



WING ON COMPANY INTERNATIONAL LIMITED

永安國際有限公司

(Incorporated in Bermuda with limited liability)

INTERIM REPORT

2003

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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)
 - Dr. Bill Kwok
- * Mr. Mark Kwok
- * Dr. Kwok Man Cho
 - Dr. Philip Kwok, SBS, J.P.
- * Miss Adriana Chan
 - Miss Maria Tam Wai Chu, GBS, J.P. (Independent non-executive director)
 - Sir Oswald Victor Cheung, SC, CBE, LLD, D. Soc. Sc., J.P. (Independent non-executive director)
 - Mr. Ignatius Wan Chiu Wong, LL.B. (Independent non-executive director)
 - Mr. Iain F. Bruce, CA, FHKSA (Independent non-executive director)

* Members of the Executive Committee. Mr. Karl C. Kwok is the Chairman of the Executive Committee.

AUDIT COMMITTEE

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

AUDITORS

KPMG
Certified Public Accountants

SECRETARY

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

REGISTERED OFFICE

Cedar House,
41 Cedar Avenue,
Hamilton HM12,
Bermuda.

PRINCIPAL OFFICE

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

SHARE REGISTRARS

Progressive Registration Limited
Ground Floor,
Bank of East Asia Harbour View Centre,
56 Gloucester Road,
Wanchai, Hong Kong.

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre,
14 Bermudiana Road,
Hamilton, Bermuda.

CHAIRMAN'S STATEMENT

INTERIM RESULTS AND DIVIDEND

For the half year ended 30 June 2003, the Group's overall turnover declined by 11.9% to HK\$768.8 million (2002: HK\$872.8 million). This was due mainly to the decrease in our department store business volume as a result of the outbreak of SARS (severe acute respiratory syndrome), which plagued Hong Kong from late March until the latter part of June.

The Group's profit attributable to shareholders decreased by about 26.1% to HK\$117 million (2002: HK\$158.3 million as restated). This was mainly due to the fact that the pre-tax profits from the disposal of certain investment properties in Australia and the disposal of properties in the United States by an associate recorded in the first half of 2002 to the tune of HK\$86.9 million was not repeated in the period under review. However, in the first six months of 2003, the Group has benefited from further unrealized exchange gain on the Group's holdings of the Australian and New Zealand currencies and a further reduction of loss of the Group's department store business when compared to the same period last year.

Earnings per share decreased to 39.6 HK cents per share from the 53.6 HK cents per share achieved for the same period in the preceding year.

In view of the satisfactory results achieved, the directors have decided to pay an interim dividend of 13 HK cents (2002: 17 HK cents) per share, absorbing a total amount of HK\$38,392,000 (2002: HK\$50,205,000). The interim dividend will be paid on 27 October 2003 (Hong Kong time) to shareholders whose names appear on the Register of Members of the Company on 17 October 2003 (Hong Kong time). The Register of Members will be closed from 13 October 2003 to 17 October 2003 (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, Progressive Registration Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road Wanchai, Hong Kong before 4:00 p.m. on Friday, 10 October 2003 (Hong Kong time).

LIQUIDITY AND FINANCIAL RESOURCES

Overall financial position

Shareholders' equity as at 30 June 2003 was HK\$4.2 billion, a decrease of 3.3% compared with that at 31 December 2002. With cash and marketable securities at 30 June 2003 of about HK\$847.2 million as well as available banking facilities, the Group has sufficient liquidity to meet its current commitments and working capital requirements.

Borrowings and charge on Group assets

At 30 June 2003, the Group's total borrowings amounted to HK\$941.2 million, an increase of about HK\$134.8 million as compared to that at 31 December 2002 as the exchange rates for the Australian and New Zealand currencies have moved up by 17.6% and 10.4% respectively by 30 June 2003 since 1 January 2003. The proportion of borrowings repayable after two years but within five years to the total borrowings at 30 June 2003 was 86.4%. 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\$3.0 billion have been pledged to banks as collateral security for banking facilities to the extent of HK\$1.2 billion.

CHAIRMAN'S STATEMENT

(Continued)

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

Gearing ratio

The gearing ratio, which is computed from the total borrowings of the Group divided by shareholders' funds of the Group as at 30 June 2003, was 22.6% as compared with 18.7% at 31 December 2002.

Funding and treasury policies

The Group adopts a prudent funding and treasury policy. To minimise exposure to foreign exchange fluctuations, the Group's borrowings are primarily denominated in Australian, New Zealand and United States currencies to directly tie in with the Group's businesses in the relevant countries. Hence, the foreign exchange exposure is limited to the net investments in these countries of approximately HK\$1.2 billion at 30 June 2003 (at 31 December 2002: HK\$1.1 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 are 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, Australian and New Zealand 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 2003, the total amount of the Group's capital expenditure commitments and contingent liabilities was insignificant.

HALF YEAR BUSINESS REVIEW

Department store operations

During the first six months of 2003, the Hong Kong economy continued to be adversely affected by deflation, high unemployment and weak consumer spending. The outbreak of SARS in March 2003 caused a catastrophic impact on all retailers; resulting in a significant drop in turnover. Our turnover dropped by 12.4% to HK\$638.1 million in the first half (2002: HK\$728.8 million) due mainly to the adverse consequences brought about by SARS. The tight cost control measures implemented during the SARS period has offset the decrease in revenue and helped to contain our loss. The closure of the unprofitable Tianjin department store in May 2002 had a favourable impact on the Group's performance in the first half of 2003. Overall, the operating loss in this sector of business was reduced by around 21% to HK\$21.9 million (2002: HK\$27.6 million).

Property investments

The oversupply of office spaces and reduced business activities during the first half of 2003 continued to put pressure on the local office rental market. Our rental income from commercial property investment in Hong Kong decreased by about 12% when compared to same period last year. However the Group still managed to maintain an overall occupancy rate of around 90% during the period under review. As reported in March 2002, the Group had disposed certain investment properties in Melbourne Australia; the remaining commercial property investments in Melbourne continued to contribute within our expectation.

CHAIRMAN'S STATEMENT

(Continued)

HALF YEAR BUSINESS REVIEW (Continued)

Automobile dealership business

The Group's investment in the automobile dealership business conducted by an associate in the United States remained strong and contributed to the Group's profit during the first half of this year despite the apparent slow revival of her domestic economy.

Others

In the first half of this year, the Group recorded a net exchange gain of HK\$27.5 million (2002: HK\$17.5 million). This was mainly due to the Group's holdings of the Australian and New Zealand currencies as the exchange rates for these two currencies have moved up by 17.6% and 10.4% respectively since 1 January 2003. The Group also recorded an impairment loss on non-trading securities of HK\$3.2 million during the period under review; while there was a write back of impairment loss on non-trading securities of HK\$12.4 million and a realized net gain on non-trading securities of HK\$20.1 million in the same period last year.

Staff

As at 30 June 2003, the Group had a total staff of 1,103 (at 30 June 2002: 1,094). The Group's remuneration policies, bonus schemes, Mandatory Provident Fund schemes, etc., have not changed materially from the information disclosed in the 2002 annual report.

OUTLOOK FOR THE REMAINDER OF 2003

We expect the structural economic issues such as persistent deflation and high unemployment will not be resolved in the near future. Our department store operations will continue to operate under a tough environment. However, with the recent improved visitors flow from Mainland China, we anticipate that the retail business will pick up. We will continue to improve our retail business performance through various proactive actions. The rental income from our investment properties locally and in Australia will continue to contribute to our Group profits. Our automobile dealership associate in the United States is expected to perform steadily. The Group will continue to focus on ways and means to reduce the loss generated from the department store business and to improve the Group's overall performance.

By Order of the Board
Karl C. Kwok
Chairman

Hong Kong, 17 September 2003.

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

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 6 to 28.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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 Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent 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.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review, which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2003.

KPMG
Certified Public Accountants

Hong Kong, 17 September 2003.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2003 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June					
		2003			2002 restated		
	Note	Continuing operations \$'000	Discontinuing operation \$'000 (note 6)	Total \$'000	Continuing operations \$'000	Discontinuing operation \$'000 (note 6)	Total \$'000
Turnover	2	768,750	–	768,750	852,998	19,850	872,848
Other revenue	3	16,982	1	16,983	10,432	817	11,249
Other net gain	3	29,846	1	29,847	52,712	273	52,985
Cost of department store sales		(443,453)	–	(443,453)	(501,821)	(14,950)	(516,771)
Cost of property leasing activities		(32,922)	–	(32,922)	(32,620)	–	(32,620)
Other operating expenses		(209,184)	(436)	(209,620)	(223,868)	(10,769)	(234,637)
		130,019	(434)	129,585	157,833	(4,779)	153,054
Gain on disposal of investment properties in Australia		–	–	–	47,723	–	47,723
Profit/(loss) from operations	2	130,019	(434)	129,585	205,556	(4,779)	200,777
Finance costs	4(a)	(26,425)	–	(26,425)	(27,263)	–	(27,263)
		103,594	(434)	103,160	178,293	(4,779)	173,514
Share of profits less losses of associates	2	59,198	–	59,198	94,092	–	94,092
Profit/(loss) from ordinary activities before taxation	4	162,792	(434)	162,358	272,385	(4,779)	267,606
Taxation	5	(45,203)	–	(45,203)	(109,059)	–	(109,059)
Profit/(loss) from ordinary activities after taxation		117,589	(434)	117,155	163,326	(4,779)	158,547
Minority interests				(203)			(290)
Profit attributable to shareholders	15			116,952			158,257
Dividends attributable to the interim period:							
Interim dividend declared after the interim period end	7(a)			38,392			50,205
Basic earnings per share	8			39.6 cents			53.6 cents

The notes on pages 11 to 28 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

At 30 June 2003 – unaudited
(Expressed in Hong Kong dollars)

		At 30 June 2003	At 31 December 2002 restated
	Note	\$'000	\$'000
Non-current assets			
Fixed assets			
– Investment properties		3,319,759	3,396,707
– Other property, plant and equipment		619,195	642,839
	9	3,938,954	4,039,546
Deferred tax assets		362	410
Goodwill		1,530	1,648
Interest in associates	10	543,113	525,285
Non-trading securities	11	70,554	75,012
		4,554,513	4,641,901
Current assets			
Trading securities	11	65,081	61,614
Inventories		63,104	63,777
Debtors, deposits and prepayments	12	66,211	68,640
Amounts due from fellow subsidiaries		2,963	2,579
Cash and cash equivalents	13	782,121	744,587
		979,480	941,197
Current liabilities			
Creditors and accrued charges	14	201,439	252,510
Bank loans		80,173	71,256
Obligations under finance leases		617	–
Taxation		13,135	8,706
Amounts due to fellow subsidiaries		6,050	6,416
		301,414	338,888
Net current assets		678,066	602,309
Total assets less current liabilities carried forward		5,232,579	5,244,210

The notes on pages 11 to 28 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

(Continued)
At 30 June 2003 – unaudited
(Expressed in Hong Kong dollars)

	At 30 June 2003	At 31 December 2002 restated
Note	\$'000	\$'000
Total assets less current liabilities brought forward	<u>5,232,579</u>	<u>5,244,210</u>
Non-current liabilities		
Interest-bearing bank loans	859,465	735,101
Obligations under finance leases	976	–
Deferred tax liabilities	<u>198,988</u>	<u>194,853</u>
	<u>1,059,429</u>	<u>929,954</u>
Minority interests	<u>12,723</u>	<u>12,522</u>
Net assets	<u>4,160,427</u>	<u>4,301,734</u>
Capital and reserves		
Share capital	29,533	29,533
Reserves	15 <u>4,130,894</u>	<u>4,272,201</u>
	<u>4,160,427</u>	<u>4,301,734</u>

The notes on pages 11 to 28 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2003 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June 2003	2002 restated
	Note	\$'000	\$'000
At 1 January – opening total equity			
– as previously reported		4,391,450	4,471,565
– change in accounting policy with respect to income taxes		<u>(89,716)</u>	<u>(99,757)</u>
– as restated		<u>4,301,734</u>	<u>4,371,808</u>
Deficit on revaluation of investment properties	15	(340,329)	(184,175)
Deficit on revaluation of non-trading securities	15	(1,239)	(27,600)
Share of (decrease)/increase in capital reserves of associates	15	(14,960)	1,444
Exchange differences arising on consolidation	15	153,567	77,556
Deferred tax on investment property revaluation reserve	15	23,999	19,337
Deferred tax on land and building revaluation reserve	15	<u>(2,512)</u>	<u>–</u>
Net losses not recognised in the consolidated income statement		<u>(181,474)</u>	<u>(113,438)</u>
Net profit for the period	15	<u>116,952</u>	<u>158,257</u>
Dividends approved in respect of the previous year	7(b)	<u>(76,785)</u>	<u>(35,439)</u>
Revaluation surplus transferred to the consolidated income statement on disposal of investment properties		–	(25,161)
Exchange loss transferred to the consolidated income statement on disposal of investment properties		–	11,751
Revaluation surplus transferred to the consolidated income statement on disposal of investment properties of an associate		–	(46,292)
Revaluation surplus transferred to the consolidated income statement on disposal of non-trading securities		<u>–</u>	<u>(20,192)</u>
		<u>–</u>	<u>(79,894)</u>
At 30 June – closing total equity		<u>4,160,427</u>	<u>4,301,294</u>

The notes on pages 11 to 28 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2003 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June 2003	2002
	\$'000	\$'000
Net cash from operating activities	72,223	188,850
Net cash from investing activities	4,311	397,677
Net cash used in financing activities	<u>(109,556)</u>	<u>(233,850)</u>
Net (decrease)/increase in cash and cash equivalents	(33,022)	352,677
Cash and cash equivalents at 1 January	714,679	343,540
Effect of foreign exchange rates	<u>67,435</u>	<u>23,579</u>
Cash and cash equivalents at 30 June	<u><u>749,092</u></u>	<u><u>719,796</u></u>
	At	At
	30 June	30 June
	2003	2002
	\$'000	\$'000

Analysis of the balances of cash and cash equivalents

Cash at bank and in hand	72,707	60,753
Bank deposits	<u>709,414</u>	<u>686,706</u>
Cash and cash equivalents in the consolidated balance sheet	782,121	747,459
Bank deposits pledged	<u>(33,029)</u>	<u>(27,663)</u>
Cash and cash equivalents in the consolidated cash flow statement	<u><u>749,092</u></u>	<u><u>719,796</u></u>

Included in the above amounts are the following net cash flows related to discontinuing operation for the six months ended 30 June 2003.

	Six months ended 30 June 2003	2002
	\$'000	\$'000
Net cash used in operating activities	(1,460)	(18,746)
Net cash from investing activities	<u>537</u>	<u>12</u>
	<u><u>(923)</u></u>	<u><u>(18,734)</u></u>

The notes on pages 11 to 28 form part of this interim financial report.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

1. Significant accounting policies

(a) Basis of preparation

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports”, issued by the Hong Kong Society of Accountants (“HKSA”). KPMG’s independent review report to the board of directors is included on page 5. In addition, this interim financial report has been reviewed by the Company’s Audit Committee.

The interim financial report has been prepared in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) (“the Listing Rules”), including compliance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the HKSA.

The financial information relating to the financial year ended 31 December 2002 included in the interim financial report 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 2002 on which the auditors have expressed an unqualified opinion in their report dated 11 April 2003, are available on the Stock Exchange’s website.

The same accounting policies adopted in the 2002 annual financial statements have been applied to the interim financial report except for the adoption of the revised SSAP 12 “Income taxes”, which is effective for accounting periods commencing on or after 1 January 2003 and the adoption of SSAP 14 (revised) “Leases” following the purchase of fixed assets under finance leases by the Group during the period.

The notes on the interim financial report 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 2002 annual financial statements.

(b) Income taxes

In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenses, which were expected with reasonable probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt.

With effect from 1 January 2003, in order to comply with SSAP 12 (revised) issued by the HKSA, deferred tax is calculated using the balance sheet method in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, using the appropriate current rates of taxation ruling in countries in which the Group operates.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

1. Significant accounting policies (Continued)

(b) Income taxes (Continued)

As a result of the adoption of this accounting policy, the Group's net assets at 30 June 2003 have been decreased by \$76,901,000 (at 31 December 2002: \$89,716,000), the Group's profit attributable to shareholders for the period decreased by \$2,552,000 (2002: \$3,778,000), the investment property revaluation reserve increased by \$23,999,000, the land and building revaluation reserve decreased by \$2,512,000 and the exchange reserve decreased by \$6,120,000. The adjustments represent the deferred tax liability recognised in respect of the temporary differences arising from assets, net of deferred tax assets in respect of tax losses recognised to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. The new accounting policy has been adopted retrospectively, with the opening balance of retained profits and the comparative information adjusted for the amounts relating to prior periods.

2. Turnover and segment reporting

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

Group turnover for the period comprises the invoiced value of goods sold to customers less returns and income from property investment.

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting system.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

2. Turnover and segment reporting (Continued)

Business segments

The Group comprises the following main business segments:

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

Property investment: The leasing of office premises to generate rental income and to gain from the appreciation in the properties' values in the long term.

	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	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
			(note (a))							restated
Revenue from external customers	638,134	728,798	130,616	144,050	-	-	-	-	768,750	872,848
Inter-segment revenue	-	-	33,471	33,663	(33,471)	(33,663)	-	-	-	-
Other revenue from external customers	-	-	-	-	-	-	801	1,383	801	1,383
Total	<u>638,134</u>	<u>728,798</u>	<u>164,087</u>	<u>177,713</u>	<u>(33,471)</u>	<u>(33,663)</u>	<u>801</u>	<u>1,383</u>	<u>769,551</u>	<u>874,231</u>
Segment result	(21,911)	(27,591)	113,545	126,601	-	-	-	-	91,634	99,010
Gain on disposal of investment properties in Australia	-	-	-	47,723	-	-	-	-	-	47,723
	<u>(21,911)</u>	<u>(27,591)</u>	<u>113,545</u>	<u>174,324</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,634</u>	<u>146,733</u>
Interest income									14,315	7,639
Unallocated operating income net of expenses									23,636	46,405
Profit from operations									129,585	200,777
Finance costs									(26,425)	(27,263)
Share of profits less losses of associates (note (b))									103,160	173,514
									59,198	94,092
Profit from ordinary activities before taxation									162,358	267,606
Taxation									(45,203)	(109,059)
Profit from ordinary activities after taxation									117,155	158,547
Minority interests									(203)	(290)
Profit attributable to shareholders									<u>116,952</u>	<u>158,257</u>

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

2. Turnover and segment reporting (Continued)

Business segments (Continued)

	Department stores		Property investment		Inter-segment elimination		Unallocated		Total	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June		30 June		30 June	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Depreciation and amortisation for the period	<u>(16,161)</u>	<u>(16,151)</u>	<u>(14,277)</u>	<u>(14,048)</u>	<u>-</u>	<u>-</u>	<u>(215)</u>	<u>(268)</u>	<u>(30,653)</u>	<u>(30,467)</u>

Notes:

- (a) Operating profit contributed by property investment includes net rental income receivable of \$32,941,000 (2002: \$32,885,000) from the department stores operations.
- (b) Share of profits less losses of associates includes a loss of \$406,000 incurred (2002: a profit of \$39,190,000 contributed) by an associate in respect of the disposal of investment properties (note 10(b)).

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

2. Turnover and segment reporting (Continued)

Geographical segments

The Group's business is managed on a worldwide basis, but participates in three principal economic environments. Hong Kong is a major market for the Group's businesses. Australia and United States are the major markets for property investment.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	Hong Kong		Australia		United States		Others		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	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	<u>698,737</u>	<u>776,986</u>	<u>56,700</u>	<u>62,740</u>	<u>11,410</u>	<u>12,003</u>	<u>1,903</u>	<u>21,119</u>	<u>768,750</u>	<u>872,848</u>
Segment result	31,424	37,279	55,431	61,058	3,142	4,453	1,637	(3,780)	91,634	99,010
Gain on disposal of investment properties in Australia	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,723</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,723</u>
	<u>31,424</u>	<u>37,279</u>	<u>55,431</u>	<u>108,781</u>	<u>3,142</u>	<u>4,453</u>	<u>1,637</u>	<u>(3,780)</u>	91,634	146,733
Interest income									14,315	7,639
Unallocated operating income net of expenses									<u>23,636</u>	<u>46,405</u>
Profit from operations									129,585	200,777
Finance costs									<u>(26,425)</u>	<u>(27,263)</u>
Share of profits less losses of associates									103,160	173,514
									<u>59,198</u>	<u>94,092</u>
Profit from ordinary activities before taxation									162,358	267,606
Taxation									<u>(45,203)</u>	<u>(109,059)</u>
Profit from ordinary activities after taxation									117,155	158,547
Minority interests									<u>(203)</u>	<u>(290)</u>
Profit attributable to shareholders									<u>116,952</u>	<u>158,257</u>

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

3. Income

	Six months ended 30 June	
	2003	2002
	\$'000	\$'000
Other revenue		
Dividend and interest income from securities	1,867	2,227
Other interest income	14,315	7,639
Others	801	1,383
	<u>16,983</u>	<u>11,249</u>
Other net gain		
Net (loss)/gain on disposal of fixed assets	(501)	298
Net exchange gain	27,495	17,457
Net realised gain/(loss) on trading securities	148	(135)
Net unrealised gain on trading securities	5,924	2,844
Net realised gain on non-trading securities (note)	–	20,135
(Net charge)/write back of impairment loss on non-trading securities	<u>(3,219)</u>	<u>12,386</u>
	<u>29,847</u>	<u>52,985</u>

Note: For the six months ended 30 June 2002, net realised gain on disposal of non-trading securities included a surplus of \$20,040,000 transferred from investment revaluation reserve.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

4. Profit/(loss) from ordinary activities before taxation

Profit/(loss) from ordinary activities before taxation is arrived at after charging/
(crediting):

	Six months ended 30 June	
	2003	2002
	\$'000	\$'000
(a) Finance costs:		
Interest on bank advances and other borrowings repayable within five years	<u>26,425</u>	<u>27,263</u>
(b) Staff costs:		
Contributions to defined contribution retirement plans	5,012	5,321
Salaries, wages and other benefits	<u>80,326</u>	<u>83,422</u>
	<u>85,338</u>	<u>88,743</u>
(c) Rentals receivable from investment properties:		
Gross rentals	(130,616)	(144,050)
Direct outgoings	<u>32,922</u>	<u>32,620</u>
	<u>(97,694)</u>	<u>(111,430)</u>
(d) Other items:		
Cost of inventories sold	443,453	516,771
Operating lease charges		
– rentals of land and buildings	50,008	58,767
– contingent rentals	273	410
Depreciation and amortisation	30,653	30,467
Amortisation of goodwill	118	143
Recognition of negative goodwill	<u>(176)</u>	<u>(176)</u>

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

5. Taxation

	Six months ended 30 June	
	2003	2002
	\$'000	restated \$'000
Current tax		
Provision for Hong Kong Profits Tax for the period	10,199	9,249
Overseas taxation	5,858	2,078
	<u>16,057</u>	<u>11,327</u>
Deferred tax		
Origination and reversal of temporary differences	2,099	42,772
Effect of increase in tax rate on deferred tax balances at 1 January	522	–
	<u>2,621</u>	<u>42,772</u>
Share of associates' taxation	<u>26,525</u>	<u>54,960</u>
Total income tax expense	<u>45,203</u>	<u>109,059</u>

The provision for Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profits for the period. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

6. Discontinuing operation

In January 2002, the Group entered into an agreement with the landlord of the Group's Tianjin department store to cease the department store operation. The results of the Tianjin department store operation had been included in the "department stores" segment and the "others" geographical segment. Adjustments had been made to reduce the value of assets to their recoverable amounts and to provide for other expected liabilities and expenses to be incurred by the subsidiaries in connection with the cessation of business. The operation ceased on 1 May 2002. Assets of the operation have been realised in an orderly manner to pay off liabilities.

The net liabilities of the discontinuing operation as at 30 June 2003 were as follows:

	At 30 June 2003 \$'000	At 31 December 2002 \$'000
Non-current assets	677	1,219
Current assets	1,747	2,286
Current liabilities	<u>(14,445)</u>	<u>(15,610)</u>
Net liabilities	<u><u>(12,021)</u></u>	<u><u>(12,105)</u></u>

7. Dividends

(a) Dividends attributable to the interim period:

	Six months ended 30 June	
	2003 \$'000	2002 \$'000
Interim dividend declared after the interim period end of 13 cents (2002: 17 cents) per share	<u>38,392</u>	<u>50,205</u>

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

(b) Dividends attributable to the previous financial year, proposed, approved and paid during the interim period/year:

	At 30 June 2003 \$'000	At 31 December 2002 \$'000
Final dividends in respect of the previous financial year, proposed, approved and paid during the interim period/year, of 26 cents (2002: 12 cents) per share	<u>76,785</u>	<u>35,439</u>

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

8. Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders for the period of \$116,952,000 (2002 restated: \$158,257,000) divided by 295,326,000 shares (2002: 295,326,000 shares) in issue during the period.

There were no outstanding potential ordinary shares throughout the periods presented.

9. Fixed assets

Investment properties were revalued at 30 June 2003 by the directors using relevant market indices to update the professional valuations that were carried out at 31 December 2002. The revaluation deficits after minority interests of \$340,329,000 (2002: \$224,728,000) have been transferred to the investment property revaluation reserve (note 15).

Certain investment properties located in Australia were disposed of in March and April 2002 and gave rise to a profit before tax of \$47,723,000. Bank loans totalling \$165,900,000 secured by mortgages on those properties were repaid upon their disposal.

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

	At 30 June 2003 \$'000	At 31 December 2002 \$'000
Within one year	189,851	188,457
After 1 year but within 5 years	325,779	363,332
After 5 years	1,498	5,045
	<u>517,128</u>	<u>556,834</u>

10. Interest in associates

	At 30 June 2003 \$'000	At 31 December 2002 \$'000
Unlisted shares		
Share of net assets other than goodwill	504,689	484,870
Share of unamortised goodwill	40,262	42,440
Negative goodwill on acquisition	(2,988)	(3,164)
Amounts due from associates less provision	1,208	1,197
Amount due to an associate	(58)	(58)
	<u>543,113</u>	<u>525,285</u>

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

10. Interest in associates (Continued)

- (a) 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	
	2003	2002
	\$'000	\$'000
Operating results		
Turnover	5,036,638	4,658,634
Profit before taxation	125,929	200,221
Profit after taxation	<u>69,493</u>	<u>83,285</u>
Group's share of profit after taxation attributable to the material associate	<u>32,662</u>	<u>39,145</u>
	At	At
	30 June	31 December
	2003	2002
	\$'000	\$'000
Non-current assets	1,067,239	1,077,989
Current assets*	<u>1,419,814</u>	<u>1,457,683</u>
Total assets	<u>2,487,053</u>	<u>2,535,672</u>
Current liabilities	713,489	746,196
Non-current liabilities	<u>614,020</u>	<u>667,444</u>
Total liabilities	<u>1,327,509</u>	<u>1,413,640</u>
Net assets	<u>1,159,544</u>	<u>1,122,032</u>
Group's share of net assets attributable to the material associate	<u>544,986</u>	<u>527,355</u>

* Current assets comprise mainly inventories of motor vehicles.

At the balance sheet date, the Group has an equity interest of 50% in WL Investments Limited ("WL"). Due to the existence of a phantom stock plan for the benefit of the WL's key employees, the Group's effective share of the results and net assets of the WL is 47%.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

10. Interest in associates (Continued)

- (b) WL disposed of certain investment properties in the USA for a cash consideration of US\$1,800,000 (approximately \$14,016,000), resulting in a loss before taxation of US\$111,000 (approximately \$864,000). The transaction caused a loss before taxation of \$406,000 to the Group in 2003.

For the half year ended 30 June 2002, WL disposed of certain investment properties in the USA for a cash consideration of US\$51,500,000 (approximately \$401,031,000), resulting in a profit before taxation of US\$10,700,000 (approximately \$83,321,000). The transaction contributed a profit before taxation of \$39,190,000 to the Group in 2002. The amount included a surplus of \$45,820,000 transferred from the investment property revaluation reserve previously recognised.

11. Securities

	At 30 June 2003 \$'000	At 31 December 2002 \$'000
Non-trading securities		
Equity securities		
Listed outside Hong Kong, at market value	16,843	20,062
Unlisted	53,711	54,950
	<u>70,554</u>	<u>75,012</u>
Trading securities		
Debt securities		
Listed outside Hong Kong, at market value	8,171	9,179
Equity securities		
Listed		
– in Hong Kong, at market value	36,218	33,449
– outside Hong Kong, at market value	20,692	18,986
	<u>56,910</u>	<u>52,435</u>
	<u>65,081</u>	<u>61,614</u>

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

12. Debtors, deposits and prepayments

	At 30 June 2003 \$'000	At 31 December 2002 \$'000
Trade and other debtors, net of provision for doubtful debts	16,350	17,755
Deposits and prepayments	<u>49,861</u>	<u>50,885</u>
	<u><u>66,211</u></u>	<u><u>68,640</u></u>

- (a) The ageing analysis of trade and other debtors, net of provision for doubtful debts, is as follows:

	At 30 June 2003 \$'000	At 31 December 2002 \$'000
Current	13,004	15,772
1 to 3 months overdue	1,230	573
More than 3 months overdue	<u>2,116</u>	<u>1,410</u>
	<u><u>16,350</u></u>	<u><u>17,755</u></u>

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

- (b) All deposits and prepayments, apart from certain rental deposits of \$24,115,000 (2002: \$24,134,000), are expected to be recovered within one year of the balance sheet date.

13. Cash and cash equivalents

	At 30 June 2003 \$'000	At 31 December 2002 \$'000
Deposits with banks	709,414	693,752
Cash at bank and in hand	<u>72,707</u>	<u>50,835</u>
	<u><u>782,121</u></u>	<u><u>744,587</u></u>

At 30 June 2003, a fixed deposit of \$33,029,000 (2002: \$29,908,000) was pledged to a bank for banking facilities granted to a subsidiary.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

14. Creditors and accrued charges

	At 30 June 2003 \$'000	At 31 December 2002 \$'000
Trade and other creditors	166,188	207,637
Accrued charges	35,251	44,873
	<u>201,439</u>	<u>252,510</u>

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

	At 30 June 2003 \$'000	At 31 December 2002 \$'000
Amounts not yet due	142,872	167,194
On demand or overdue for less than 1 month	16,047	32,971
1 to 3 months overdue	1,128	1,474
3 to 12 months overdue	6,141	5,998
	<u>166,188</u>	<u>207,637</u>

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

15. Reserves

	Investment property revaluation reserve \$'000	Land and building revaluation reserve \$'000	Investment revaluation reserve \$'000	Exchange reserve \$'000	Other capital reserves \$'000	Contributed surplus \$'000	Retained profits \$'000	Total \$'000
At 1 January 2003								
– as previously reported	1,066,918	204,249	43,222	(135,932)	307,132	754,347	2,121,981	4,361,917
– change in accounting policy with respect to income taxes	(44,799)	(26,798)	–	(4,444)	–	–	(13,675)	(89,716)
– as restated	1,022,119	177,451	43,222	(140,376)	307,132	754,347	2,108,306	4,272,201
Dividends approved in respect of previous year (note 7(b))	–	–	–	–	–	–	(76,785)	(76,785)
Deferred tax	23,999	(2,512)	–	(6,120)	–	–	–	15,367
Deficit on revaluation after minority interests (note 9)	(340,329)	–	–	–	–	–	–	(340,329)
Deficit on revaluation of non-trading securities	–	–	(1,239)	–	–	–	–	(1,239)
Share of decrease in capital reserves of associates	–	–	–	–	(14,960)	–	–	(14,960)
Exchange differences arising on consolidation	–	–	–	159,687	–	–	–	159,687
Profit for the period	–	–	–	–	–	–	116,952	116,952
At 30 June 2003	<u>705,789</u>	<u>174,939</u>	<u>41,983</u>	<u>13,191</u>	<u>292,172</u>	<u>754,347</u>	<u>2,148,473</u>	<u>4,130,894</u>

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

15. Reserves (Continued)

	Investment property revaluation reserve \$'000	Land and building revaluation reserve \$'000	Investment revaluation reserve \$'000	Exchange reserve \$'000	Other capital reserves \$'000	Contributed surplus \$'000	Retained profits \$'000	Total \$'000
At 1 January 2002								
– as previously reported	1,366,017	204,249	93,880	(236,737)	294,937	754,347	1,965,339	4,442,032
– change in accounting policy with respect to income taxes	(63,086)	(26,798)	–	–	–	–	(9,873)	(99,757)
– as restated	1,302,931	177,451	93,880	(236,737)	294,937	754,347	1,955,466	4,342,275
Dividends approved in respect of previous year (note 7(b))	–	–	–	–	–	–	(35,439)	(35,439)
Revaluation surplus transferred to the consolidated income statement on disposal of investment properties	(59,622)	–	–	2,358	–	–	–	(57,264)
Exchange loss transferred to the consolidated income statement on disposal of investment properties	–	–	–	11,751	–	–	–	11,751
	(59,622)	–	–	14,109	–	–	–	(45,513)
Deferred tax	49,358	–	–	(1,263)	–	–	–	48,095
Deficit on revaluation after minority interests (note 9)	(224,728)	–	–	–	–	–	–	(224,728)
Revaluation surplus transferred to the consolidated income statement on disposal of investment properties of an associate	(45,820)	–	–	(469)	–	–	–	(46,289)
Deficit on revaluation of non-trading securities	–	–	(29,158)	–	–	–	–	(29,158)
Revaluation surplus transferred to the consolidated income statement on disposal of non-trading securities	–	–	(21,500)	(148)	–	–	–	(21,648)
Share of increase in capital reserves of associates	–	–	–	–	12,195	–	–	12,195
Exchange differences arising on consolidation	–	–	–	84,132	–	–	–	84,132
Profit for the year	–	–	–	–	–	–	238,484	238,484
Dividends declared and paid in respect of the current year	–	–	–	–	–	–	(50,205)	(50,205)
At 31 December 2002	<u>1,022,119</u>	<u>177,451</u>	<u>43,222</u>	<u>(140,376)</u>	<u>307,132</u>	<u>754,347</u>	<u>2,108,306</u>	<u>4,272,201</u>

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

16. Capital commitments

Group capital commitments at 30 June 2003, not provided for in the interim financial report were as follows:

	At 30 June 2003 \$'000	At 31 December 2002 \$'000
Authorised and contracted for	2,736	293
Authorised but not contracted for	3,650	7,626
	<u>6,386</u>	<u>7,919</u>

17. Contingent liabilities

The Company has undertaken to guarantee certain loans and other facilities granted to certain subsidiaries to the extent of \$963,533,000 (at 31 December 2002: \$819,175,000) of which \$906,062,000 (at 31 December 2002: \$774,717,000) were utilised at 30 June 2003.

18. Material related party transactions

Material related party transactions are as follows:

- (a) A fellow subsidiary rents retail premises to a subsidiary. Rental and management fees payable to this fellow subsidiary amounted to \$7,197,000 (2002: \$7,190,000) during the period. The net amount due to the fellow subsidiary at 30 June 2003 amounted to \$3,831,000 (at 31 December 2002: \$4,872,000).
- (b) A subsidiary rents office premises to a fellow subsidiary. Rental and management fees receivable from this fellow subsidiary amounted to \$1,011,000 (2002: \$1,289,000) during the period. The net amount due from the fellow subsidiary at 30 June 2003 amounted to \$184,000 (at 31 December 2002: \$279,000).
- (c) The Company reimbursed a fellow subsidiary for the sharing of office space and facilities. Reimbursement payable to this fellow subsidiary amounted to \$60,000 (2002: \$72,000) during the period. The amount had been fully settled by the period end.
- (d) A fellow subsidiary, engaging in securities trading, deals in securities for certain subsidiaries of the Group. Commission of \$Nil (2002: \$17,000) was payable to the fellow subsidiary during the period. The amounts due from the fellow subsidiary at 30 June 2003 amounted to \$1,235,000 (at 31 December 2002: \$127,000).

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

19. Comparative figures

Comparative figures have been changed due to the adoption of the requirements of SSAP 12 (revised) during the period as described in note 1(b).

20. Approval of interim financial report

The interim financial report was approved by the Board on 17 September 2003.

SUPPLEMENTARY INFORMATION

CODE OF BEST PRACTICE

None of the directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in compliance with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited except that independent non-executive directors are not appointed for a specific term as they are subject to rotation at Annual General Meetings in accordance with Bye-Law 99.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2003, 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	Number of ordinary shares held					Total interests as % of the issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)	Other interests	Total interests	
Karl C. Kwok	320,710	40,000	–	–	360,710	0.12
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	20,000	10,000 (Note 2)	–	427,000	0.14
Kwok Man Cho	425,400	116,500	–	–	541,900	0.18
Philip Kwok	150,000	–	–	–	150,000	0.05
Adriana Chan	101,000	–	–	–	101,000	0.03

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.

SUPPLEMENTARY INFORMATION

(Continued)

DIRECTORS' INTERESTS IN SHARES (Continued)

(b) Kee Wai Investment Company (BVI) Limited

Name of Director	Number of ordinary shares held					Total interests as % of the issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	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

(c) Wing On Corporate Management (BVI) Limited

Name of Director	Number of ordinary shares held					Total interests as % of the issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)	Other interests	Total interests	
Kwok Man Cho	124,177	–	–	–	124,177	5.24
Philip Kwok	40,000	–	–	–	40,000	1.69

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

Name of Director	Number of ordinary shares held					Total interests as % of the issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	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

SUPPLEMENTARY INFORMATION

(Continued)

DIRECTORS' INTERESTS IN SHARES (Continued)

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 interest or short positions in any shares, underlying shares and debentures of the Company or any associated association (as defined above) which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("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 2003, 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 % 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, Limited	180,545,138	61.13
(iv) 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) and (iii) in (iv). 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.