



WING ON COMPANY INTERNATIONAL LIMITED

永安國際有限公司

(Incorporated in Bermuda with limited liability)

INTERIM REPORT

2004

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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)
Mr. Ignatius Wan Chiu Wong, LL.B. (Independent non-executive director)
Mr. Iain F. Bruce, CA, FCPA (Independent non-executive director)
Mr. Anthony Francis Martin Conway (Independent non-executive director,
appointed on 1 July 2004)

* 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
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

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

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 2004, the Group's overall turnover declined by 3.8% to HK\$739.7 million (2003: HK\$768.8 million). This was due mainly to the decrease in our department store turnover as a result of the closure of two unprofitable branch stores upon lease expiration in February 2004 and reduced rental income from the Group's investment properties.

However, despite the decrease in turnover, the Group's profit attributable to shareholders for the period increased by about 5.8% to HK\$123.8 million (2003: HK\$117.0 million). This was mainly due to the significant profit contribution from our department store operations.

Earnings per share increased to 41.9 HK cents per share from the 39.6 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 14 HK cents (2003: 13 HK cents) per share, absorbing a total amount of HK\$41,346,000 (2003: HK\$38,392,000). The interim dividend will be paid on 27 October 2004 (Hong Kong time) to shareholders whose names appear on the Register of Members of the Company on 19 October 2004 (Hong Kong time). The Register of Members will be closed from 13 October 2004 to 19 October 2004 (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 Tuesday, 12 October 2004 (Hong Kong time).

LIQUIDITY AND FINANCIAL RESOURCES

Overall Financial Position

Shareholders' equity as at 30 June 2004 was HK\$4.9 billion, an increase of 6.2% compared with that at 31 December 2003. With cash and marketable securities at 30 June 2004 of about HK\$1,121.5 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 2004, the Group's total borrowings amounted to HK\$814.2 million, a decrease of about HK\$59.3 million as compared to that at 31 December 2003. The proportion of borrowings repayable after two years but within five years to the total borrowings at 30 June 2004 was 84.9%. 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\$1.1 billion.

Gearing Ratio

The gearing ratio, which is computed as the total borrowings of the Group divided by shareholders' funds of the Group as at 30 June 2004, was 16.7 % as compared with 19.1% at 31 December 2003.

CHAIRMAN'S STATEMENT

(Continued)

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 and New Zealand 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 overseas subsidiaries of approximately HK\$1.1 billion at 30 June 2004 (at 31 December 2003: HK\$1.4 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 2004, the total amount of the Group's capital expenditure commitments was HK\$19,013,000 (at 31 December 2003: HK\$1,601,000) and contingent liabilities were insignificant.

HALF YEAR BUSINESS REVIEW

Department Store Operations

During the period under review, the Group's department store operations achieved a turnover of HK\$619.7 million (2003: HK\$638.1 million), a decrease of 2.9% when compared to the corresponding period last year. This decrease was due to the closure of the Kowloon Bay and Whampoa branch stores in February 2004. On a same store basis, our department stores turnover actually increased by around 20.9%. This substantial increase was attributable to the noticeable return of consumer confidence and spending which had been completely shattered by SARS during the second quarter of last year, and the general improvement in the retail sector which had been accelerated by the influx of tourists and visitors from the Mainland. These factors together with the continuous efforts by our retail staff in improving efficiency on the shop floors, the merchandise mix and organizing aggressive promotional and sales campaigns had made it possible for the Group to achieve an operating profit of HK\$23.8 million in its department store business, as opposed to an operating loss of HK\$21.9 million suffered in the same period last year.

Property Investments

The Group's overall property investment income for the first half of the year decreased by about 7.9% to HK\$104.5 million (2003: HK\$113.5 million). The over supply situation in the local office leasing market persisted during the period under review. This has resulted in fierce competition for tenants amongst commercial office landlords and has continued to put pressure on the Group's commercial office properties in Hong Kong. Although the Group managed to maintain an overall occupancy rate of about 90% for its local commercial properties, it had to lower the rent for new lettings and renewals in order to be competitive in the market. The local property investment income decreased by 9.5% to HK\$49.3 million (2003: HK\$54.5 million). As reported in our latest Annual Report, the Group had disposed of an investment property in Melbourne, Australia in November 2003; the remaining commercial property investments in Melbourne continued to contribute to the Group's property investment income and achieved an overall occupancy rate over 95% despite the competitive leasing market in Melbourne.

CHAIRMAN'S STATEMENT

(Continued)

Automobile Dealership Business

The Group's 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.

Others

In the first half of this year, the Group recorded a net exchange loss of HK\$12.4 million (2003: exchange gain HK\$27.5 million) due to the Group's holdings of the Australian and New Zealand currencies as the exchange rates for these two currencies have moved down by 6.9% and 3.1% respectively since 1 January 2004. The Group's investment in securities continued to generate profits for the Group.

Staff

As at 30 June 2004, the Group had a total staff of 865 (at 30 June 2003: 1,103). The Group's remuneration policies, bonus schemes, Mandatory Provident Fund schemes, etc., have not changed materially from the information disclosed in the 2003 annual report.

OUTLOOK FOR THE REMAINDER OF 2004

Barring unforeseen circumstances, the Group expects its department stores business to improve with the local economic up trend. Efforts will continue to be made on store and merchandising improvements so as to cater for the revival of consumer confidence. The leasing activities of the Group's commercial properties in Hong Kong and Melbourne are expected to perform steadily. The automobile dealership business in the United States conducted by an associate of the Group will continue to make a positive contribution to the Group. Management will further look into effective ways and means to improve the overall performance of the Group, and for good investment opportunities.

Lester Kwok
Deputy Chairman

Hong Kong, 17 September 2004

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 26.

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 Institute of Certified Public 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 Institute of Certified Public 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 2004.

KPMG
Certified Public Accountants

Hong Kong, 17 September 2004

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2004 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2004 \$'000	2003 \$'000
Turnover	2	739,651	768,750
Other revenue	3	23,365	16,983
Other net (loss)/gain	3	(7,536)	29,847
Cost of department store sales		(435,721)	(443,453)
Cost of property leasing activities		(30,721)	(32,922)
Other operating expenses		(154,641)	(209,620)
		<hr/>	<hr/>
Profit from operations	2	134,397	129,585
Finance costs	4(a)	(28,399)	(26,425)
		<hr/>	<hr/>
		105,998	103,160
Share of profits less losses of associates		62,543	59,198
		<hr/>	<hr/>
Profit from ordinary activities before taxation	4	168,541	162,358
Taxation	5	(44,534)	(45,203)
		<hr/>	<hr/>
Profit from ordinary activities after taxation		124,007	117,155
Minority interests		(246)	(203)
		<hr/>	<hr/>
Profit attributable to shareholders	14	123,761	116,952
		<hr/> <hr/>	<hr/> <hr/>
Dividends attributable to the interim period:			
Interim dividend declared after the interim period end	6(a)	41,346	38,392
		<hr/> <hr/>	<hr/> <hr/>
Basic earnings per share	7	41.9 cents	39.6 cents
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 11 to 26 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

At 30 June 2004 – unaudited
(Expressed in Hong Kong dollars)

		At 30 June 2004 \$'000	At 31 December 2003 \$'000
Non-current assets			
Fixed assets			
– Investment properties		3,628,882	3,423,487
– Other property, plant and equipment		568,220	592,576
	8	4,197,102	4,016,063
Deferred tax assets		446	849
Goodwill		1,295	1,413
Interest in associates	9	547,723	584,140
Non-trading securities	10	84,971	76,300
		4,831,537	4,678,765
Current assets			
Trading securities	10	128,283	93,871
Inventories		42,759	60,649
Debtors, deposits and prepayments	11	41,526	59,663
Tax recoverable		249	1,750
Amounts due from fellow subsidiaries		2,622	4,881
Cash and cash equivalents	12	993,212	1,041,249
		1,208,651	1,262,063
Current liabilities			
Creditors and accrued charges	13	178,935	256,080
Bank loans		79,135	83,505
Obligations under finance leases		617	614
Tax payable		12,040	23,135
Amounts due to fellow subsidiaries		4,219	4,407
		274,946	367,741
Net current assets		933,705	894,322
Total assets less current liabilities carried forward		5,765,242	5,573,087

The notes on pages 11 to 26 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

(Continued)
At 30 June 2004 – unaudited
(Expressed in Hong Kong dollars)

	At 30 June 2004 \$'000	At 31 December 2003 \$'000
Total assets less current liabilities brought forward	5,765,242	5,573,087
Non-current liabilities		
Interest-bearing bank loans	734,060	788,732
Obligations under finance leases	360	665
Deferred tax liabilities	150,371	186,939
	884,791	976,336
Minority interests	12,787	12,869
Net assets	4,867,664	4,583,882
Capital and reserves		
Share capital	29,533	29,533
Reserves	4,838,131	4,554,349
	4,867,664	4,583,882

The notes on pages 11 to 26 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2004 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2004	2003
	Note	\$'000	\$'000
At 1 January – opening total equity		4,583,882	4,301,734
Surplus/(deficit) on revaluation of investment properties	14	307,409	(340,329)
Surplus/(deficit) on revaluation of non-trading securities	14	9,084	(1,239)
Share of decrease in capital reserves of associates	14	(533)	(14,960)
Exchange differences arising on consolidation	14	(72,395)	153,567
Deferred tax relating to the investment property revaluation reserve	14	31,633	23,999
Deferred tax relating to the land and building revaluation reserve	14	–	(2,512)
Net profit/(loss) not recognised in the consolidated income statement		<u>275,198</u>	<u>(181,474)</u>
Net profit for the period	14	<u>123,761</u>	<u>116,952</u>
Dividends approved in respect of the previous year	6(b)	<u>(115,177)</u>	<u>(76,785)</u>
At 30 June – closing total equity		<u><u>4,867,664</u></u>	<u><u>4,160,427</u></u>

The notes on pages 11 to 26 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2004 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2004	2003
	\$'000	\$'000
Net cash generated from operating activities	83,592	72,223
Net cash generated from investing activities	75,408	4,311
Net cash used in financing activities	<u>(144,099)</u>	<u>(109,556)</u>
Net increase/(decrease) in cash and cash equivalents	14,901	(33,022)
Cash and cash equivalents at 1 January	1,004,140	714,679
Effect of foreign exchange rates	<u>(61,784)</u>	<u>67,435</u>
Cash and cash equivalents at 30 June	<u>957,257</u>	<u>749,092</u>
	At	At
	30 June	30 June
	2004	2003
	\$'000	\$'000
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	45,721	72,707
Bank deposits	<u>947,491</u>	<u>709,414</u>
Cash and cash equivalents in the consolidated balance sheet	993,212	782,121
Bank deposits pledged	<u>(35,955)</u>	<u>(33,029)</u>
Cash and cash equivalents in the consolidated cash flow statement	<u>957,257</u>	<u>749,092</u>

The notes on pages 11 to 26 form part of this interim financial report.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

1. Significant accounting policies

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 Institute of Certified Public Accountants (“HKICPA”) (formerly known as the Hong Kong Society of Accountants). 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 HKICPA.

The financial information relating to the financial year ended 31 December 2003 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 2003, on which the auditors have expressed an unqualified opinion in their report dated 15 April 2004, are available on the Stock Exchange’s website.

The same accounting policies adopted in the 2003 annual financial statements have been applied in the preparation of the interim financial report.

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 2003 annual financial statements.

2. Turnover and segment reporting

The principal activities of the Group during the period were 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 (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	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Depreciation and amortisation for the period	(10,187)	(16,161)	(14,493)	(14,277)	-	-	(157)	(215)	(24,837)	(30,653)

Note: Operating profit contributed by the property investment operations includes net rental income receivable of \$32,890,000 (2003: \$32,941,000) from the department stores operation.

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		Six months ended		Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June		30 June		30 June	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	<u>673,470</u>	<u>698,737</u>	<u>52,098</u>	<u>56,700</u>	<u>11,719</u>	<u>11,410</u>	<u>2,364</u>	<u>1,903</u>	<u>739,651</u>	<u>768,750</u>
Segment result	<u>71,356</u>	<u>31,424</u>	<u>51,567</u>	<u>55,431</u>	<u>3,615</u>	<u>3,142</u>	<u>1,774</u>	<u>1,637</u>	128,312	91,634
Interest income									20,208	14,315
Unallocated operating (expenses)/income net of income/(expenses)									<u>(14,123)</u>	<u>23,636</u>
Profit from operations									134,397	129,585
Finance costs									<u>(28,399)</u>	<u>(26,425)</u>
Share of profits less losses of associates									105,998	103,160
									<u>62,543</u>	<u>59,198</u>
Profit from ordinary activities before taxation									168,541	162,358
Taxation									<u>(44,534)</u>	<u>(45,203)</u>
Profit from ordinary activities after taxation									124,007	117,155
Minority interests									<u>(246)</u>	<u>(203)</u>
Profit attributable to shareholders									<u>123,761</u>	<u>116,952</u>

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

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

	Six months ended 30 June	
	2004	2003
	\$'000	\$'000
Other revenue		
Dividend and interest income from securities	2,090	1,867
Other interest income	20,208	14,315
Others	1,067	801
	<u>23,365</u>	<u>16,983</u>
Other net (loss)/gain		
Net loss on disposal of fixed assets	(13)	(501)
Net exchange (loss)/gain	(12,400)	27,495
Net realised gain on trading securities	2,237	148
Net unrealised gain on trading securities	1,514	5,924
Impairment of non-trading securities	(413)	(3,219)
Others	1,539	–
	<u>(7,536)</u>	<u>29,847</u>

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

4. Profit from ordinary activities before taxation

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

	Six months ended 30 June	
	2004	2003
	\$'000	\$'000
(a) Finance costs:		
Interest on bank advances and other borrowings repayable within five years	<u>28,399</u>	<u>26,425</u>
(b) Staff costs:		
Contributions to defined contribution retirement plans	4,273	5,012
Salaries, wages and other benefits	<u>72,488</u>	<u>80,326</u>
	<u>76,761</u>	<u>85,338</u>
(c) Rentals received and receivable from investment properties:		
Gross rentals	(119,922)	(130,616)
Direct outgoings	<u>30,721</u>	<u>32,922</u>
	<u>(89,201)</u>	<u>(97,694)</u>
(d) Other items:		
Cost of inventories sold	435,721	443,453
Operating lease charges		
– rentals of land and buildings	19,662	50,008
– contingent rentals	261	273
Depreciation and amortisation		
– owned assets	24,652	30,499
– assets held for use under finance leases	185	154
Amortisation of goodwill	118	118
Recognition of negative goodwill	<u>(176)</u>	<u>(176)</u>

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

5. Income tax in the consolidated income statement

	Six months ended 30 June	
	2004	2003
	\$'000	\$'000
Current taxation – Provision for Hong Kong Profits tax		
Provision for Hong Kong Profits Tax for the period	8,347	10,199
Over-provision in respect of prior years	(174)	–
	<u>8,173</u>	<u>10,199</u>
Current taxation – Overseas		
Tax for the period	5,546	5,858
Over-provision in respect of prior years	(6)	–
	<u>5,540</u>	<u>5,858</u>
Deferred tax		
Origination and reversal of temporary differences	3,773	2,099
Effect of increase in tax rate on deferred tax balances at 1 January	–	522
	<u>3,773</u>	<u>2,621</u>
Share of associates' taxation	<u>27,048</u>	<u>26,525</u>
Total income tax expense	<u>44,534</u>	<u>45,203</u>

The provision for Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) 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. Dividends

(a) Dividends attributable to the interim period:

	Six months ended 30 June	
	2004	2003
	\$'000	\$'000
Interim dividend declared after the interim period end of 14 cents (2003: 13 cents) per share	41,346	38,392

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 2004 \$'000	At 31 December 2003 \$'000
Final dividends in respect of the previous financial year, proposed, approved and paid during the interim period/year, of 39 cents (2003: 26 cents) per share	115,177	76,785

7. Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders for the period of \$123,761,000 (2003: \$116,952,000) divided by 295,326,000 shares (2003: 295,326,000 shares) in issue during the period.

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

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

8. Fixed assets

Investment properties were revalued at 30 June 2004 by the directors using relevant market indices to update the professional valuations that were carried out at 31 December 2003. The revaluation surplus after minority interests of \$307,409,000 (2003: revaluation deficit of \$191,400,000) have been transferred to the investment property revaluation reserve (note 14).

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

	At 30 June 2004 \$'000	At 31 December 2003 \$'000
Within one year	181,425	190,630
After one year but within five years	304,395	350,000
After five years	68,075	62,938
	<u>553,895</u>	<u>603,568</u>

9. Interest in associates

	At 30 June 2004 \$'000	At 31 December 2003 \$'000
Unlisted shares		
Share of net assets other than goodwill	462,611	539,851
Share of unamortised goodwill	102,195	45,887
Negative goodwill on acquisition	(2,636)	(2,812)
Amounts due from associates	93	1,272
Amounts due to associates	(14,540)	(58)
	<u>547,723</u>	<u>584,140</u>

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

9. Interest in associates (Continued)

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

	Six months ended 30 June	
	2004	2003
	\$'000	\$'000
Operating results		
Turnover	5,680,045	5,036,638
Profit before taxation	133,060	125,929
Profit after taxation	<u>75,512</u>	<u>69,493</u>
Group's share of profit after taxation attributable to the material associate	<u>35,491</u>	<u>32,662</u>
	At	At
	30 June	31 December
	2004	2003
	\$'000	\$'000
Non-current assets	1,339,952	1,115,376
Current assets*	<u>1,694,449</u>	<u>1,783,182</u>
Total assets	<u>3,034,401</u>	<u>2,898,558</u>
Current liabilities	1,254,781	1,032,974
Non-current liabilities	<u>577,799</u>	<u>619,219</u>
Total liabilities	<u>1,832,580</u>	<u>1,652,193</u>
Net assets	<u>1,201,821</u>	<u>1,246,365</u>
Group's share of net assets attributable to the material associate	<u>564,856</u>	<u>585,791</u>

* Current assets comprise mainly inventories of motor vehicles.

At the balance sheet date, the Group had an equity interest of 50% in 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. Securities

	At 30 June 2004 \$'000	At 31 December 2003 \$'000
Non-trading securities		
Equity securities		
Listed outside Hong Kong, at market value	22,746	23,159
Unlisted	62,225	53,141
	<u>84,971</u>	<u>76,300</u>
Trading securities		
Debt securities		
Listed outside Hong Kong, at market value	8,560	9,422
Equity securities		
Listed		
– in Hong Kong, at market value	78,733	53,809
– outside Hong Kong, at market value	40,990	30,640
	<u>119,723</u>	<u>84,449</u>
	<u>128,283</u>	<u>93,871</u>

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

11. Debtors, deposits and prepayments

	At 30 June 2004 \$'000	At 31 December 2003 \$'000
Trade and other debtors, net of provision for doubtful debts	12,714	14,974
Deposits and prepayments	<u>28,812</u>	<u>44,689</u>
	<u>41,526</u>	<u>59,663</u>

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

	At 30 June 2004 \$'000	At 31 December 2003 \$'000
Current	10,710	14,490
One to three months overdue	1,806	368
More than three months overdue	<u>198</u>	<u>116</u>
	<u>12,714</u>	<u>14,974</u>

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

- (b) All deposits and prepayments, apart from certain rental deposits totalling \$8,945,000 (2003: \$8,945,000), are expected to be recovered within one year of the balance sheet date.

12. Cash and cash equivalents

	At 30 June 2004 \$'000	At 31 December 2003 \$'000
Cash at bank and in hand	45,721	80,979
Bank deposits	<u>947,491</u>	<u>960,270</u>
	<u>993,212</u>	<u>1,041,249</u>

At 30 June 2004, a fixed deposit of \$35,955,000 (2003: \$37,109,000) 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)

13. Creditors and accrued charges

	At 30 June 2004 \$'000	At 31 December 2003 \$'000
Trade and other creditors	153,701	217,920
Accrued charges	25,234	38,160
	<u>178,935</u>	<u>256,080</u>

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

	At 30 June 2004 \$'000	At 31 December 2003 \$'000
Amounts not yet due	123,533	175,098
On demand or overdue for less than one month	26,108	37,675
One to three months overdue	632	1,976
Three to twelve months overdue	3,428	3,171
	<u>153,701</u>	<u>217,920</u>

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

14. 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 2004	849,098	174,939	41,413	150,816	294,230	754,347	2,289,506	4,554,349
Dividends approved in respect of previous year (note 6(b))	-	-	-	-	-	-	(115,177)	(115,177)
Deferred tax after minority interests	31,633	-	-	-	-	-	-	31,633
Surplus on revaluation after minority interests (note 8)	307,409	-	-	-	-	-	-	307,409
Surplus on revaluation of non-trading securities	-	-	9,084	-	-	-	-	9,084
Share of decrease in capital reserves of associates	-	-	-	-	(533)	-	-	(533)
Exchange differences arising on consolidation	-	-	-	(72,395)	-	-	-	(72,395)
Profit for the period	-	-	-	-	-	-	123,761	123,761
At 30 June 2004	<u>1,188,140</u>	<u>174,939</u>	<u>50,497</u>	<u>78,421</u>	<u>293,697</u>	<u>754,347</u>	<u>2,298,090</u>	<u>4,838,131</u>

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

14. 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 2003	1,022,119	177,451	43,222	(140,376)	307,132	754,347	2,108,306	4,272,201
Dividends approved in respect of the previous year (note 6(b))	-	-	-	-	-	-	(76,785)	(76,785)
Revaluation surplus transferred to the consolidated income statement on disposal of investment properties	(12,727)	-	-	-	-	-	-	(12,727)
Exchange gain transferred to the consolidated income statement on disposal of investment properties	-	-	-	(2,062)	-	-	-	(2,062)
	(12,727)	-	-	(2,062)	-	-	-	(14,789)
Deferred tax after minority interests	31,106	(2,512)	-	(24,224)	-	-	-	4,370
Deficit on revaluation after minority interests (note 8)	(191,400)	-	-	-	-	-	-	(191,400)
Deficit on revaluation of non-trading securities	-	-	(1,809)	-	-	-	-	(1,809)
Share of decrease in capital reserves of associates	-	-	-	-	(12,902)	-	-	(12,902)
Exchange differences arising on consolidation	-	-	-	317,478	-	-	-	317,478
Profit for the year	-	-	-	-	-	-	296,377	296,377
Dividends declared and paid in respect of the current year	-	-	-	-	-	-	(38,392)	(38,392)
At 31 December 2003	<u>849,098</u>	<u>174,939</u>	<u>41,413</u>	<u>150,816</u>	<u>294,230</u>	<u>754,347</u>	<u>2,289,506</u>	<u>4,554,349</u>

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

15. Capital commitments

Capital commitments of the Group at 30 June 2004 not provided for in the interim financial report were as follows:

	At 30 June 2004 \$'000	At 31 December 2003 \$'000
Authorised and contracted for	2,651	1,601
Authorised but not contracted for	16,362	—
	<u>19,013</u>	<u>1,601</u>

16. Contingent liabilities

The Company has undertaken to guarantee certain loans and other facilities granted to certain subsidiaries to the extent of \$863,600,000 (at 31 December 2003: \$927,920,000) of which \$777,240,000 (at 31 December 2003: \$835,128,000) were utilised at 30 June 2004.

17. Material related party transactions

Fellow subsidiaries represent subsidiaries of Wing On International Holdings Limited, the Company's immediate holding company. 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 \$7,377,000 (2003: \$7,197,000) during the period. The net amount due to this fellow subsidiary at 30 June 2004 amounted to \$1,750,000 (at 31 December 2003: \$2,586,000).
- (b) A subsidiary rents office premises to a fellow subsidiary. Rental and management fees receivable from this fellow subsidiary amounted to \$1,013,000 (2003: \$1,011,000) during the period. The net amount due from this fellow subsidiary at 30 June 2004 amounted to \$Nil (at 31 December 2003: \$92,000).
- (c) The Company reimbursed a fellow subsidiary for the sharing of office space and facilities. Reimbursements payable to this fellow subsidiary amounted to \$30,000 (2003: \$60,000) 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 \$188,000 (2003: \$Nil) was payable to the fellow subsidiary during the period. The amounts due from this fellow subsidiary at 30 June 2004 amounted to \$1,078,000 (at 31 December 2003: \$2,364,000).

18. Approval of the interim financial report

The interim financial report was approved by the Board on 17 September 2004.

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 2004, 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	–	10,000 (Note 2)	–	407,000	0.14
Kwok Man Cho	425,400	116,500	–	–	541,900	0.18
Philip Kwok	150,000	–	–	–	150,000	0.05
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	5.29
Philip Kwok	30,000	–	–	–	30,000	1.28

(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 2004, 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 (BVI) Limited	180,545,138	61.13

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the period.