



WING ON COMPANY INTERNATIONAL LIMITED

永安國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 289)

INTERIM REPORT

2006

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

AUDITORS

KPMG
Certified Public Accountants

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

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

CHAIRMAN'S STATEMENT

INTERIM RESULTS AND DIVIDEND

For the six months ended 30 June 2006, the Group's turnover was HK\$805.9 million (2005: HK\$733.3 million), an increase of 9.9% compared to the corresponding period last year. The increase in turnover was mainly attributable to the continued improvement in the Group's department stores business while the turnover from the Group's property investment business remained steady.

Profit attributable to shareholders for the first half of 2006 was HK\$299.5 million (2005: HK\$754.0 million). Excluding the net valuation gain on investment properties and related deferred tax thereon, underlying profit attributable to shareholders decreased by 6.6% to HK\$163.9 million (2005: HK\$175.5 million). This moderate decrease was recorded despite the Group achieving increases in interest income from bank deposits, profit from investments in securities and operating profit from the department stores business. This was due to the inclusion of HK\$34.0 million one-off compensation received from a tenant for early termination of a lease and HK\$10.0 million gain on dissolution of a subsidiary in the corresponding period last year. Adjusted for these two one-off items net of income tax thereon, the Group's underlying profit attributable to shareholders would have increased by 15.7% when compared to the same period last year.

Earnings per share decreased to 101.4 HK cents per share from the 255.3 HK cents per share achieved for the same period last year. Excluding the earnings attributable to the revaluation of investment properties and the related deferred tax thereon, underlying earnings per share for the period decreased by 6.6% to 55.5 HK cents per share.

In view of the satisfactory results achieved, the directors have decided to pay an interim dividend of 18 HK cents (2005: 19 HK cents) per share, absorbing a total amount of HK\$53,159,000 (2005: HK\$56,112,000). The interim dividend will be paid on 26 October 2006 (Hong Kong time) to shareholders whose names appear on the Register of Members of the Company on 17 October 2006 (Hong Kong time). The Register of Members will be closed from 10 October 2006 to 17 October 2006 (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, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Monday, 9 October 2006 (Hong Kong time).

LIQUIDITY AND FINANCIAL RESOURCES

Overall Financial Position

Shareholders' equity at 30 June 2006 was HK\$6.1 billion, an increase of 2.8% compared to that at 31 December 2005. With cash and marketable securities at 30 June 2006 of about HK\$1,315.0 million as well as available banking facilities, the Group has sufficient liquidity to meet its current commitments and working capital requirements.

Borrowings and Charges on Group Assets

At 30 June 2006, the Group's total borrowings amounted to HK\$733.0 million, an increase of about HK\$8.5 million as compared to that at 31 December 2005. The total borrowings of HK\$733.0 million relate to a mortgage loan for Australian investment properties which is repayable in December 2006. The Group will negotiate with its banker to extend this loan nearer the time as and when required. As this outstanding loan is less than 50% of the security value of the Australian investment properties and taking into consideration the past timely and

CHAIRMAN'S STATEMENT

(Continued)

good repayment record, the Group does not anticipate any difficulties in extending this loan and, if considered appropriate, may choose to reduce or repay the loan. Certain assets, comprising principally property interests with a book value of HK\$4.1 billion, have been pledged to banks as collateral security for banking facilities granted to the extent of HK\$1.1 billion. In view of the existing strong cash position, the Group does not anticipate any liquidity problems.

Gearing Ratio

The gearing ratio, which is computed as the total borrowings of the Group divided by shareholders' funds of the Group at 30 June 2006, was 12.1% as compared to 12.3% at 31 December 2005.

Funding and Treasury Policies

The Group adopts a prudent funding and treasury policy. To minimise exposure to foreign exchange fluctuations, the Group's borrowings in Australia for its Melbourne property investment are denominated in Australian currency. Hence, the foreign exchange exposure is limited to the net investments in overseas subsidiaries of approximately HK\$1.4 billion at 30 June 2006 (at 31 December 2005: 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 may be used to assist in the Group's management of interest rate exposure. The Group's cash and bank balances are mainly denominated in Hong Kong, United States and Australian currencies. The use of financial instruments for hedging the Group's interest rate and foreign exchange exposure is closely monitored.

Capital Commitments and Contingent Liabilities

At 30 June 2006, the total amount of the Group's capital expenditure commitments was HK\$15,459,000 (at 31 December 2005: HK\$10,014,000) and contingent liabilities were insignificant.

HALF YEAR BUSINESS REVIEW

Department Store Operations

The period under review saw steady improvement in the Group's department stores business. For the six months ended 30 June 2006, the Group's department stores attained a turnover of HK\$679.5 million (2005: HK\$604.1 million), an increase of 12.5% when compared to the corresponding period last year. This was a result of the department stores operation's continuous efforts in improving operational efficiency, better merchandise mix, friendly customer service and more aggressive sales and promotional campaigns. The inclusion of the sales from our new Tsim Sha Tsui East branch store which was reopened in August 2005 also contributed to the increase in turnover. Overall, the Group's department store business achieved an operating profit of HK\$37.4 million, which was 3.9% above the HK\$36.0 million achieved in the same period last year.

CHAIRMAN'S STATEMENT

(Continued)

Property Investment

The Group's property investment income for the period under review amounted to HK\$111.4 million (2005: HK\$147.0 million), a decrease of 24.2%. This was due mainly to one-off compensation of HK\$34.0 million received from a tenant for the early termination of a lease in one of the Group's investment properties in Melbourne recorded in the same period last year.

The strong demand for office space in Hong Kong in the first half of the year pushed both rents and occupancy rates to a higher level, thus benefiting the Group's office investment properties in Hong Kong. During the period under review, the Group achieved a 23% increase in rental income from local property investments to HK\$59.3 million (2005: HK\$48.2 million) while maintaining an occupancy rate of over 95%. Income from the Group's commercial office properties in Australia decreased by 42.7% to HK\$55.0 million (2005: HK\$96.0 million). The office leasing market in Melbourne Australia remained highly competitive during the first six months of 2006 and the Group had to offer additional rental incentives for new lettings and renewal for its commercial properties in Melbourne with a slight drop in rentals from existing tenancies. The overall occupancy rate for the commercial investment properties in Australia was over 90%.

Automobile Dealership Business

The Group's investment in the automobile dealership business conducted by an associate in the United States continued to perform satisfactorily despite rising interest rates, energy costs and a slowdown in car sales, and continued to contribute profits to the Group during the first half of this year.

Others

Benefiting from a bullish stock market, the Group's investments in securities generated a profit of HK\$13.4 million for the first half of 2006, compared to HK\$2.5 million achieved in the same period last year.

Staff

As at 30 June 2006, the Group had a total staff of 964 (at 30 June 2005: 919). The Group's remuneration policies, bonus schemes, Mandatory Provident Fund schemes, etc., have not changed materially from the information disclosed in the 2005 Annual Report.

OUTLOOK FOR THE REMAINDER OF 2006

The Group expects the current favourable economic climate in Hong Kong to continue for the rest of the year. The Group anticipates its department stores business will generate satisfactory profits in the second half of the year. Investment properties in Hong Kong will benefit from the strong office rental market trend while the investment properties in Australia will remain stable. Barring further significant rises in interest rates, fuel costs and other operating costs, our automobile dealership associate in the United States is expected to continue to contribute profits to the Group.

Karl C. Kwok
Chairman

Hong Kong, 15 September 2006

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 25.

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 Hong Kong Accounting Standard 34, 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 2006.

KPMG
Certified Public Accountants

Hong Kong, 15 September 2006

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2006 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2006	2005
		\$'000	(restated) \$'000
Turnover	2	805,927	733,313
Other revenue	3	32,598	60,852
Other net gain	3	11,517	8,295
Cost of department store sales		(470,431)	(418,105)
Cost of property leasing activities		(28,832)	(31,117)
Other operating expenses		(167,242)	(144,441)
Profit from operations		<u>183,537</u>	<u>208,797</u>
Finance costs	4(a)	<u>(25,302)</u>	<u>(27,051)</u>
Net valuation gain on investment properties	8	158,235 <u>166,450</u>	181,746 <u>698,805</u>
		324,685	880,551
Share of profits less losses of associates		<u>25,107</u>	<u>24,068</u>
Profit before taxation	4	349,792	904,619
Income tax	5	<u>(50,101)</u>	<u>(150,282)</u>
Profit after taxation		<u>299,691</u>	<u>754,337</u>
Attributable to:			
Shareholders of the Company		299,488	753,997
Minority interests		<u>203</u>	<u>340</u>
Profit after taxation		<u>299,691</u>	<u>754,337</u>
Dividends attributable to the interim period:			
Interim dividend declared and payable after the interim period end	6(a)	<u>53,159</u>	<u>56,112</u>
Basic earnings per share	7	<u>101.4 cents</u>	<u>255.3 cents</u>

The notes on pages 13 to 25 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

At 30 June 2006 – unaudited
(Expressed in Hong Kong dollars)

		At 30 June 2006 \$'000	At 31 December 2005 \$'000
Non-current assets			
Fixed assets			
– Investment properties		4,765,241	4,575,723
– Other property, plant and equipment		738,947	765,341
		5,504,188	5,341,064
Goodwill	8	1,178	1,178
Interest in associates	9	675,543	639,573
Available-for-sale securities		35,438	36,588
Deferred tax assets		24,846	25,766
		6,241,193	6,044,169
Current assets			
Trading securities		201,726	204,719
Inventories		63,576	68,594
Debtors, deposits and prepayments	10	50,241	43,155
Current tax recoverable		10,960	8,349
Amounts due from fellow subsidiaries		3,194	1,742
Cash and cash equivalents	11	1,146,360	1,160,715
		1,476,057	1,487,274
Current liabilities			
Creditors and accrued charges	12	229,196	251,952
Secured bank loans		733,030	724,518
Obligations under finance leases		–	51
Current tax payable		11,639	13,339
Amounts due to fellow subsidiaries		1,119	804
Amounts due to associates		14,380	14,459
		989,364	1,005,123
Net current assets		486,693	482,151
Total assets less current liabilities carried forward		6,727,886	6,526,320

CONSOLIDATED BALANCE SHEET

(Continued)
At 30 June 2006 – unaudited
(Expressed in Hong Kong dollars)

	At 30 June 2006 \$'000	At 31 December 2005 \$'000
Total assets less current liabilities brought forward	6,727,886	6,526,320
Non-current liabilities		
Deferred tax liabilities	<u>657,157</u>	<u>622,950</u>
Net assets	<u>6,070,729</u>	<u>5,903,370</u>
Capital and reserves		
Share capital	29,533	29,533
Reserves	<u>6,026,590</u>	<u>5,859,457</u>
Total equity attributable to shareholders of the Company	6,056,123	5,888,990
Minority interests	<u>14,606</u>	<u>14,380</u>
Total equity	<u>6,070,729</u>	<u>5,903,370</u>

The notes on pages 13 to 25 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006 – unaudited
(Expressed in Hong Kong dollars)

Attributable to shareholders of the Company										
	Share capital	Land and building revaluation reserve	Investment revaluation reserve	Exchange reserve	Hedging reserve	Contributed surplus	Retained earnings (note (b))	Total	Minority interests	Total equity
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2006	29,533	174,939	9,669	121,421	(1,284)	754,347	4,800,365	5,888,990	14,380	5,903,370
Changes in fair value of available-for-sale securities	-	-	(5,051)	-	-	-	-	(5,051)	-	(5,051)
Share of cash flow hedge of an associate: effective portion of changes in fair value, net of deferred tax	-	-	-	-	9,809	-	-	9,809	-	9,809
Exchange differences arising on consolidation	-	-	-	13,503	-	-	-	13,503	23	13,526
Net income for the period recognised directly in equity	-	-	(5,051)	13,503	9,809	-	-	18,261	23	18,284
Profit for the period	-	-	-	-	-	-	299,488	299,488	203	299,691
Total recognised income and expense for the period	-	-	(5,051)	13,503	9,809	-	299,488	317,749	226	317,975
Dividends approved in respect of the previous year	6(b) -	-	-	-	-	-	(150,616)	(150,616)	-	(150,616)
	-	-	(5,051)	13,503	9,809	-	148,872	167,133	226	167,359
At 30 June 2006	29,533	174,939	4,618	134,924	8,525	754,347	4,949,237	6,056,123	14,606	6,070,729

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Continued)

For the six months ended 30 June 2006 – unaudited
(Expressed in Hong Kong dollars)

Attributable to shareholders of the Company

	Attributable to shareholders of the Company										
	Share capital	Land and building revaluation reserve	Investment revaluation reserve	Exchange reserve	Other capital reserves	Hedging reserve	Contributed surplus	Retained earnings (note (b))	Total	Minority interests	Total equity
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2005	29,533	174,939	4,232	202,662	19,639	-	754,347	3,960,671	5,146,023	14,012	5,160,035
Changes in fair value of available-for-sale securities	-	-	528	-	-	-	-	-	528	-	528
Exchange differences arising on consolidation	-	-	-	(29,754)	-	-	-	-	(29,754)	(12)	(29,766)
Net expense for the period recognised directly in equity	-	-	528	(29,754)	-	-	-	-	(29,226)	(12)	(29,238)
Profit for the period	-	-	-	-	-	-	-	753,997	753,997	340	754,337
Total recognised income and expense for the period	-	-	528	(29,754)	-	-	-	753,997	724,771	328	725,099
Dividends approved in respect of the previous year	6(b) -	-	-	-	-	-	-	(121,084)	(121,084)	-	(121,084)
	-	-	528	(29,754)	-	-	-	632,913	603,687	328	604,015
At 30 June 2005	29,533	174,939	4,760	172,908	19,639	-	754,347	4,593,584	5,749,710	14,340	5,764,050

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Continued)

For the six months ended 30 June 2006 – unaudited
(Expressed in Hong Kong dollars)

Attributable to shareholders of the Company

		Land and building Share capital	revaluation reserve	Investment revaluation reserve	Exchange reserve	Other capital reserves	Hedging reserve	Contributed surplus	Retained earnings (note (b))	Total	Minority interests	Total equity
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2005	29,533	174,939	4,760	172,908	19,639	-	754,347	4,593,584	5,749,710	14,340	5,764,050	
Changes in fair value of available-for-sale securities	-	-	4,909	-	-	-	-	-	4,909	-	4,909	
Share of cash flow hedge of an associate: effective portion of changes in fair value, net of deferred tax	-	-	-	-	-	(1,284)	-	-	(1,284)	-	(1,284)	
Transfer (note (a))	-	-	-	-	(19,639)	-	-	19,639	-	-	-	
Exchange differences arising on consolidation	-	-	-	(51,487)	-	-	-	-	(51,487)	(26)	(51,513)	
Net expense for the period recognised directly in equity	-	-	4,909	(51,487)	(19,639)	(1,284)	-	19,639	(47,862)	(26)	(47,888)	
Profit for the period	-	-	-	-	-	-	-	243,254	243,254	66	243,320	
Total recognised income and expense for the period	-	-	4,909	(51,487)	(19,639)	(1,284)	-	262,893	195,392	40	195,432	
Dividends declared and paid in respect of the current period	6(a)	-	-	-	-	-	-	(56,112)	(56,112)	-	(56,112)	
	-	-	4,909	(51,487)	(19,639)	(1,284)	-	206,781	139,280	40	139,320	
At 31 December 2005	29,533	174,939	9,669	121,421	-	(1,284)	754,347	4,800,365	5,888,990	14,380	5,903,370	

Notes:

- (a) Other capital reserves at 1 January 2005 represented various appropriations of retained earnings which arose over twenty years ago. Management reviewed the nature of the items comprising the balance and concluded that, based on prevailing accounting policies, the balance should be transferred to retained earnings at 31 December 2005.
- (b) Retained earnings attributable to the shareholders of the Company at 30 June 2006 include net valuation gain on investment properties after deferred tax of \$2,197,918,000 (at 31 December 2005: \$2,062,371,000).

The notes on pages 13 to 25 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2006 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2006	2005
	\$'000	\$'000
Cash generated from operations	144,343	142,293
Tax paid	<u>(20,828)</u>	<u>(14,716)</u>
Net cash generated from operating activities	123,515	127,577
Net cash generated from investing activities	31,595	15,368
Net cash used in financing activities	<u>(176,250)</u>	<u>(135,388)</u>
Net (decrease)/increase in cash and cash equivalents	(21,140)	7,557
Cash and cash equivalents at 1 January	1,160,715	1,124,459
Effect of foreign exchange rates changes	<u>6,785</u>	<u>(15,222)</u>
Cash and cash equivalents at 30 June	<u>1,146,360</u>	<u>1,116,794</u>
	At 30 June	At 30 June
	2006	2005
	\$'000	\$'000
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	63,188	86,373
Bank deposits	<u>1,083,172</u>	<u>1,030,421</u>
Cash and cash equivalents	<u>1,146,360</u>	<u>1,116,794</u>

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars)

1. Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 15 September 2006.

The interim financial report has been prepared in accordance with the same principal accounting policies adopted in the 2005 annual financial statements. In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA, which are effective for accounting periods beginning on or after 1 January 2006. The adoption of the new standards, amendments and interpretations had no material effect on how the results for the current and/or prior accounting periods are prepared and presented.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2005 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”, which term collectively includes HKASs and Interpretations).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700, Engagements to review interim financial reports, issued by the HKICPA. 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 financial information relating to the financial year ended 31 December 2005 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2005 are available from the Stock Exchange’s website. The auditors have expressed an unqualified opinion on those financial statements in their report dated 12 April 2006.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

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.

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

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

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

	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	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers (turnover)	679,524	604,135	126,403	129,178	-	-	-	-	805,927	733,313
Inter-segment revenue	-	-	40,475	34,395	(40,475)	(34,395)	-	-	-	-
Other revenue from external customers	-	-	-	33,974	-	-	898	1,093	898	35,067
Total	<u>679,524</u>	<u>604,135</u>	<u>166,878</u>	<u>197,547</u>	<u>(40,475)</u>	<u>(34,395)</u>	<u>898</u>	<u>1,093</u>	<u>806,825</u>	<u>768,380</u>
Segment result	37,406	35,974	111,430	147,042	-	-	-	-	148,836	183,016
Interest income from bank deposits									28,659	22,552
Unallocated operating income net of expenses									6,042	3,229
Profit from operations									183,537	208,797
Finance costs									(25,302)	(27,051)
									158,235	181,746
Net valuation gain on investment properties	-	-	166,450	698,805	-	-	-	-	166,450	698,805
									324,685	880,551
Share of profits less losses of associates	-	-	-	-	-	-	25,107	24,068	25,107	24,068
Profit before taxation									349,792	904,619
Income tax									(50,101)	(150,282)
Profit after taxation									<u>299,691</u>	<u>754,337</u>

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

3. Other revenue and other net gain

	Six months ended 30 June	
	2006	2005
	\$'000	\$'000
Other revenue		
Compensation received on early termination of a lease	–	33,974
Dividend income from listed securities	2,225	2,389
Dividend income from unlisted securities	600	630
Interest income from listed securities	216	214
Interest income from bank deposits	28,659	22,552
Others	898	1,093
	<u>32,598</u>	<u>60,852</u>
Other net gain		
Net gain/(loss) on disposal of fixed assets	10	(79)
Net foreign exchange gain/(loss)	768	(947)
Net realised gain on disposal of trading securities	8,541	1,140
Net gain on remeasurement to fair value of trading securities	2,198	915
Impairment of available-for-sale securities	–	(2,769)
Net gain on dissolution of a subsidiary	–	10,035
	<u>11,517</u>	<u>8,295</u>

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

4. Profit before taxation

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

	Six months ended 30 June	
	2006	2005
	\$'000	\$'000
(a) Finance costs:		
Interest on bank loans repayable within five years	<u>25,302</u>	<u>27,051</u>
(b) Staff costs (excluding directors' remuneration):		
Contributions to defined contribution retirement plans	4,641	4,252
Salaries, wages and other benefits	<u>78,460</u>	<u>72,042</u>
	<u>83,101</u>	<u>76,294</u>
(c) Rentals received and receivable from investment properties:		
Gross rentals	(126,403)	(129,178)
Less: direct outgoings	<u>28,832</u>	<u>31,117</u>
	<u>(97,571)</u>	<u>(98,061)</u>
(d) Other items:		
Depreciation and amortisation		
– owned assets	27,184	22,617
– assets held for use under finance leases	–	185
– lease incentives	3,283	65
Operating lease charges		
– minimum lease payments on rentals of land and buildings	14,911	12,493
– contingent rentals	879	480
Share of associates' taxation	21,436	18,480
Cost of inventories sold	<u>470,431</u>	<u>418,105</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 2006	2005 (restated)
	\$'000	\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	----- 11,745	----- 8,338
Current tax – Overseas		
Provision for the period	4,628	7,857
(Over)/under-provision in respect of prior years	(26)	188
	----- 4,602	----- 8,045
Deferred tax		
Origination and reversal of temporary differences		
– changes in fair value of investment properties	30,903	120,222
– other temporary differences	2,851	13,677
	----- 33,754	----- 133,899
Total income tax expense	<u>50,101</u>	<u>150,282</u>

The provision for Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the six months ended 30 June 2006. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

6. Dividends

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

	Six months ended 30 June 2006	2005
	\$'000	\$'000
Interim dividend declared and payable after the interim period end of 18 cents (2005: 19 cents) per share	<u>53,159</u>	<u>56,112</u>

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

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

6. Dividends (Continued)

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

	Six months ended 30 June	
	2006	2005
	\$'000	\$'000
Final dividends in respect of the financial year ended 31 December 2005, approved and paid during the interim period of 51 cents (31 December 2004: 41 cents) per share	<u>150,616</u>	<u>121,084</u>

7. Basic earnings per share

- (a) The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company for the six months ended 30 June 2006 of \$299,488,000 (six months ended 30 June 2005: \$753,997,000) divided by 295,326,000 shares (2005: 295,326,000 shares) in issue during the interim period.

There were no outstanding potential shares throughout the periods presented.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

7. Basic earnings per share (Continued)

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

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

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

	Six months ended 30 June			
	2006		2005	
	\$'000	Amount per share cents	\$'000	Amount per share cents
Profit attributable to shareholders of the Company as shown in the consolidated income statement	299,488	101.4	753,997	255.3
Net valuation gain on investment properties	(166,450)	(56.4)	(698,805)	(236.6)
Increase in deferred tax liabilities in relation to the net valuation gain on investment properties	30,903	10.5	120,222	40.7
	163,941	55.5	175,414	59.4
Net valuation gain on investment properties net of related deferred tax attributable to minority interests	-	-	60	-
Underlying profit attributable to shareholders of the Company	<u>163,941</u>	<u>55.5</u>	<u>175,474</u>	<u>59.4</u>

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

8. Fixed assets

Investment properties were revalued at 30 June 2006 by the directors using relevant market indices to update the professional valuations that were carried out at 31 December 2005. As a result of the update, a net gain of \$166,450,000 (six months ended 30 June 2005: \$698,805,000), and deferred tax of \$30,903,000 thereon (six months ended 30 June 2005: \$120,222,000) have been included in the consolidated income statement.

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

	At 30 June 2006 \$'000	At 31 December 2005 \$'000
Within one year	174,553	182,077
After one year but within five years	395,432	428,549
After five years	67,798	106,776
	<u>637,783</u>	<u>717,402</u>

9. Interest in associates

	At 30 June 2006 \$'000	At 31 December 2005 \$'000
Unlisted shares		
Share of net assets other than goodwill and intangible assets	408,086	439,059
Share of positive goodwill and intangible assets of an associate	267,457	200,514
	<u>675,543</u>	<u>639,573</u>

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	
	2006 \$'000	2005 \$'000
Operating results		
Turnover	6,874,016	6,718,228
Profit before taxation	92,829	84,967
Profit after taxation	<u>49,956</u>	<u>48,008</u>
Group's share of profit after taxation attributable to the material associate	<u>24,978</u>	<u>24,004</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, extracted from its unaudited financial statements, is given as follows (Continued):

	At 30 June 2006 \$'000	At 31 December 2005 \$'000
Non-current assets	2,058,657	1,886,715
Current assets *	2,373,515	2,319,018
	4,432,172	4,205,733
Total assets	4,432,172	4,205,733
Current liabilities	529,325	575,916
Non-current liabilities	2,552,502	2,351,153
	3,081,827	2,927,069
Total liabilities	3,081,827	2,927,069
Net assets	1,350,345	1,278,664
Group's share of net assets attributable to the material associate	675,173	639,332

* Current assets comprise mainly inventories of motor vehicles.

10. Debtors, deposits and prepayments

	At 30 June 2006 \$'000	At 31 December 2005 \$'000
Trade and other debtors, net of impairment loss for doubtful debts	23,067	21,481
Deposits and prepayments	27,174	21,674
	50,241	43,155
	50,241	43,155

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

	At 30 June 2006 \$'000	At 31 December 2005 \$'000
Current	21,108	19,444
One to three months overdue	1,838	1,688
More than three months overdue	121	349
	23,067	21,481
	23,067	21,481

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

10. Debtors, deposits and prepayments (Continued)

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

All debtors, deposits and prepayments, apart from certain rental deposits totalling \$8,272,000 (at 31 December 2005: \$8,329,000) are expected to be recovered within one year of the balance sheet date.

11. Cash and cash equivalents

	At 30 June 2006 \$'000	At 31 December 2005 \$'000
Cash at bank and in hand	63,188	74,418
Bank deposits	<u>1,083,172</u>	<u>1,086,297</u>
	<u>1,146,360</u>	<u>1,160,715</u>

12. Creditors and accrued charges

	At 30 June 2006 \$'000	At 31 December 2005 \$'000
Trade and other creditors	207,163	224,622
Accrued charges	<u>22,033</u>	<u>27,330</u>
	<u>229,196</u>	<u>251,952</u>

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

	At 30 June 2006 \$'000	At 31 December 2005 \$'000
Amounts not yet due	181,169	223,951
On demand or overdue for less than one month	20,358	380
One to three months overdue	1,528	23
Three to twelve months overdue	<u>4,108</u>	<u>268</u>
	<u>207,163</u>	<u>224,622</u>

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

13. Capital commitments

Capital commitments of the Group outstanding at 30 June 2006 not provided for in the interim financial report are as follows:

	At 30 June 2006 \$'000	At 31 December 2005 \$'000
Authorised and contracted for	6,881	9,904
Authorised but not contracted for	8,578	110
	<u>15,459</u>	<u>10,014</u>

14. Contingent liabilities

As at 31 December 2005, the Company had undertaken to guarantee certain loans and other facilities granted to certain subsidiaries to the extent of \$905,648,000 of which \$724,518,000 was utilised. The guarantee was released during the period.

15. Related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group for the six months ended 30 June 2006 is as follows:

	Six months ended 30 June	
	2006 \$'000	2005 \$'000
Salaries and other short-term employee benefits	8,303	3,789
Contributions to defined contribution retirement plans	280	174
	<u>8,583</u>	<u>3,963</u>

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

15. Related party transactions (Continued)

(b) Recurring transactions

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

- (i) A fellow subsidiary rents retail premises to a subsidiary. Rental and management fees payable to this fellow subsidiary amounted to \$9,188,000 (2005: \$7,211,000) during the period. The amount due from the fellow subsidiary at 30 June 2006 amounted to \$1,528,000 (at 31 December 2005: \$1,372,000).
- (ii) A subsidiary rents office premises to a fellow subsidiary. Rental and management fees receivable from this fellow subsidiary amounted to \$1,166,000 (2005: \$1,032,000) during the period. The amount due to the fellow subsidiary at 30 June 2006 amounted to \$547,000 (at 31 December 2005: \$547,000).
- (iii) Fellow subsidiaries, engaging in securities trading and futures broking, deal in securities and futures respectively for certain subsidiaries of the Group. Commission of \$241,000 (2005: \$118,000) was payable to these fellow subsidiaries during the period. Interest income of \$36,000 (2005: \$8,000) was receivable from these fellow subsidiaries during the period. The amounts due from these fellow subsidiaries at 30 June 2006 amounted to \$1,666,000 (at 31 December 2005: \$370,000).
- (iv) A subsidiary provides building and tenancy management services to a fellow subsidiary. Building and tenancy management fees receivable from this fellow subsidiary amounted to \$424,000 (2005: \$334,000) during the period. The net amount due to the fellow subsidiary at 30 June 2006 amounted to \$572,000 (at 31 December 2005: \$257,000).

The directors of the Group are of the opinion that the above transactions were conducted in accordance with terms mutually agreed by the Group and the respective companies.

16. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation. In prior periods, the Group's share of taxation of associates accounted for using the equity method was included as part of the Group's income tax in the consolidated income statement. In accordance with the implementation guidance in HKAS 1, the Group has changed its presentation thereof and has included the share of taxation of associates in the share of profits less losses of associates reported in the consolidated income statement before arriving at the Group's profit before taxation. This has resulted in a decrease in "share of profits less losses of associates" in the consolidated income statement for the period ended 30 June 2005 of \$18,480,000 and a corresponding decrease in income tax by the same amount, with no impact on profit after taxation of the Group for the period ended 30 June 2005.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)
(Expressed in Hong Kong dollars)

17. Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting year ending 31 December 2006

Up to the date of issue of this interim financial report, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting year ending 31 December 2006:

		Effective for accounting periods beginning on or after
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
Amendments to HKAS 1	Presentation of Financial Statements: Capital Disclosures	1 January 2007
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies	1 March 2006
HK(IFRIC) – Int 8	Scope of HKFRS 2	1 May 2006
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives	1 June 2006

The above amendments, new standards and interpretations have not been applied in this interim financial report because the directors expect that the Group will not early apply them when preparing the Group's annual financial statements for the year ending 31 December 2006.

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

18. Approval of the interim financial report

The interim financial report was approved by the Board of Directors on 15 September 2006.

SUPPLEMENTARY INFORMATION

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2006 save as hereinafter mentioned. However, the following actions have been taken by the Company in order to achieve compliance with the Code.

1. As mentioned in the Corporate Governance Report to the Company’s Annual Report 2005, the Company’s non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company’s Bye-Laws. The Board has agreed that all directors (including non-executive directors) appointed or elected in the future be appointed or elected for fixed terms of not more than three years. At the Annual General Meeting held on 14 June 2006, the four directors (including non-executive directors) retiring by rotation were re-elected for fixed terms of not more than three years. The Company shall continue this practice with the rest of the directors (including non-executive directors) so that when their current terms are up by rotation, they may only be re-elected for fixed terms of not more than three years.
2. As stated in the Corporate Governance Report to the Company’s Annual Report 2005, according to the Company’s Bye-Laws, any directors appointed by the Board to fill a casual vacancy shall hold office only until the following annual general meeting and one-third of the directors (except the Chairman and the Managing Director) are subject to retirement by rotation at each annual general meeting. A special resolution was passed at the Annual General Meeting held on 14 June 2006 to amend the Company’s relevant Bye-Laws to specify that any director appointed by the board of directors to fill a casual vacancy shall hold office until the next following general meeting and to provide for the retirement of every director (excluding those holding office as Chairman and Managing Director) at least once every three years at annual general meetings of the Company. The Company has been advised by its Bermuda lawyers that the Bye-Laws cannot be amended to include the retirement by rotation of the Chairman and the Managing Director as there is a provision in the Company’s private act “Wing On Company International Limited Company Act, 1991” which specifically exempt the Chairman and the Managing Director of the Company from retirement by rotation. However, in the spirit of good corporate governance practice, the Chairman has agreed to retire on a voluntary basis at least once every three years at annual general meeting of the Company. Mr. Karl C. Kwok, the Chairman of the Company, voluntarily retired at the said Annual General Meeting and was re-elected for a fixed term of three years until the 2009 Annual General Meeting. Mr. Lester Kwok, the Chief Executive Officer of the Company (whose role is equivalent to that of the Managing Director), retired by rotation at the said Annual General Meeting and was re-elected for a fixed term of two years until the 2008 Annual General Meeting.

Code Provision C.2.1 of the Code in respect of a review of the effectiveness of the Group’s internal controls is first applicable to the Company for its financial year ending 31 December 2006. The Board has already put in place procedures, including seeking external advisory assistance, to enable the Board to report on Code Provision C.2.1 in its 2006 Corporate Governance Report.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its code of conduct regarding directors’ securities transactions. The Company has made specific enquiries of all directors and all directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2006.

SUPPLEMENTARY INFORMATION

(Continued)

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2006, the interests and short positions of the directors in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under section 352 of the SFO were as follows:

(a) The Company

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

Notes:

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

(b) Kee Wai Investment Company (BVI) Limited

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

SUPPLEMENTARY INFORMATION

(Continued)

DIRECTORS' INTERESTS IN SHARES (Continued)

(c) Wing On Corporate Management (BVI) Limited

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

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

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

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

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

SUPPLEMENTARY INFORMATION

(Continued)

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2006, according to the information available to the Company, the following companies were interested in 5% or more of the issued share capital of the Company as recorded in the register required to be kept under section 336 of the SFO:

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

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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