WING ON COMPANY INTERNATIONAL LIMITED

永 安 國 際 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock code: 289)

INTERIM REPORT

2011

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

The Board of Directors as now constituted is listed below:

Executive Directors

Mr. Karl C. Kwok (Chairman)
Mr. Lester Kwok, J.P. (Deputy Chairman and Chief Executive Officer)
Mr. Mark Kwok

Non-executive Director

Dr. Bill Kwok, J.P.

Independent Non-executive Directors

Miss Maria Tam Wai Chu, GBS, J.P.
Mr. Ignatius Wan Chiu Wong, LL. B.
Mr. Iain Ferguson Bruce, CA, FCPA
Mr. Anthony Francis Martin Conway
Mr. Leung Wing Ning

AUDIT COMMITTEE

Mr. Iain Ferguson Bruce (Chairman)
Miss Maria Tam Wai Chu
Mr. Leung Wing Ning

REMUNERATION COMMITTEE

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

CORPORATE INFORMATION
(Continued)

AUDITOR

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 Fulcrum Group (Bermuda) Limited
Rosebank Centre,
11 Bermudiana Road,
Pembroke HM08, Bermuda.

CHAIRMAN'S STATEMENT

INTERIM RESULTS AND DIVIDEND

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

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

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

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

To qualify for the interim dividend, transfers to be dealt with must be lodged with the Company's Share Registrars, Tricor Progressive Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 7 October 2011 (Hong Kong time).

LIQUIDITY AND FINANCIAL RESOURCES

Overall Financial Position

Shareholders' equity at 30 June 2011 was HK$10,268.4 million, an increase of 11.9% as compared to that at 31 December 2010. With cash and listed marketable securities at 30 June 2011 of about HK$1,836.4 million as well as available banking facilities, the Group has sufficient liquidity to meet its current commitments and working capital requirements.

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

Borrowings and Charges on Group Assets

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

Gearing Ratio

The gearing ratio, which is computed from the total borrowings of the Group divided by shareholders' equity of the Group at 30 June 2011, was 5.8% as compared with 6.5% at 31 December 2010.

Funding and Treasury Policies

The Group adopts a prudent funding and treasury policy. To minimise exposure to foreign exchange fluctuations, the Group's borrowings in Australia for its Melbourne investment properties are denominated in Australian dollars. Hence, the foreign exchange exposure is limited to the net investments in overseas subsidiaries of approximately HK$2,094.5 million at 30 June 2011 (at 31 December 2010: HK$1,958.7 million).

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

Capital Commitments and Contingent Liabilities

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

HALF YEAR BUSINESS REVIEW

Department Store Operations

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

Property Investment

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

Automobile Dealership Business

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

Others

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

STAFF

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

OUTLOOK FOR THE REMAINDER OF 2011

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

Karl C. Kwok
Chairman

Hong Kong, 26 August 2011

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 8 to 32 which comprises the consolidated statement of financial position of Wing On Company International Limited as at 30 June 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended and 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 2011 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

26 August 2011

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011 – unaudited
(Expressed in Hong Kong dollars)

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

The notes on pages 15 to 32 form part of this interim financial report. Details of dividends payable to shareholders of the Company are set out in note 14.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011 – unaudited
(Expressed in Hong Kong dollars)

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

The notes on pages 15 to 32 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011 – unaudited
(Expressed in Hong Kong dollars)

	Note	At 30 June 2011 $'000	At 31 December 2010 $'000
Non-current assets			
Fixed assets	9		
– Investment properties		9,178,019	7,976,716
– Other property, plant and equipment		569,679	591,706
		9,747,698	8,568,422
Goodwill		1,178	1,178
Interest in associates	10	754,953	711,276
Available-for-sale securities		29,271	27,485
Deferred tax assets		9,602	25,922
		10,542,702	9,334,283
Current assets			
Trading securities		371,427	291,651
Inventories		77,051	90,437
Debtors, deposits and prepayments	11	60,510	50,110
Loans to an associate	10(a)	32,399	3,264
Amounts due from fellow subsidiaries		12,071	1,801
Current tax recoverable		13	95
Cash and cash equivalents	12	1,503,601	1,569,618
		2,057,072	2,006,976
Current liabilities			
Creditors and accrued charges	13	319,637	359,331
Amounts due to fellow subsidiaries		1,634	3,645
Secured bank loan		596,177	594,187
Amount due to an associate		12,676	12,935
Current tax payable		28,382	19,986
		958,506	990,084
Net current assets		1,098,566	1,016,892
Total assets less current liabilities carried forward		11,641,268	10,351,175

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)
At 30 June 2011 – unaudited
(Expressed in Hong Kong dollars)

	Note	At 30 June 2011 $'000	At 31 December 2010 $'000
Total assets less current liabilities brought forward		11,641,268	10,351,175
Non-current liabilities			
Deferred tax liabilities		1,354,919	1,156,487
NET ASSETS		10,286,349	9,194,688
Capital and reserves			
Share capital		29,530	29,530
Reserves		10,238,822	9,147,447
Total equity attributable to shareholders of the Company		10,268,352	9,176,977
Non-controlling interests		17,997	17,711
TOTAL EQUITY		10,286,349	9,194,688

The notes on pages 15 to 32 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011 – 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	General reserve fund	Retained earnings (Note)	Total	Non-controlling interests	Total equity
	Note	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2011		29,530	176,750	11,807	579,292	(40,241)	754,347	1,068	7,664,424	9,176,977	17,711	9,194,688
Profit for the period		–	–	–	–	–	–	–	1,089,838	1,089,838	288	1,090,126
Other comprehensive income		–	78,843	1,786	78,364	16,768	–	–	–	175,761	(2)	175,759
Total comprehensive income for the period		–	78,843	1,786	78,364	16,768	–	–	1,089,838	1,265,599	286	1,265,885
Dividends approved in respect of the previous year	14(b)	–	–	–	–	–	–	–	(174,224)	(174,224)	–	(174,224)
		–	78,843	1,786	78,364	16,768	–	–	915,614	1,091,375	286	1,091,661
Balance at 30 June 2011		29,530	255,593	13,593	657,656	(23,473)	754,347	1,068	8,580,038	10,268,352	17,997	10,286,349

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Continued)
For the six months ended 30 June 2011 – unaudited
(Expressed in Hong Kong dollars)

		Attributable to shareholders of the Company										
	Note	Share capital $'000	Land and building revaluation reserve $'000	Investment revaluation reserve $'000	Exchange reserve $'000	Hedging reserve $'000	Contributed surplus $'000	General reserve fund $'000	Retained earnings (Note) $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2010		29,530	176,750	9,098	354,712	(45,661)	754,347	541	6,496,002	7,775,319	16,530	7,791,849
Profit for the period		–	–	–	–	–	–	–	482,024	482,024	421	482,445
Other comprehensive income		–	–	100	(68,979)	(3,185)	–	–	–	(72,064)	63	(72,001)
Total comprehensive income for the period		–	–	100	(68,979)	(3,185)	–	–	482,024	409,960	484	410,444
Dividends approved in respect of the previous year	14(b)	–	–	–	–	–	–	–	(141,742)	(141,742)	–	(141,742)
		–	–	100	(68,979)	(3,185)	–	–	340,282	268,218	484	268,702
Balance at 30 June 2010 and 1 July 2010		29,530	176,750	9,198	285,733	(48,846)	754,347	541	6,836,284	8,043,537	17,014	8,060,551
Profit for the period		–	–	–	–	–	–	–	893,632	893,632	701	894,333
Other comprehensive income		–	–	2,609	293,559	8,605	–	–	–	304,773	(4)	304,769
Total comprehensive income for the period		–	–	2,609	293,559	8,605	–	–	893,632	1,198,405	697	1,199,102
Share of the general reserve fund of an associate: transfer to the general reserve fund		–	–	–	–	–	–	527	(527)	–	–	–
Dividends declared and paid in respect of the current year	14(a)	–	–	–	–	–	–	–	(64,965)	(64,965)	–	(64,965)
		–	–	–	–	–	–	527	(65,492)	(64,965)	–	(64,965)
Balance at 31 December 2010		29,530	176,750	11,807	579,292	(40,241)	754,347	1,068	7,664,424	9,176,977	17,711	9,194,688

Note: Retained earnings attributable to the shareholders of the Company as at 30 June 2011 include the aggregate net valuation gain relating to investment properties after deferred tax of $5,131,777,000 (as at 31 December 2010: $4,319,152,000).

The notes on pages 15 to 32 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011 – unaudited
(Expressed in Hong Kong dollars)

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

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

The notes on pages 15 to 32 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 26 August 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make 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 2010 annual financial statements. The condensed consolidated interim financial statements and notes thereto do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs", 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 7. 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 2010 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2010 are available from the Stock Exchange's website. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 March 2011.

2. Changes in accounting policies

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

– HKAS 24 (revised), Related party disclosures

– Improvements to HKFRSs 2010

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

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

3. Segment reporting

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

– Department stores: this segment operates department stores in Hong Kong.

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

(a) Segment results, assets and liabilities

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

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

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

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

3. Segment reporting (Continued)

(a) Segment results, assets and liabilities (Continued)

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

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

	Department stores		**Property investment**		**Total**	
	Six months ended 30 June		**Six months ended 30 June**		**Six months ended 30 June**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue from external customers	666,361	582,802	185,729	168,166	852,090	750,968
Inter-segment revenue	–	–	38,483	39,731	38,483	39,731
Reportable segment revenue	666,361	582,802	224,212	207,897	890,573	790,699
Reportable segment profit	105,049	74,207	175,996	157,832	281,045	232,039

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

3. Segment reporting (Continued)

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

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

	At 30 June 2011	At 31 December 2010
	$'000	$'000
Assets		
Reportable segment assets	9,876,363	8,707,385
Elimination of inter-segment receivables	(5,654)	(7,261)
	9,870,709	8,700,124
Goodwill	1,178	1,178
Interest in associates	754,953	711,276
Available-for-sale securities	29,271	27,485
Trading securities	371,427	291,651
Loans to an associate	32,399	3,264
Deferred tax assets	9,602	25,922
Current tax recoverable	13	95
Unallocated head office and corporate assets	1,530,222	1,580,264
Consolidated total assets	12,599,774	11,341,259

3. Segment reporting (Continued)

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

	At 30 June 2011 $'000	At 31 December 2010 $'000
Liabilities		
Reportable segment liabilities	894,547	937,101
Elimination of inter-segment payables	(5,654)	(7,261)
	888,893	929,840
Amount due to an associate	12,676	12,935
Current tax payable	28,382	19,986
Deferred tax liabilities	1,354,919	1,156,487
Unallocated head office and corporate liabilities	28,555	27,323
Consolidated total liabilities	2,313,425	2,146,571

4. Turnover

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

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

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

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

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

6. Profit before taxation

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

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

7. Income tax in the consolidated income statement

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

The provision for Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the six months ended 30 June 2011. Taxation for overseas subsidiaries is charged similarly at the appropriate current rates of taxation ruling in the relevant countries.

8. Basic and diluted earnings per share

(a) The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of the Company for the six months ended 30 June 2011 of $1,089,838,000 (six months ended 30 June 2010: $482,024,000) divided by 295,295,000 shares (2010: 295,295,000 shares) in issue during the interim period.

There were no outstanding potential shares throughout the periods presented.

(b) Adjusted basic earnings per share excluding the valuation gains on investment properties net of related deferred tax thereon

For the purpose of assessing the underlying performance of the Group, the management is of the view that the profit for the period should be adjusted for the valuation gains on investment properties net of related deferred tax thereon in arriving at the "underlying profit attributable to shareholders of the Company".

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

	Six months ended 30 June			
	2011		2010	
		Amount per share		Amount per share
	$'000	cents	$'000	cents
Profit attributable to shareholders of the Company as shown in the consolidated income statement	1,089,838	369.1	482,024	163.2
Valuation gains on investment properties	(980,793)	(332.1)	(356,556)	(120.7)
Increase in deferred tax liabilities in relation to the valuation gains on investment properties	168,168	56.9	59,645	20.2
Underlying profit attributable to shareholders of the Company	277,213	93.9	185,113	62.7

9. Fixed assets

(a) Investment properties were revalued as at 30 June 2011 by the directors using relevant market indices to update the professional valuations that were carried out as at 31 December 2010. As a result of the update, valuation gains of $980,793,000 (six months ended 30 June 2010: $356,556,000) and deferred tax of $168,168,000 thereon (six months ended 30 June 2010: $59,645,000) have been included in the consolidated income statement.

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

	At 30 June 2011 $'000	**At 31 December 2010** $'000
Within one year	229,018	247,184
After one year but within five years	556,351	508,206
After five years	177,152	182,445
	962,521	937,835

(c) For the six months ended 30 June 2011, certain properties held in Hong Kong have been transferred from other property, plant and equipment to investment properties, since the properties were no longer used by the Group and as such it was decided that the properties would be leased to third parties. Upon the transfer, a revaluation surplus of $78,843,000 has been recognised in equity in the land and building revaluation reserve, net of deferred tax of $15,580,000.

10. Interest in associates

	At 30 June 2011 $'000	At 31 December 2010 $'000
Unlisted shares		
Share of net assets other than goodwill and intangible assets	279,553	225,564
Share of goodwill and intangible assets of an associate	475,400	475,999
	754,953	701,563
Loans to an associate (note (a))	–	9,713
	754,953	711,276

(a) Loans to an associate

	At 30 June 2011 $'000	At 31 December 2010 $'000
Within one year or on demand	32,399	3,264
After one year but within two years	–	9,713
	32,399	12,977

The loans to an associate are unsecured and bear interest at market rates plus 1.25% per annum. As at 30 June 2011, the loans to an associate comprised an amount of $9,711,000 (as at 31 December 2010: $9,713,000) repayable on 13 June 2012 and an amount of $22,688,000 (as at 31 December 2010: $3,264,000) with no fixed repayment terms.

11. Debtors, deposits and prepayments

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

All debtors, deposits and prepayments of the Group, apart from certain rental deposits and prepayments totalling $10,459,000 (as at 31 December 2010: $12,531,000), are expected to be recovered or recognised as an expense within one year.

Included in debtors, deposits and prepayments are trade and other debtors (net of allowance for doubtful debts) with the following ageing analysis as of the end of the reporting period:

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

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

12. Cash and cash equivalents

	At 30 June 2011 $'000	At 31 December 2010 $'000
Cash at bank and in hand	74,208	87,530
Bank deposits	1,429,393	1,482,088
	1,503,601	1,569,618

13. Creditors and accrued charges

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

All creditors and accrued charges of the Group, apart from certain rental deposits received and accrued charges totalling $13,519,000 (as at 31 December 2010: $11,772,000), are expected to be settled or recognised as income within one year or are repayable on demand.

Included in creditors and accrued charges are trade and other creditors with the following ageing analysis as of the end of the reporting period:

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

14. Dividends

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

	Six months ended 30 June 2011 $'000	2010 $'000
Interim dividend declared and payable after the end of the reporting period of 33 cents (2010: 22 cents) per share	97,447	64,965

The interim dividend declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

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

	Six months ended 30 June 2011 $'000	2010 $'000
Final dividend in respect of the financial year ended 31 December 2010 of 59 cents (31 December 2009: 48 cents) per share payable during the following interim period	174,224	141,742

15. Capital commitments

Capital commitments of the Group outstanding as at 30 June 2011 not provided for in the interim financial report were as follows:

	At 30 June 2011 $'000	At 31 December 2010 $'000
Authorised and contracted for	4,741	5,654
Authorised but not contracted for	1,621	–
	6,362	5,654

16. Financial guarantees issued

As at 30 June 2011, the Company had issued corporate guarantees in the sum of $21,266,000 (as at 31 December 2010: $21,014,000) to a financial institution in Hong Kong in respect of banking facilities granted to a wholly-owned subsidiary of an associate, which expire within one year. The maximum liability of the Company as at 30 June 2011 was $21,070,000 (as at 31 December 2010: $20,717,000), representing its share of the banking facilities utilised by the wholly-owned subsidiary of the associate.

The associate has also issued a corporate guarantee in the sum of $49,123,000 (as at 31 December 2010: $48,299,000) to a financial institution in the People's Republic of China in respect of a financial facility granted to a jointly controlled entity of the associate, which expires within one year. The maximum liability of the associate as at 30 June 2011 was $5,780,000 (as at 31 December 2010: $14,702,000), representing its share of the financial facility utilised by the jointly controlled entity of the associate.

As at the end of the reporting period, the directors do not consider it probable that a claim will be made against the Company or the associate under these guarantees. As at 30 June 2011, the total maximum contingent liability shared by the Group was $23,960,000 (as at 31 December 2010: $28,068,000).

17. Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group for the six months ended 30 June 2011 was as follows:

	Six months ended 30 June	
	2011	**2010**
	$'000	$'000
Salaries and other short-term employee benefits	19,256	13,873
Contributions to defined contribution retirement plans	461	381
	19,717	14,254

17. Material related party transactions (Continued)

(b) Financing arrangements

A subsidiary of the Group had entered into loan agreements with an associate as disclosed in note 10(a). Amounts relating to the loans to an associate are disclosed as follows:

	At 30 June 2011 $'000	**At 31 December 2010** $'000
Loans to an associate	32,399	12,977

	Six months ended 30 June 2011 $'000	**2010** $'000
Related interest income	255	109
New loans to an associate	19,424	–

(c) 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 $10,385,000 (2010: $10,384,000) during the period. The amount due from the fellow subsidiary as at 30 June 2011 amounted to $1,728,000 (as at 31 December 2010: $1,728,000).

(ii) A subsidiary rents office premises to a fellow subsidiary. Rental and management fees receivable from this fellow subsidiary amounted to $2,278,000 (2010: $2,260,000) during the period. The amount due to the fellow subsidiary as at 30 June 2011 amounted to $1,172,000 (as at 31 December 2010: $1,106,000).

(iii) A fellow subsidiary, engaging in securities trading, deals in securities for certain subsidiaries of the Group. Commission of $261,000 (2010: $267,000) was payable to this fellow subsidiary during the period. The net amount due from the fellow subsidiary as at 30 June 2011 amounted to $10,343,000 (as at 31 December 2010: net amount due to the fellow subsidiary of $2,475,000).

(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 $456,000 (2010: $456,000) during the period. The amount due to the fellow subsidiary as at 30 June 2011 amounted to $462,000 (as at 31 December 2010: amount due from the fellow subsidiary of $9,000).

(Expressed in Hong Kong dollars unless otherwise stated)

17. Material related party transactions (Continued)

(c) Recurring transactions (Continued)

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

18. Possible impact of amendments and new standards issued but not yet effective for the six months ended 30 June 2011

Up to the date of issue of this interim financial report, the HKICPA has issued a number of amendments and new standards which are not yet effective for the six months ended 30 June 2011 and which have not been adopted in this interim financial report. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to HKFRS 7, Financial instruments: Disclosures	1 July 2011
Amendments to HKAS 12, Income taxes	1 January 2012
Amendments to HKAS 1, Presentation of financial statements	1 July 2012
HKFRS 9, Financial instruments	1 January 2013
HKFRS 10, Consolidated financial statements	1 January 2013
HKFRS 11, Joint arrangements	1 January 2013
HKFRS 12, Disclosure of interests in other entities	1 January 2013
HKFRS 13, Fair value measurement	1 January 2013
HKAS 19 (revised), Employee benefits	1 January 2013
HKAS 27 (revised), Separate financial statements	1 January 2013
HKAS 28 (revised), Investments in associates and joint ventures	1 January 2013

18. Possible impact of amendments and new standards issued but not yet effective for the six months ended 30 June 2011 (Continued)

The Group is in the process of making an assessment of what the impact of these amendments and new standards 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 except for the amendments to HKAS 12 "Income taxes".

The amendments to HKAS 12 will be adopted in the Group's financial statements for the year ending 31 December 2012, when the Group will be required to make retrospective adjustments to the amounts reported in respect of the six months ended 30 June 2011, to the extent that the tax consequences of recovering the carrying amount of the investment properties through sale would differ from the amounts recognised for the deferred taxation under the current accounting policy, in respect of those investment properties which are not held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time rather than through sale. The Group has not yet completed its assessment of the impact of this new accounting policy on its recognition of deferred taxation.

19. Approval of the interim financial report

The interim financial report was approved by the Board of Directors on 26 August 2011.

SUPPLEMENTARY INFORMATION

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2011.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its code of conduct regarding directors' securities transactions. The Company has made specific enquiries of all directors and all directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2011.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2011, 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

	Number of ordinary shares held					
Name of Director	Personal interests (held as beneficial owner)	Family interests (interests of spouse)	Corporate interests (interests of controlled corporation)	Other interests	Total interests	Total interests as a % of the issued share capital
Karl C. Kwok	320,710	–	–	–	320,710	0.109
Lester Kwok	489,140	–	–	–	489,140	0.166
Bill Kwok	798,388	295,000	255,000 (Note 1)	–	1,348,388	0.457
Mark Kwok	397,000	–	10,000 (Note 2)	–	407,000	0.138
Leung Wing Ning	10,000	–	–	–	10,000	0.003

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.

DIRECTORS' INTERESTS IN SHARES (Continued)

(b) Kee Wai Investment Company (BVI) Limited

Name of Director	Number of ordinary shares held Personal interests (held as beneficial owner)	Family interests (interests of spouse)	Corporate interests (interests of controlled corporation)	Other interests	Total interests	Total interests as a % of the issued share capital
Karl C. Kwok	12,110	–	–	–	12,110	21.246
Lester Kwok	12,110	–	–	–	12,110	21.246
Bill Kwok	12,110	–	–	–	12,110	21.246
Mark Kwok	12,110	–	–	–	12,110	21.246

Note: The above directors together control approximately 85% of the voting rights in Kee Wai Investment Company (BVI) Limited.

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

Name of Director	Number of ordinary shares held Personal interests (held as beneficial owner)	Family interests (interests of spouse)	Corporate interests (interests of controlled corporation)	Other interests	Total interests	Total interests as a % of the issued share capital
Karl C. Kwok	324	–	–	–	324	0.017
Lester Kwok	216	–	–	–	216	0.012
Bill Kwok	216	–	–	–	216	0.012
Mark Kwok	216	–	–	–	216	0.012

DIRECTORS' INTERESTS IN SHARES (Continued)

In addition to the above, certain directors hold shares in a subsidiary on trust and as nominee for its intermediary holding company.

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.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, 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	61.141
(ii)	Wing On Corporate Management (BVI) Limited	180,545,138	61.141
(iii)	Kee Wai Investment Company (BVI) Limited	180,545,138	61.141

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 listed shares of the Company during the period.