



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

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



INTERIM REPORT
2007

CONTENTS

	Page
Corporate Information	1
Chairman's Statement	2-5
Independent Review Report	6
Consolidated Income Statement – unaudited	7
Consolidated Balance Sheet – unaudited	8-9
Consolidated Statement of Changes in Equity – unaudited	10-12
Condensed Consolidated Cash Flow Statement – unaudited	13
Notes to the Unaudited Interim Financial Report	14-27
Supplementary Information	28-31

CORPORATE INFORMATION

BOARD OF DIRECTORS

The Board of Directors as now constituted is listed below:

Mr. Karl C. Kwok (Chairman)
Mr. Lester Kwok, J.P. (Deputy Chairman and Chief Executive Officer)
Dr. Bill Kwok
Mr. Mark Kwok
Dr. Kwok Man Cho
Dr. Philip Kwok, SBS, J.P.
Miss Maria Tam Wai Chu, GBS, J.P. (Independent non-executive director)
Mr. Ignatius Wan Chiu Wong, LL.B. (Independent non-executive director)
Mr. Iain F. Bruce, CA, FCPA (Independent non-executive director)
Mr. Anthony Francis Martin Conway (Independent non-executive director)

AUDIT COMMITTEE

Mr. Iain F. Bruce (Chairman)
Miss Maria Tam Wai Chu
Dr. Philip Kwok

REMUNERATION COMMITTEE

Mr. Anthony Francis Martin Conway (Chairman)
Mr. Karl C. Kwok
Mr. Ignatius Wan Chiu Wong

AUDITORS

KPMG
Certified Public Accountants
8th Floor, Prince's Building,
10 Chater Road, Central,
Hong Kong.

SECRETARY

Mr. Sin Kar Tim
7th Floor, Wing On Centre,
211 Des Voeux Road Central,
Hong Kong.

REGISTERED OFFICE

Canon's Court,
22 Victoria Street,
Hamilton HM12,
Bermuda.

PRINCIPAL OFFICE

7th Floor, Wing On Centre,
211 Des Voeux Road Central,
Hong Kong.

SHARE REGISTRARS

Tricor Progressive Limited
26th Floor, Tesbury Centre,
28 Queen's Road East, Wanchai,
Hong Kong.

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre,
11 Bermudiana Road,
Pembroke HM08, Bermuda.

CHAIRMAN'S STATEMENT

INTERIM RESULTS AND DIVIDEND

For the six months ended 30 June 2007, the Group's turnover increased by 8% to HK\$614.9 million (2006 restated: HK\$569.6 million). This was mainly due to the increase in the Group's department stores' turnover and the improved rental income from the Group's investment properties.

Profit attributable to shareholders for the first half of 2007 was HK\$595.1 million (2006: HK\$299.5 million). Excluding the net valuation gain on investment properties and related deferred tax thereon, underlying profit attributable to shareholders increased by 34.0% to HK\$219.7 million (2006: HK\$163.9 million). This increase was recorded as a result of the increased profit contribution from the Group's investment properties, department stores business, investments in securities and increases in interest income and foreign exchange gains; offset partially by a reduced contribution from the Group's automobile dealership associate in the United States.

Earnings per share increased to 201.5 HK cents per share from the 101.4 HK cents per share achieved for the same period last year. Excluding the net valuation gain on investment properties and related deferred tax thereon, underlying earnings per share for the period increased by 34.0% to 74.4 HK cents per share (2006: 55.5 HK cents per share).

In view of the satisfactory results achieved, the directors have decided to pay an interim dividend of 24 HK cents (2006: 18 HK cents) per share, absorbing a total amount of HK\$70,878,000 (2006: HK\$53,159,000). In addition to the interim dividend, the directors are pleased to declare and pay a special one-off dividend of 100 HK cents per share to commemorate the centenary of the founding of the Group's department stores business in 1907. Both the interim dividend and the special dividend will be paid on 25 October 2007 (Hong Kong time) to shareholders whose names appear on the Register of Members of the Company on 18 October 2007 (Hong Kong time). The Register of Members will be closed from 11 October 2007 to 18 October 2007 (Hong Kong time), both dates inclusive, during which period no share transfer will be accepted.

To qualify for the interim dividend and the special dividend, transfers to be dealt with must be lodged with the Company's Share Registrars, Tricor Progressive Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Wednesday, 10 October 2007 (Hong Kong time).

LIQUIDITY AND FINANCIAL RESOURCES

Overall Financial Position

Shareholders' equity at 30 June 2007 was HK\$6.9 billion, an increase of 9.0% compared to that at 31 December 2006. With cash and listed marketable securities at 30 June 2007 of about HK\$1.6 billion as well as available banking facilities, the Group has sufficient liquidity to meet its current commitments and working capital requirements.

CHAIRMAN'S STATEMENT

(Continued)

Borrowings and Charges on Group Assets

At 30 June 2007, the Group's total borrowings amounted to HK\$851.9 million, an increase of about HK\$68.7 million, due mainly to exchange differences, as compared to that at 31 December 2006. The Group's total borrowings of HK\$851.9 million relate to a mortgage loan for Australian investment properties which is repayable after two years but within five years. In view of this maturity profile of the borrowings, the repayment pressure is low. Certain assets, comprising principally property interests with a book value of HK\$4.9 billion, have been pledged to banks as collateral security for banking facilities granted to the extent of HK\$1.0 billion. In view of the existing strong cash position, the Group does not anticipate any liquidity problems.

Gearing Ratio

The gearing ratio, which is computed as the total borrowings of the Group divided by shareholders' equity of the Group at 30 June 2007, was 12.3% as compared with 12.4% at 31 December 2006.

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 property investment are denominated in Australian currency. Hence, the foreign exchange exposure is limited to the net investments in overseas subsidiaries of approximately HK\$1.6 billion at 30 June 2007 (at 31 December 2006: HK\$1.5 billion).

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

Capital Commitments and Contingent Liabilities

At 30 June 2007, the total amount of the Group's capital expenditure commitments was HK\$1,558,000 (at 31 December 2006: HK\$1,372,000) and contingent liabilities were insignificant.

HALF YEAR BUSINESS REVIEW

Department Store Operations

For the six months ended 30 June 2007, the Group's department stores' turnover increased by 6.9% to HK\$473.8 million (2006 restated: HK\$443.2 million). The local economy remained strong throughout the period under review. In addition to the department stores' regular sales and promotional campaigns, the Group held additional sales and marketing events during the period under review to celebrate the centenary of its department stores. The Group's department stores business achieved an operating profit of HK\$52.2 million (2006: HK\$37.4 million), an increase of 39.6% when compared to the same period last year.

CHAIRMAN'S STATEMENT

(Continued)

Property Investment

The Group's property investment income for the period under review amounted to HK\$123.8 million (2006: HK\$111.4 million), an increase of 11.1%. During the first half of the year, the Group benefited from the strong demand for office space in Hong Kong, which had pushed rents and occupancy rates upward, and achieved a 17.2% increase in rental income from its investment properties in Hong Kong to HK\$69.5 million (2006: HK\$59.3 million) while maintaining an overall occupancy rate of over 95%. Income from the Group's commercial properties in Australia decreased by 7.3% to HK\$51.0 million (2006: HK\$55.0 million). This was due mainly to lower rental rates achieved for renewals and new lettings during the period under review. During the period under review, demand in the Melbourne office market remained strong with vacancy rates in the market continuing to decline. However, the office leasing market in Melbourne remained highly competitive. The Group had to offer leasing incentives for new lettings and renewals for its commercial properties in Melbourne, thus resulting in a drop in rental income. The overall occupancy rate for the commercial investment properties in Australia was about 90%.

Automobile Dealership Business

The Group's associate in the United States engaging in the automobile dealership business attained a 14.5% growth in turnover compared to the same period last year as a result of the acquisition of several large dealerships in the latter part of 2006. Despite the turnover growth, the associate was affected by the continued decline in the car sales market in the United States, increased operational expenses and interest costs associated with the acquisition of dealerships, and the reduction in gains on sale of dealerships. Accordingly, the associate recorded a decrease of 34% in profit after taxation when compared to the same period last year.

Others

During the period under review, the Group recorded a net exchange gain of HK\$9.6 million (2006: HK\$0.8 million) mainly from its Australian dollar deposits and recognised a foreign exchange gain of HK\$16.5 million upon the return of investments from subsidiaries in Australia. The Group's investments in securities generated a profit of HK\$29.9 million during the first half of 2007, compared to HK\$13.4 million achieved in the corresponding period last year.

Staff

As at 30 June 2007, the Group had a total staff of 959 (at 30 June 2006: 964). The Group's remuneration policies, bonus schemes, Mandatory Provident Fund schemes, etc., have not changed materially from the information disclosed in the 2006 Annual Report.

CHAIRMAN'S STATEMENT

(Continued)

OUTLOOK FOR THE REMAINDER OF 2007

Despite recent volatility in stock markets, the Group expects the current positive economic conditions in Hong Kong to remain as the driving force for the growth in retail sales for the remainder of the year. The Group anticipates its department stores business will perform in line with the upward retail market trend. Office rental income from investment properties in Hong Kong will continue to benefit from strong office demand, while profit contribution from investment properties in Australia will remain stable. Our automobile dealership associate in the United States is expected to continue to contribute profits to the Group.

Karl C. Kwok
Chairman

Hong Kong, 14 September 2007

INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF WING ON COMPANY INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 7 to 27 which comprises the consolidated balance sheet of Wing On Company International Limited as of 30 June 2007, the consolidated income statement, the consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and the explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors are responsible for the preparation and presentation of the interim financial report in accordance with HKAS 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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 HKICPA. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2007 is not prepared, in all material respects, in accordance with HKAS 34 “Interim financial reporting”.

KPMG

Certified Public Accountants
8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong

14 September 2007

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June 2007	2006 (restated)
	Note	\$'000	\$'000
Turnover	2	614,862	569,571
Other revenue	3	40,650	32,598
Other net gain	3	53,375	11,517
Cost of department store sales		(253,860)	(234,075)
Cost of property leasing activities		(34,861)	(28,832)
Other operating expenses		(166,863)	(167,242)
Profit from operations		253,303	183,537
Finance costs	4(a)	(29,807)	(25,302)
Net valuation gain on investment properties	8	223,496 457,646	158,235 166,450
Share of profits of associates		681,142 16,849	324,685 25,107
Profit before taxation	4	697,991	349,792
Income tax	5	(102,552)	(50,101)
Profit for the period		595,439	299,691
Attributable to:			
Shareholders of the Company		595,104	299,488
Minority interests		335	203
Profit for the period		595,439	299,691
Dividends attributable to the interim period:			
Interim dividend and special dividend declared and payable after the interim period end	6(a)	366,204	53,159
Basic earnings per share	7	201.5 cents	101.4 cents

The notes on pages 14 to 27 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

At 30 June 2007 – unaudited
(Expressed in Hong Kong dollars)

		At 30 June 2007 \$'000	At 31 December 2006 \$'000
Non-current assets			
Fixed assets			
– Investment properties		5,537,490	4,971,903
– Other property, plant and equipment		707,247	728,969
	8	6,244,737	5,700,872
Goodwill		1,178	1,178
Interest in associates	9	713,098	683,222
Available-for-sale securities		29,881	30,793
Deferred tax assets		34,990	35,201
		7,023,884	6,451,266
Current assets			
Asset held for sale	10	55,357	–
Trading securities		249,196	208,325
Inventories		66,210	71,877
Debtors, deposits and prepayments	11	58,623	58,377
Current tax recoverable		1,036	2,142
Amounts due from fellow subsidiaries		8,100	4,788
Amounts due from associates		809	–
Cash and cash equivalents	12	1,434,280	1,350,169
		1,873,611	1,695,678
Current liabilities			
Creditors and accrued charges	13	318,771	301,708
Current tax payable		19,454	9,745
Amounts due to fellow subsidiaries		1,196	1,217
Amounts due to associates		59	14,370
		339,480	327,040
Net current assets		1,534,131	1,368,638
Total assets less current liabilities carried forward		8,558,015	7,819,904

CONSOLIDATED BALANCE SHEET

(Continued)
At 30 June 2007 – unaudited
(Expressed in Hong Kong dollars)

	At 30 June 2007 \$'000	At 31 December 2006 \$'000
Total assets less current liabilities brought forward	8,558,015	7,819,904
Non-current liabilities		
Secured bank loan	851,878	783,206
Deferred tax liabilities	788,416	689,891
	<u>1,640,294</u>	<u>1,473,097</u>
Net assets	<u>6,917,721</u>	<u>6,346,807</u>
Capital and reserves		
Share capital	29,533	29,533
Reserves	6,873,444	6,302,937
Total equity attributable to shareholders of the Company	6,902,977	6,332,470
Minority interests	14,744	14,337
Total equity	<u>6,917,721</u>	<u>6,346,807</u>

The notes on pages 14 to 27 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007 – unaudited
(Expressed in Hong Kong dollars)

		Attributable to shareholders of the Company									
		Share capital	Land and building revaluation reserve	Investment revaluation reserve	Exchange reserve	Hedging reserve	Contributed surplus	Retained earnings (note)	Total	Minority interests	Total equity
Note		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	At 1 January 2007	29,533	174,939	2,742	217,759	(8,220)	754,347	5,161,370	6,332,470	14,337	6,346,807
	Changes in fair value of available-for-sale securities	-	-	(912)	-	-	-	-	(912)	-	(912)
	Share of cash flow hedges of an associate: changes in fair value of effective portion, net of deferred tax	-	-	-	-	9,544	-	-	9,544	-	9,544
	Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	112,704	-	-	-	112,704	72	112,776
	Share of exchange differences on translation of financial statements of overseas associates	-	-	-	3,483	-	-	-	3,483	-	3,483
	Release of exchange reserve upon return on investments in overseas subsidiaries	-	-	-	(16,519)	-	-	-	(16,519)	-	(16,519)
	Net income for the period recognised directly in equity	-	-	(912)	99,668	9,544	-	-	108,300	72	108,372
	Profit for the period	-	-	-	-	-	-	595,104	595,104	335	595,439
	Total recognised income and expense for the period	-	-	(912)	99,668	9,544	-	595,104	703,404	407	703,811
	Dividends approved in respect of the previous year	-	-	-	-	-	-	(132,897)	(132,897)	-	(132,897)
6(b)		-	-	(912)	99,668	9,544	-	462,207	570,507	407	570,914
	At 30 June 2007	29,533	174,939	1,830	317,427	1,324	754,347	5,623,577	6,902,977	14,744	6,917,721

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Continued)

For the six months ended 30 June 2007 – unaudited
(Expressed in Hong Kong dollars)

		Attributable to shareholders of the Company									
		Share capital	Land and building revaluation reserve	Investment revaluation reserve	Exchange reserve	Hedging reserve	Contributed surplus	Retained earnings (note)	Total	Minority interests	Total equity
Note		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	At 1 January 2006	29,533	174,939	12,438	121,421	(1,284)	754,347	4,797,596	5,888,990	14,380	5,903,370
	Changes in fair value of available-for-sale securities	-	-	(5,051)	-	-	-	-	(5,051)	-	(5,051)
	Share of cash flow hedges of an associate: changes in fair value of effective portion, net of deferred tax	-	-	-	-	9,809	-	-	9,809	-	9,809
	Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	12,448	-	-	-	12,448	23	12,471
	Share of exchange differences on translation of financial statements of overseas associates	-	-	-	1,055	-	-	-	1,055	-	1,055
	Net income for the period recognised directly in equity	-	-	(5,051)	13,503	9,809	-	-	18,261	23	18,284
	Profit for the period	-	-	-	-	-	-	299,488	299,488	203	299,691
	Total recognised income and expense for the period	-	-	(5,051)	13,503	9,809	-	299,488	317,749	226	317,975
	Dividends approved in respect of the previous year	-	-	-	-	-	-	(150,616)	(150,616)	-	(150,616)
		-	-	(5,051)	13,503	9,809	-	148,872	167,133	226	167,359
	At 30 June 2006	29,533	174,939	7,387	134,924	8,525	754,347	4,946,468	6,056,123	14,606	6,070,729

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Continued)

For the six months ended 30 June 2007 – unaudited
(Expressed in Hong Kong dollars)

	Attributable to shareholders of the Company									
	Share capital	Land and building revaluation reserve	Investment revaluation reserve	Exchange reserve	Hedging reserve	Contributed surplus	Retained earnings (note)	Total	Minority interests	Total equity
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2006	29,533	174,939	7,387	134,924	8,525	754,347	4,946,468	6,056,123	14,606	6,070,729
Changes in fair value of available-for-sale securities	-	-	(4,645)	-	-	-	-	(4,645)	-	(4,645)
Share of cash flow hedges of an associate: changes in fair value of effective portion, net of deferred tax	-	-	-	-	(16,745)	-	-	(16,745)	-	(16,745)
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	81,894	-	-	-	81,894	22	81,916
Share of exchange differences on translation of financial statements of overseas associates	-	-	-	941	-	-	-	941	-	941
Net income for the period recognised directly in equity	-	-	(4,645)	82,835	(16,745)	-	-	61,445	22	61,467
Profit for the period	-	-	-	-	-	-	268,061	268,061	(291)	267,770
Total recognised income and expense for the period	-	-	(4,645)	82,835	(16,745)	-	268,061	329,506	(269)	329,237
Dividends declared and paid in respect of the current period	6(a) -	-	-	-	-	-	(53,159)	(53,159)	-	(53,159)
	-	-	(4,645)	82,835	(16,745)	-	214,902	276,347	(269)	276,078
At 31 December 2006	<u>29,533</u>	<u>174,939</u>	<u>2,742</u>	<u>217,759</u>	<u>(8,220)</u>	<u>754,347</u>	<u>5,161,370</u>	<u>6,332,470</u>	<u>14,337</u>	<u>6,346,807</u>

Note: Retained earnings attributable to the shareholders of the Company as at 30 June 2007 include net valuation gain on investment properties after deferred tax of \$2,646,857,000 (as at 31 December 2006: \$2,271,500,000).

The notes on pages 14 to 27 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2007	2006
	\$'000	\$'000
Cash generated from operations	193,440	144,343
Tax paid	(6,952)	(20,828)
Net cash generated from operating activities	186,488	123,515
Net cash generated from investing activities	5,108	31,595
Net cash used in financing activities	(162,891)	(176,250)
Net increase/(decrease) in cash and cash equivalents	28,705	(21,140)
Cash and cash equivalents at 1 January	1,350,169	1,160,715
Effect of foreign exchange rates changes	55,406	6,785
Cash and cash equivalents at 30 June	1,434,280	1,146,360
	At	At
	30 June	30 June
	2007	2006
	\$'000	\$'000
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	123,968	63,188
Bank deposits	1,310,312	1,083,172
Cash and cash equivalents	1,434,280	1,146,360

The notes on pages 14 to 27 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise stated)

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 Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 14 September 2007.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements. In the current interim period, the Group has applied, for the first time, certain new standards and amendments issued by the HKICPA, which are effective for accounting periods beginning on or after 1 January 2007. The adoption of these new standards and amendments had no material effect on how the results for the current and/or prior accounting periods are prepared and presented.

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, 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 2006 annual financial statements. The condensed consolidated interim financial statements and notes thereto do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”, which term collectively includes HKASs and Interpretations).

The 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 HKICPA. KPMG’s independent review report to the Board of Directors is included on page 6. In addition, this interim financial report has been reviewed by the Company’s Audit Committee.

The financial information relating to the financial year ended 31 December 2006 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 2006 are available from the Stock Exchange’s website. The auditors have expressed an unqualified opinion on those financial statements in their report dated 12 April 2007.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

2. Turnover and segment reporting

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

The Group's turnover for the period 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	
	2007	2006 (restated)
	\$'000	\$'000
Sale of goods	383,216	356,501
Net income from concession sales	90,544	86,667
	<hr/>	<hr/>
Department stores	473,760	443,168
Property investment	141,102	126,403
	<hr/>	<hr/>
	614,862	569,571
	<hr/> <hr/>	<hr/> <hr/>

In prior periods, revenue from concession sales and the related cost of sales were presented on a gross basis within turnover and costs of sales respectively. During the year ended 31 December 2006, the Group changed the basis of presentation of income derived from concession sales from a gross basis to a net basis in order to be consistent with prevailing industry best practice. Accordingly, turnover of the Group includes the net income attributable to the Group from concession sales rather than gross revenue generated from concession sales. As a result of this change in presentation, the Group's turnover and cost of sales for the six months ended 30 June 2007 have been both reduced by \$243,672,000 (six months ended 30 June 2006: \$236,356,000). Comparative figures have been restated to conform to the new presentation. There has been no impact on the profit and net assets of the Group from the adoption of this new presentation for the periods presented.

The Group's primary format for reporting segment information is business segments which comprise the following:

Department stores: The operating of department stores to offer a wide range of consumer products.

Property investment: The leasing of commercial premises to generate rental income.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

2. Turnover and segment reporting (Continued)

	Department stores		Property investment		Inter-segment elimination		Unallocated		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	(restated)								(restated)	
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers (turnover)	473,760	443,168	141,102	126,403	-	-	-	-	614,862	569,571
Inter-segment revenue	-	-	37,514	40,475	(37,514)	(40,475)	-	-	-	-
Other revenue from external customers	-	-	-	-	-	-	891	898	891	898
Total	<u>473,760</u>	<u>443,168</u>	<u>178,616</u>	<u>166,878</u>	<u>(37,514)</u>	<u>(40,475)</u>	<u>891</u>	<u>898</u>	<u>615,753</u>	<u>570,469</u>
Segment result	52,152	37,406	123,815	111,430	-	-	-	-	175,967	148,836
Interest income from bank deposits									36,883	28,659
Unallocated operating income net of expenses									<u>40,453</u>	<u>6,042</u>
Profit from operations									253,303	183,537
Finance costs									<u>(29,807)</u>	<u>(25,302)</u>
									223,496	158,235
Net valuation gain on investment properties	-	-	457,646	166,450	-	-	-	-	<u>457,646</u>	<u>166,450</u>
									681,142	324,685
Share of profits of associates	-	-	-	-	-	-	16,849	25,107	<u>16,849</u>	<u>25,107</u>
Profit before taxation									697,991	349,792
Income tax									<u>(102,552)</u>	<u>(50,101)</u>
Profit for the period									<u>595,439</u>	<u>299,691</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

3. Other revenue and other net gain

	Six months ended 30 June	
	2007	2006
	\$'000	\$'000
Other revenue		
Interest income from bank deposits	36,883	28,659
Interest income from listed securities	252	216
Dividend income from listed securities	2,054	2,225
Dividend income from unlisted securities	570	600
Others	891	898
	<u>40,650</u>	<u>32,598</u>
Other net gain		
Net gain on remeasurement to fair value of trading securities	22,925	2,198
Net realised gain on disposal of trading securities	4,577	8,541
Net foreign exchange gain	9,595	768
Release of exchange reserve upon return on investments in overseas subsidiaries	16,519	–
Net loss on dissolution of a subsidiary	(241)	–
Net gain on disposal of fixed assets	–	10
	<u>53,375</u>	<u>11,517</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

4. Profit before taxation

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

	Six months ended 30 June	2006
	2007	(restated)
	\$'000	\$'000
(a) Finance costs:		
Interest on bank loans repayable within five years	29,807	25,302
(b) Staff costs (excluding directors' remuneration):		
Contributions to defined contribution retirement plans	4,751	4,641
Salaries, wages and other benefits	80,731	78,460
	85,482	83,101
(c) Rentals received and receivable from investment properties:		
Gross rentals	(141,102)	(126,403)
Less: direct outgoings	34,861	28,832
	(106,241)	(97,571)
(d) Other items:		
Depreciation and amortisation		
– owned assets	22,958	27,184
– lease incentives	4,294	3,283
Operating lease charges		
– minimum lease payments on hire of land and buildings	14,954	14,911
– contingent rentals on hire of land and buildings	498	879
Cost of inventories sold	253,860	234,075

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

5. Income tax in the consolidated income statement

	Six months ended 30 June	
	2007	2006
	\$'000	\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	13,677	11,745
Current tax – Overseas		
Provision for the period	3,804	4,628
Under/(over)-provision in respect of prior periods	404	(26)
	4,208	4,602
Deferred tax		
Origination and reversal of temporary differences		
– changes in fair value of investment properties	82,289	30,903
– other temporary differences	2,378	2,851
	84,667	33,754
Total income tax expense	102,552	50,101

The provision for Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the six months ended 30 June 2007. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

6. Dividends

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

	Six months ended 30 June	
	2007	2006
	\$'000	\$'000
Interim dividend declared and payable after the interim period end of 24 cents (2006: 18 cents) per share	70,878	53,159
Special dividend declared and payable after the interim period end of 100 cents (2006: nil) per share	<u>295,326</u>	<u>—</u>
	<u>366,204</u>	<u>53,159</u>

Both the interim dividend and the special dividend declared after the interim period end have not been recognised as liabilities at the balance sheet date.

(b) Dividends payable to shareholders of the Company attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June	
	2007	2006
	\$'000	\$'000
Final dividends in respect of the financial year ended 31 December 2006, approved and paid during the following interim period of 45 cents (31 December 2005: 51 cents) per share	<u>132,897</u>	<u>150,616</u>

7. Basic 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 2007 of \$595,104,000 (six months ended 30 June 2006: \$299,488,000) divided by 295,326,000 shares (2006: 295,326,000 shares) in issue during the interim period.

There were no outstanding potential shares throughout the periods presented.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

7. Basic earnings per share (Continued)

(b) Adjusted basic earnings per share excluding the net valuation gain on investment properties and the 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 net valuation gain on investment properties and the related deferred tax thereon in arriving at the “underlying profit attributable to the shareholders of the Company”.

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

	Six months ended 30 June			
	2007	Amount per share	2006	Amount per share
	\$'000	cents	\$'000	cents
Profit attributable to shareholders of the Company as shown in the consolidated income statement	595,104	201.5	299,488	101.4
Net valuation gain on investment properties	(457,646)	(155.0)	(166,450)	(56.4)
Increase in deferred tax liabilities in relation to the net valuation gain on investment properties	82,289	27.9	30,903	10.5
Underlying profit attributable to shareholders of the Company	219,747	74.4	163,941	55.5

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

8. Fixed assets

Investment properties were revalued as at 30 June 2007 by the directors using relevant market indices to update the professional valuations that were carried out as at 31 December 2006. As a result of the update, a net gain of \$457,646,000 (six months ended 30 June 2006: \$166,450,000), and deferred tax of \$82,289,000 thereon (six months ended 30 June 2006: \$30,903,000) have been included in the consolidated income statement.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	At 30 June 2007 \$'000	At 31 December 2006 \$'000
Within one year	196,584	199,487
After one year but within five years	460,606	454,300
After five years	88,660	67,804
	<u>745,850</u>	<u>721,591</u>

9. Interest in associates

	At 30 June 2007 \$'000	At 31 December 2006 \$'000
Unlisted shares		
Share of net assets other than goodwill and intangible assets	249,097	221,342
Share of goodwill and intangible assets of an associate	464,001	461,880
	<u>713,098</u>	<u>683,222</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

9. Interest in associates (Continued)

Additional information in respect of the Group's material associate, WL Investments Limited, extracted from its unaudited financial statements is given as follows:

	Six months ended 30 June	
	2007	2006
	\$'000	\$'000
Operating results		
Turnover	7,872,417	6,874,016
Profit before taxation	68,578	92,829
Profit after taxation	<u>32,983</u>	<u>49,956</u>
Group's share of profit after taxation attributable to the material associate	<u>16,492</u>	<u>24,978</u>
	At	At
	30 June	31 December
	2007	2006
	\$'000	\$'000
Non-current assets	2,615,574	2,516,328
Current assets*	<u>2,696,766</u>	<u>2,985,237</u>
Total assets	<u>5,312,340</u>	<u>5,501,565</u>
Current liabilities	1,140,011	1,375,527
Non-current liabilities	<u>2,748,215</u>	<u>2,760,955</u>
Total liabilities	<u>3,888,226</u>	<u>4,136,482</u>
Net assets	<u>1,424,114</u>	<u>1,365,083</u>
Group's share of net assets attributable to the material associate	<u>712,057</u>	<u>682,542</u>

* Current assets comprise mainly inventories of motor vehicles.

10. Asset held for sale

An investment property of the Group located in the United States is presented as an asset held for sale as a result of the Group entering into an agreement with a third party to sell this property on 19 April 2007. The sale was completed on 31 July 2007 at an agreed price of US\$9,334,000 (equivalent to approximately \$72,853,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

11. Debtors, deposits and prepayments

	At 30 June 2007 \$'000	At 31 December 2006 \$'000
Trade and other debtors, net of impairment loss for bad and doubtful debts	19,053	19,618
Deposits and prepayments	39,570	38,759
	<u>58,623</u>	<u>58,377</u>

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

	At 30 June 2007 \$'000	At 31 December 2006 \$'000
Current or less than one month overdue	17,765	18,098
One to three months overdue	603	1,110
More than three months overdue	685	410
	<u>19,053</u>	<u>19,618</u>

Debts are normally due within 30 days from the date of billing.

12. Cash and cash equivalents

	At 30 June 2007 \$'000	At 31 December 2006 \$'000
Cash at bank and in hand	123,968	110,636
Bank deposits	1,310,312	1,239,533
	<u>1,434,280</u>	<u>1,350,169</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

13. Creditors and accrued charges

	At 30 June 2007 \$'000	At 31 December 2006 \$'000
Trade and other creditors	285,217	274,074
Accrued charges	33,554	27,634
	<u>318,771</u>	<u>301,708</u>

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

	At 30 June 2007 \$'000	At 31 December 2006 \$'000
Amounts not yet due	198,330	191,840
On demand or overdue for less than one month	80,141	75,890
One to three months overdue	1,929	1,716
Three to twelve months overdue	4,817	4,628
	<u>285,217</u>	<u>274,074</u>

14. Capital commitments

Capital commitments of the Group outstanding as at 30 June 2007 not provided for in the interim financial report were as follows:

	At 30 June 2007 \$'000	At 31 December 2006 \$'000
Authorised and contracted for	<u>1,558</u>	<u>1,372</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

15. Related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group for the six months ended 30 June 2007 was as follows:

	Six months ended 30 June	
	2007	2006
	\$'000	\$'000
Salaries and other short-term employee benefits	10,660	8,303
Contributions to defined contribution retirement plans	310	280
	<u>10,970</u>	<u>8,583</u>

(b) Recurring transactions

Fellow subsidiaries represent subsidiaries of Wing On International Holdings Limited, the Company's immediate holding company. Material related party transactions are as follows:

- (i) A fellow subsidiary rents retail premises to a subsidiary. Rental and management fees payable to this fellow subsidiary amounted to \$9,179,000 (2006: \$9,188,000) during the period. The net amount due from the fellow subsidiary as at 30 June 2007 amounted to \$1,528,000 (as at 31 December 2006: \$1,519,000).
- (ii) A subsidiary rents office premises to a fellow subsidiary. Rental and management fees receivable from this fellow subsidiary amounted to \$1,167,000 (2006: \$1,166,000) during the period. The amount due to the fellow subsidiary as at 30 June 2007 amounted to \$547,000 (as at 31 December 2006: \$547,000).
- (iii) Fellow subsidiaries, engaging in securities trading and futures broking, deal in securities and futures respectively for certain subsidiaries of the Group. Commission of \$215,000 (2006: \$241,000) was payable to these fellow subsidiaries during the period. Interest income of \$53,000 (2006: \$36,000) was receivable from these fellow subsidiaries during the period. The amounts due from these fellow subsidiaries as at 30 June 2007 amounted to \$6,572,000 (as at 31 December 2006: \$3,260,000).
- (iv) A subsidiary provides building and tenancy management services to a fellow subsidiary. Building and tenancy management fees receivable from this fellow subsidiary amounted to \$424,000 (2006: \$424,000) during the period. The amount due to the fellow subsidiary as at 30 June 2007 amounted to \$649,000 (as at 31 December 2006: \$661,000).

The directors of the Group are of the opinion that the above transactions were payable at pre-determined amounts in accordance with terms mutually agreed by the Group and the respective companies.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

16. Post balance sheet event

An investment property of the Group located in the United States presented as an asset held for sale at a carrying value of \$55,357,000 as at 30 June 2007 was disposed of to a third party on 31 July 2007 at an agreed price of US\$9,334,000 (equivalent to approximately \$72,853,000).

17. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ending 31 December 2007

Up to the date of issue of this interim financial report, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ending 31 December 2007 and which have not been adopted in this interim financial report.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, the following developments may result in new or amended disclosures in the annual financial statements:

		Effective for accounting periods beginning on or after
HKFRS 8	Operating Segments	1 January 2009
HKAS 23 (revised)	Borrowing Costs	1 January 2009

18. Approval of the interim financial report

The interim financial report was approved by the Board of Directors on 14 September 2007.

SUPPLEMENTARY INFORMATION

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“ the Listing Rules”) throughout the six months ended 30 June 2007 save as below mentioned. However, the following action has been taken by the Company in order to ensure compliance with the Code.

The Company’s non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company’s Bye-Laws. The Board has since April 2006 agreed that all directors (including non-executive directors) appointed or elected in future be appointed or elected for a fixed term of not more than three years. The Company has followed this practice since the Annual General Meeting held on 14 June 2006 so that when a director’s current term expires, he or she may only be re-elected for a fixed term of not more than three years.

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 2007.

SUPPLEMENTARY INFORMATION

(Continued)

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2007, the interests and short positions of the directors in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under section 352 of the SFO were as follows:

(a) The Company

Name of Director	Personal interests (held as beneficial owner)	Number of ordinary shares held				Total interests as a % of the issued share capital
		Family interests (interests of spouse)	Corporate interests (interests of controlled corporation)	Other interests	Total interests	
Karl C. Kwok	320,710	–	–	–	320,710	0.11
Lester Kwok	489,140	–	–	–	489,140	0.17
Bill Kwok	798,388	295,000	255,000 (Note 1)	–	1,348,388	0.46
Mark Kwok	397,000	–	10,000 (Note 2)	–	407,000	0.14
Kwok Man Cho	425,400	116,500	–	–	541,900	0.18
Philip Kwok	150,000	–	–	–	150,000	0.05

Notes:

1. Dr. Bill Kwok is entitled to control not less than one-third of the voting power at general meetings of a private company which beneficially owns 255,000 ordinary shares in the Company.
2. Mr. Mark Kwok is entitled to control not less than one-third of the voting power at general meetings of a private company which beneficially owns 10,000 ordinary shares in the Company.

(b) Kee Wai Investment Company (BVI) Limited

Name of Director	Personal interests (held as beneficial owner)	Number of ordinary shares held				Total interests as a % of the issued share capital
		Family interests (interests of spouse)	Corporate interests (interests of controlled corporation)	Other interests	Total interests	
Karl C. Kwok	11,250	–	–	–	11,250	19.74
Lester Kwok	11,250	–	–	–	11,250	19.74
Bill Kwok	11,250	–	–	–	11,250	19.74
Mark Kwok	11,250	–	–	–	11,250	19.74

SUPPLEMENTARY INFORMATION

(Continued)

DIRECTORS' INTERESTS IN SHARES (Continued)

(c) Wing On Corporate Management (BVI) Limited

Name of Director	Number of ordinary shares held					Total interests as a % of the issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse)	Corporate interests (interests of controlled corporation)	Other interests	Total interests	
Kwok Man Cho	124,177	-	-	-	124,177	5.33
Philip Kwok	10,000	-	-	-	10,000	0.43

(d) The Wing On Fire & Marine Insurance Company Limited

Name of Director	Number of ordinary shares held					Total interests as a % of the issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse)	Corporate interests (interests of controlled corporation)	Other interests	Total interests	
Karl C. Kwok	324	-	-	-	324	0.02
Lester Kwok	216	-	-	-	216	0.01
Bill Kwok	216	-	-	-	216	0.01
Mark Kwok	216	-	-	-	216	0.01
Kwok Man Cho	432	-	-	-	432	0.02
Philip Kwok	324	-	-	-	324	0.02

In addition to the above, certain directors hold shares in subsidiaries on trust and as nominee for their intermediary holding companies.

Save as disclosed herein, none of the directors nor the chief executives of the Company has any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporation (as defined above) which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to section 347 of the SFO or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SUPPLEMENTARY INFORMATION

(Continued)

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, according to the information available to the Company, the following companies were interested in 5% or more of the issued share capital of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Number of ordinary shares held	Total interests as a % of the issued share capital
(i) Wing On International Holdings Limited	180,545,138	61.13
(ii) Wing On Corporate Management (BVI) Limited	180,545,138	61.13
(iii) Kee Wai Investment Company (BVI) Limited	180,545,138	61.13

Note: For the avoidance of doubt and double counting, it should be noted that duplication occurs in respect of all of the above-stated shareholdings to the extent that the shareholdings stated against party (i) above are entirely duplicated in the relevant shareholdings stated against party (ii) above, with the same duplication of the shareholdings in respect of (ii) in (iii). All of the above named parties are deemed to be interested in the relevant shareholdings under the SFO.

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.