46,732
Other net gain/(loss)	5	**96,222**	(1,773)
Cost of department store sales	6(d)	**(660,010)**	(701,693)
Cost of property leasing activities	6(c)	**(105,559)**	(80,873)
Other operating expenses		**(409,615)**	(391,813)
Profit from operations		**647,866**	592,306
Finance costs	6(a)	**(6,138)**	(7,826)
		641,728	584,480
Net valuation gain on investment properties		**2,209,441**	577,172
		2,851,169	1,161,652
Share of profit/(loss) of an associate		**20,874**	(26,821)
Profit before taxation	6	**2,872,043**	1,134,831
Income tax	7	**(210,657)**	(146,276)
Profit for the year		**2,661,386**	988,555
Attributable to:			
Shareholders of the Company		**2,657,189**	986,769
Non-controlling interests		**4,197**	1,786
Profit for the year		**2,661,386**	988,555
Basic and diluted earnings per share	9(a)	**903.1 cents**	334.7 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December			
	2017		2016	
	HK$'000	**HK$'000**	HK$'000	HK$'000
Profit for the year		**2,661,386**		988,555
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	**197,865**		(22,636)	
- share of exchange differences on translation of financial statements of an overseas associate	**6,586**		(2,783)	
		204,451		(25,419)
Available-for-sale securities:				
- changes in fair value recognised during the year		**440**		1,940
		204,891		(23,479)
Total comprehensive income for the year		**2,866,277**		965,076
Attributable to:				
Shareholders of the Company		**2,861,858**		963,282
Non-controlling interests		**4,419**		1,794
Total comprehensive income for the year		**2,866,277**		965,076

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**At 31 December 2017 HK$'000**	At 31 December 2016 HK$'000
Non-current assets			
Investment properties		**14,752,496**	12,210,147
Other property, plant and equipment		**407,068**	431,399
		15,159,564	12,641,546
Interest in an associate		**301,278**	273,818
Available-for-sale securities		**26,918**	26,478
Deferred tax assets		**17,987**	6,158
		15,505,747	12,948,000
Current assets			
Trading securities		**577,435**	345,828
Inventories		**93,324**	102,135
Debtors, deposits and prepayments	10	**75,274**	77,039
Amounts due from fellow subsidiaries		**6,694**	8,312
Current tax recoverable		**4,014**	11,016
Other bank deposits		**126,473**	-
Cash and cash equivalents		**2,941,473**	3,356,832
		3,824,687	3,901,162
Current liabilities			
Creditors and accrued charges	11	**497,749**	433,870
Secured bank loan		**38,888**	212,742
Amounts due to fellow subsidiaries		**3,092**	2,755
Current tax payable		**18,509**	19,852
		558,238	669,219
Net current assets		**3,266,449**	3,231,943
Total assets less current liabilities		**18,772,196**	16,179,943
Non-current liabilities			
Secured bank loan		**154,338**	-
Deferred tax liabilities		**755,925**	565,532
		910,263	565,532
Net assets		**17,861,933**	15,614,411
Capital and reserves			
Share capital		**29,389**	29,461
Reserves		**17,801,194**	15,558,019
Total equity attributable to shareholders of the Company		**17,830,583**	15,587,480
Non-controlling interests		**31,350**	26,931
Total equity		**17,861,933**	15,614,411

Consolidated statement of changes in equity for the year ended 31 December 2017

		Attributable to shareholders of the Company									
	Note	Share capital HK$'000	Land and building revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Contributed surplus HK$'000	General reserve fund HK$'000	Retained earnings (note) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2017		29,461	271,037	14,700	(203,894)	754,347	1,051	14,720,778	15,587,480	26,931	15,614,411
Changes in equity for 2017											
Profit for the year		-	-	-	-	-	-	2,657,189	2,657,189	4,197	2,661,386
Other comprehensive income		-	-	440	204,229	-	-	-	204,669	222	204,891
Total comprehensive income for the year		-	-	440	204,229	-	-	2,657,189	2,861,858	4,419	2,866,277
Purchase of own shares											
- par value paid		(72)	-	-	-	-	-	-	(72)	-	(72)
- premium and transaction costs paid		-	-	-	-	-	-	(18,699)	(18,699)	-	(18,699)
Dividends approved and paid in respect of the previous year	8(b)	-	-	-	-	-	-	(164,720)	(164,720)	-	(164,720)
Dividends declared and paid in respect of the current year	8(a)	-	-	-	-	-	-	(435,264)	(435,264)	-	(435,264)
		(72)	-	440	204,229	-	-	2,038,506	2,243,103	4,419	2,247,522
Balance at 31 December 2017		29,389	271,037	15,140	335	754,347	1,051	16,759,284	17,830,583	31,350	17,861,933
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	-	-	-
Purchase of own shares											
- par value paid		(47)	-	-	-	-	-	-	(47)	-	(47)
- premium and transaction costs paid		-	-	-	-	-	-	(10,899)	(10,899)	-	(10,899)
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)
		(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

Note: Retained earnings attributable to the shareholders of the Company as at 31 December 2017 include the aggregate net valuation gain relating to investment properties after deferred tax of HK$11,747,490,000 (2016: HK$9,671,805,000).

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 2017 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 2017 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 several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group.

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:

	2017	2016
	HK$'000	HK$'000
Sale of goods	**968,160**	1,028,972
Net income from concession sales	**243,813**	253,654
Department stores	**1,211,973**	1,282,626
Property investment	**435,987**	439,100
	1,647,960	1,721,726

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 ("USA").

(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 2017 and 2016 is set out below.

	Department stores		Property investment		Total	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**1,211,973**	1,282,626	**435,987**	439,100	**1,647,960**	1,721,726
Inter-segment revenue	**-**	-	**119,581**	120,385	**119,581**	120,385
Reportable segment revenue	**1,211,973**	1,282,626	**555,568**	559,485	**1,767,541**	1,842,111
Reportable segment profit	**116,416**	151,495	**425,409**	445,666	**541,825**	597,161
Finance costs	**-**	-	**6,138**	7,826	**6,138**	7,826
Depreciation and amortisation for the year	**8,921**	7,354	**45,421**	47,687	**54,342**	55,041
Impairment losses of trade and other debtors (written back)/ recognised	**(11)**	35	**-**	-	**(11)**	35
Reportable segment assets	**163,772**	166,298	**15,163,641**	12,657,860	**15,327,413**	12,824,158
Additions to non-current segment assets during the year	**7,793**	12,953	**113,205**	79,885	**120,998**	92,838
Reportable segment liabilities	**318,156**	313,652	**328,526**	295,811	**646,682**	609,463

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

	2017 **HK$'000**	2016 HK$'000
Profit		
Reportable segment profit	**541,825**	597,161
Share of profit/(loss) of an associate	**20,874**	(26,821)
Other revenue	**78,868**	46,732
Other net gain/(loss)	**96,222**	(1,773)
Finance costs	**(6,138)**	(7,826)
Net valuation gain on investment properties	**2,209,441**	577,172
Unallocated head office and corporate expenses	**(69,049)**	(49,814)
Consolidated profit before taxation	**2,872,043**	1,134,831
Assets		
Reportable segment assets	**15,327,413**	12,824,158
Elimination of inter-segment receivables	**(6,407)**	(6,246)
	15,321,006	12,817,912
Interest in an associate	**301,278**	273,818
Available-for-sale securities	**26,918**	26,478
Deferred tax assets	**17,987**	6,158
Trading securities	**577,435**	345,828
Current tax recoverable	**4,014**	11,016
Unallocated head office and corporate assets	**3,081,796**	3,367,952
Consolidated total assets	**19,330,434**	16,849,162
Liabilities		
Reportable segment liabilities	**646,682**	609,463
Elimination of inter-segment payables	**(6,407)**	(6,246)
	640,275	603,217
Current tax payable	**18,509**	19,852
Deferred tax liabilities	**755,925**	565,532
Unallocated head office and corporate liabilities	**53,792**	46,150
Consolidated total liabilities	**1,468,501**	1,234,751

(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	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (place of domicile)	**1,512,476**	1,582,810	**11,579,151**	9,858,656
Australia	**115,976**	119,174	**3,375,720**	2,587,108
USA	**19,508**	19,742	**344,510**	334,483
The People's Republic of China	**-**	-	**161,461**	135,117
	135,484	138,916	**3,881,691**	3,056,708
	1,647,960	1,721,726	**15,460,842**	12,915,364

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

	2017	2016
	HK$'000	HK$'000
Other revenue		
Interest income from bank deposits	**39,280**	25,812
Dividend income from investments in securities	**26,864**	16,395
Compensation received on early termination of leases	**9,103**	754
Forfeiture of unclaimed dividends	**1,583**	1,397
Others	**2,038**	2,374
	78,868	46,732
Other net gain/(loss)		
Net gain/(loss) on remeasurement to fair value of		
- trading securities	**41,185**	(2,437)
- derivative financial instruments	**-**	(185)
Net realised gain/(loss) on disposal of		
- trading securities	**23,965**	5,137
- derivative financial instruments	**7,592**	(1,077)
Net foreign exchange gain/(loss)	**23,281**	(3,035)
Net gain/(loss) on disposal of plant and equipment	**199**	(176)
	96,222	(1,773)

6. Profit before taxation

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

		2017 HK$'000	2016 HK$'000
(a)	Finance costs:		
	Interest on bank loan	**6,138**	7,826
(b)	Staff costs (excluding directors' remuneration):		
	Contributions to defined contribution retirement plans	**12,162**	12,160
	Salaries, wages and other benefits	**199,496**	198,815
		211,658	210,975
(c)	Rentals received and receivable from investment properties:		
	Gross rentals	**(435,987)**	(439,100)
	Less: direct outgoings	**105,559**	80,873
		(330,428)	(358,227)
(d)	Other items:		
	Depreciation and amortisation		
	- owned assets	**35,826**	35,223
	- lease incentives	**19,025**	20,184
	Impairment losses of trade and other debtors (written back)/ recognised	**(11)**	35
	Auditors' remuneration		
	- audit services	**4,424**	4,223
	- tax services	**497**	472
	- other services	**1,466**	1,411
	Operating lease charges		
	- minimum lease payments for hire of land and buildings	**28,874**	29,138
	- contingent rentals for hire of land and buildings	**27**	181
	Cost of inventories sold	**660,010**	701,693

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

	2017 **HK$'000**	2016 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**66,135**	70,746
Over-provision in respect of prior years	**(60)**	(60)
	66,075	70,686
Current tax – Overseas		
Provision for the year	**10,143**	11,701
Under-provision in respect of prior years	**39**	253
	10,182	11,954
Deferred tax		
Effect on deferred tax balances at 1 January resulting from a decrease in tax rate of the USA		
- changes in fair value of investment properties	**(14,094)**	-
- other temporary differences	**(8,639)**	-
Origination and reversal of temporary differences		
- changes in fair value of investment properties	**145,437**	44,780
- other temporary differences	**11,696**	18,856
	134,400	63,636
Total income tax expense	**210,657**	146,276

The provision for Hong Kong Profits Tax for 2017 is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged similarly at the appropriate current rates of taxation ruling in the relevant countries.

In December 2017, the USA Government promulgated a decrease in the Federal Income Tax rate applicable to the Group's operations in USA from 35% to 21% as from the year ended 31 December 2018. The decrease is taken into account in the preparation of these financial statements. Accordingly, the opening balance of deferred tax has been re-measured to reflect the change of tax rate at the date of enactment.

8. Dividends

(a) Dividends payable to shareholders of the Company attributable to the year:

	2017	2016
	HK$'000	HK$'000
Interim dividend:		
- declared during the year	**111,774**	73,691
- attributable to shares purchased in June 2017/ September 2016	**(17)**	(20)
Interim dividend paid of 38 HK cents (2016: 25 HK cents) per share	**111,757**	73,671
Special dividend:		
- declared during the year	**323,557**	-
- attributable to shares purchased in June 2017	**(50)**	-
Special dividend paid of 110 HK cents (2016: Nil) per share	**323,507**	-
	435,264	73,671
Final dividend proposed after the end of the reporting period of 68 HK cents (2016: 56 HK cents) per share	**199,842**	164,979
	635,106	238,650

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:

	2017	2016
	HK$'000	HK$'000
Final dividend in respect of the financial year ended 31 December 2016/31 December 2015		
- approved during the year	**164,979**	147,541
- attributable to shares purchased in January, April and May 2017/April and May 2016	**(259)**	(153)
Final dividend paid during the year of 56 HK cents (during 2016: 50 HK cents) per share	**164,720**	147,388

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 2017 of HK$2,657,189,000 (2016: HK$986,769,000) divided by the weighted average of 294,216,000 shares (2016: 294,855,000 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:

	2017		2016	
		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	**2,657,189**	**903.1**	986,769	334.7
Less: Net valuation gain on investment properties	**(2,209,441)**	**(750.9)**	(577,172)	(195.8)
Add: Increase in deferred tax liabilities in relation to the net valuation gain on investment properties	**145,437**	**49.4**	44,780	15.2
Less: Effect on deferred tax balances in relation to the aggregate net valuation gain on investment properties at 1 January resulting from a decrease in tax rate of the USA	**(14,094)**	**(4.8)**	-	-
	579,091	**196.8**	454,377	154.1
Add: Valuation gain on investment property net of related deferred tax attributable to non-controlling interests	**2,413**	**0.8**	985	0.3
Underlying profit attributable to shareholders of the Company	**581,504**	**197.6**	455,362	154.4

10. Debtors, deposits and prepayments

	2017	2016
	HK$'000	HK$'000
Trade and other debtors	**40,176**	37,432
Less: allowance for doubtful debts	**(29)**	(40)
	40,147	37,392
Deposits and prepayments	**35,127**	39,647
	75,274	77,039

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:

	2017	2016
	HK$'000	HK$'000
Current or less than one month past due	**39,770**	36,925
One to three months past due	**304**	363
More than three months but less than twelve months past due	**61**	102
More than twelve months past due	**12**	2
	40,147	37,392

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

	2017	2016
	HK$'000	HK$'000
Trade and other creditors	**457,812**	394,656
Accrued charges	**39,937**	39,214
	497,749	433,870

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

	2017	2016
	HK$'000	HK$'000
Amounts not yet due	**344,712**	288,501
On demand or less than one month overdue	**107,695**	100,980
One to three months overdue	**3,496**	3,242
Three to twelve months overdue	**431**	752
More than twelve months overdue	**1,478**	1,181
	457,812	394,656

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

2017 RESULTS AND DIVIDEND

For the year ended 31 December 2017, the Group's revenue decreased by 4.3% to HK$1,648.0 million (2016: HK$1,721.7 million) due mainly to the decline in department stores revenue.

Profit attributable to shareholders for the year ended 31 December 2017 was HK$2,657.2 million (2016: HK$986.8 million), an increase of 169.3% due primarily to the significant increase in net valuation gain on investment properties this year as compared to 2016. Excluding this non-cash item and related deferred tax thereon, the Group's underlying profit attributable to shareholders increased by 27.7% to HK$581.5 million (2016: HK$455.4 million). This was attributable mainly to the increase in gains from the Group's investments in securities and the share of profit of an associate recorded in the year under review as opposed to the share of loss of the associate in 2016.

Earnings per share was 903.1 HK cents per share in 2017 (2016: 334.7 HK cents per share). Excluding the net valuation gain on investment properties and related deferred tax thereon, underlying earnings per share for the year increased by 28.0% to 197.6 HK cents (2016: 154.4 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 2017, the directors have recommended a final dividend of 68 HK cents (2016: 56 HK cents) per share payable to shareholders on the Register of Members on 15 June 2018 which, together with the interim dividend of 38 HK cents (2016: 25 HK cents) per share and a special one-off dividend of 110 HK cents per share, to commemorate the 110th Anniversary of the founding of the Group's department stores business in 1907, paid on 23 October 2017 makes a total payment of 216 HK cents (2016: 81 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 4 June 2018, the Register of Members will be closed from Tuesday, 12 June 2018 to Friday, 15 June 2018, 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 Registrar, Tricor Progressive Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:00 p.m. on Monday, 11 June 2018 (Hong Kong time). Dividend warrants will be sent to shareholders on 22 June 2018.

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 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 blue chip shares on major stock exchanges and investment funds managed by professional investment managers. 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 2017 was HK$17,830.6 million, an increase of 14.4% as compared to that at 31 December 2016. With cash and listed marketable securities at 31 December 2017 of about HK$3,472.0 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 2017, the Group's total borrowings amounted to HK$193.2 million, a decrease of about HK$19.5 million, due to partial repayments net of exchange differences, as compared to that at 31 December 2016. The Group's total borrowings of HK$193.2 million relate to a mortgage loan for Australian investment properties. The mortgage loan was renewed in November 2017 for three years to November 2020, the bulk of which will be repayable by end of 2020. Certain assets, comprising principally property interests with a book value of HK$3,375.4 million, have been pledged to banks as collateral security for banking facilities granted to the extent of HK$193.2 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 2017, was 1.1% as compared with 1.4% at 31 December 2016.

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 dollar. Hence, the foreign exchange exposure is limited to the net investments in overseas subsidiaries of approximately HK$2,877.9 million at 31 December 2017 (at 31 December 2016: HK$2,258.5 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 2017, the total amount of the Group's capital expenditure commitments was HK$23.8 million (at 31 December 2016: HK$24.4 million). As at 31 December 2017, the Group had no contingent liability (at 31 December 2016: HK$nil).

2017 BUSINESS SUMMARY

Department Stores Operations

The Group's department stores revenue decreased by 5.5% to HK$1,212.0 million (2016: HK$1,282.6 million) for the year ended 31 December 2017. The decline in revenue was largely due to the unseasonably warm weather conditions in the first quarter of 2017, which affected the sales of winter goods, and slow recovery in customer spending during the remainder of the year. The Group launched a series of sales promotion events and activities in the second half of the year to celebrate the 110th Anniversary of the founding of the Group's department stores business and to boost sales. Overall, the Group's department stores operating profits decreased by 23.2% to HK$116.4 million (2016: HK$151.5 million) due mainly to the decrease in revenue and thus gross profit.

Property Investments

The Group's property investment income decreased by 4.6% to HK$425.4 million (2016: HK$445.7 million) for the year ended 31 December 2017. In the year under review, the Group obtained a slight increase by 0.6% in rental income from its commercial investment properties in Hong Kong to HK$322.3 million (2016: HK$320.3 million) while maintaining an overall occupancy of about 94% (2016: 91%) at 31 December 2017. Income from the Group's commercial office properties in Melbourne decreased by 18.6% to HK$94.8 million (2016: HK$116.4 million) due mainly to the expiry of certain major leases in late 2016 and during 2017 resulting in a decrease in rental income and recovery of building outgoings. The majority of the vacant areas were either let to the existing tenants or taken up by new tenants. The overall occupancy rate of the Group's investment properties in Melbourne was around 95% (2016: 89%) at 31 December 2017.

Interest in an Associate

For the year ended 31 December 2017, 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$3.9 million (2016: HK$8.7 million). During the year, the Group reviewed its share of the provision held by the associate, which was made against certain indemnity claims in relation to the associate's disposal of an automobile dealership subsidiary in the United States in October 2014. Certain of these claims remained unresolved at 31 December 2017. Having reviewed these outstanding unresolved claims and in line with legal advice, the Group accordingly wrote back a provision of HK$8.9 million while a provision of HK$34.7 million was made in 2016.

Overall, the Group recorded a share of profit from the associate of HK$20.9 million (2016: a loss of HK$26.8 million).

Others

As at 31 December 2017, the Group's investment portfolio amounted to HK$577.4 million (2016: HK$345.8 million), which mainly comprised of blue chip securities on major stock exchanges and investment funds managed by professional investment managers. During the year, the Group's investment portfolio recorded a gain of HK$97.6 million (2016: HK$17.5 million). The Group recorded a net foreign exchange gain of HK$22.9 million (2016: a loss of HK$3.0 million) in its holdings of foreign currencies.

STAFF

As at 31 December 2017, the Group had a total staff of 710 (2016: 740). The Group's remuneration policies, bonus schemes, Mandatory Provident Fund schemes, etc. have not changed materially from the information disclosed in the 2016 annual report. Details of such policies will be published in the 2017 annual report.

2018 OUTLOOK

With favourable job and income conditions and sustained recovery in tourist arrivals, the Group expects the recovery of the Hong Kong retail sector to continue which will be favourable to the Group's department stores business. The Group is vigilant to the ever changing consumer shopping and spending behavior. To sustain sales growth, the Group will continue to enhance its information technology capabilities and optimize merchandise mix. The Group's commercial investment properties in Hong Kong and overseas will continue to provide stable rental income. 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 2017.

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 2017.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2017, the Company purchased a total of 721,000 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		Aggregate price paid
		Highest	Lowest	
		HK$	HK$	HK$'000
January 2017	103,000	24.00	23.85	2,469
April 2017	60,000	25.95	25.30	1,539
May 2017	300,000	26.00	25.50	7,752
June 2017	45,000	25.25	25.05	1,128
November 2017	177,000	27.35	27.10	4,836
December 2017	36,000	27.40	27.25	984
	721,000			18,708

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 2017.

ANNUAL GENERAL MEETING

The 2018 Annual General Meeting of the Company will be held on 4 June 2018. The Notice of Annual General Meeting will be published and dispatched on or about 27 April 2018 in the manner as required by the Listing Rules.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

The 2017 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, 28 March 2018

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.