



WING ON COMPANY INTERNATIONAL LIMITED

永安國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 289)

INTERIM REPORT

2008

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CORPORATE INFORMATION

BOARD OF DIRECTORS

The Board of Directors as now constituted is listed below:

Executive Directors

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

Non-executive Directors

Dr. Bill Kwok
Dr. Kwok Man Cho
Dr. Philip Kwok, SBS, J.P.

Independent Non-executive Directors

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

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

AUDITOR

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

SECRETARY

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

REGISTERED OFFICE

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

PRINCIPAL OFFICE

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

SHARE REGISTRARS

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

Butterfield 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 2008, the Group's turnover increased by 14.7% to HK\$705.1 million (2007: HK\$614.9 million). This was due mainly to the continued increase in the Group's department stores' turnover and the improved rental income from the Group's investment properties.

Profit attributable to shareholders for the first half of 2008 was HK\$679.2 million (2007: HK\$595.1 million), an increase of 14.1%. This was due mainly to the increase in net valuation gain on investment properties net of the related deferred tax when compared to the same period last year. However, the underlying profit attributable to shareholders decreased by 31.0% to HK\$151.5 million (2007: HK\$219.7 million), despite the increased profit contribution from the Group's commercial investment properties and department stores business. This was caused mainly by loss on investments in securities as a result of poor stock market performance, reduced interest income earned, increase in borrowing costs for the Group's commercial investment properties in Australia, and the reduced profit contribution from the Group's automobile dealership associate in the United States.

Earnings per share increased by 14.1% to 230.0 HK cents per share from the 201.5 HK cents per share achieved for the same period last year. Excluding the net valuation gain on investment properties and related deferred tax thereon, underlying earnings per share for the period decreased by 31.0% to 51.3 HK cents per share (2007: 74.4 HK cents per share).

In view of the satisfactory results achieved, the directors have decided to pay an interim dividend of 17 HK cents (2007: 24 HK cents) per share, absorbing a total amount of HK\$50,205,000 (2007: HK\$70,878,000). A special one-off dividend of 100 HK cents per share to commemorate the centenary of the founding of our department stores business in 1907 was paid in 2007. The interim dividend will be paid on 24 October 2008 (Hong Kong time) to shareholders whose names appear on the Register of Members of the Company on 17 October 2008 (Hong Kong time). The Register of Members will be closed from 13 October 2008 to 17 October 2008 (Hong Kong time), both dates inclusive, during which period no share transfer will be accepted.

To qualify for the interim dividend, transfers to be dealt with must be lodged with the Company's Share Registrars, Tricor Progressive Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 10 October 2008 (Hong Kong time).

LIQUIDITY AND FINANCIAL RESOURCES

Overall Financial Position

Shareholders' equity at 30 June 2008 was HK\$8.2 billion, an increase of 8.5% compared to that at 31 December 2007. With cash and listed marketable securities at 30 June 2008 of about HK\$1.4 billion as well as available banking facilities, the Group has sufficient liquidity to meet its current commitments and working capital requirements.

CHAIRMAN'S STATEMENT

(Continued)

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

Borrowings and Charges on Group Assets

At 30 June 2008, the Group's total borrowings amounted to HK\$959.3 million, an increase of about HK\$79.9 million, due entirely to exchange differences, as compared to that at 31 December 2007. The Group's total borrowings of HK\$959.3 million relate to a mortgage loan for Australian investment properties; almost all of which will be repayable after two years but within five years. In view of this maturity profile of the borrowings, the repayment pressure is low. Certain assets, comprising principally property interests with a book value of HK\$6.7 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' equity of the Group at 30 June 2008, was 11.7% as compared with 11.6% at 31 December 2007.

Funding and Treasury Policies

The Group adopts a prudent funding and treasury policy. To minimise exposure to foreign exchange fluctuations, the Group's borrowings in Australia for its Melbourne investment property are denominated in Australian dollars. Hence, the foreign exchange exposure is limited to the net investments in overseas subsidiaries of approximately HK\$1.9 billion at 30 June 2008 (at 31 December 2007: HK\$1.8 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 dollars. 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 2008, the total amount of the Group's capital expenditure commitments was HK\$1,780,000 (at 31 December 2007: HK\$6,551,000). An associate of the Group has issued corporate guarantees to certain financial institutions in respect of banking facilities granted to a jointly controlled entity of the associate, which expire within one year. At 30 June 2008, the maximum contingent liability shared by the Group was HK\$31,532,000 (at 31 December 2007: HK\$ Nil).

CHAIRMAN'S STATEMENT

(Continued)

HALF YEAR BUSINESS REVIEW

Department Store Operations

The Group's department stores business turnover during the six months ended 30 June 2008 increased by 16.7% to HK\$553.1 million (2007: HK\$473.8 million). Customer spending at our department stores was strong throughout the period under review. The department stores' promotional events have been successful in generating sales. The Group's department stores business achieved an operating profit of HK\$73.4 million (2007: HK\$52.2 million), an increase of 40.6% when compared to the same period last year.

Property Investment

The Group's property investment income for the period under review increased by 13.1% to HK\$140.0 million (2007: HK\$123.8 million). Benefiting from the positive demands for quality office space in prime locations in Hong Kong while the supply remains limited in the near term, the Group achieved a 12.8% increase in rental income from its investment properties in Hong Kong to HK\$78.4 million (2007: HK\$69.5 million) while maintaining an overall occupancy rate of over 95%. Income from the Group's commercial properties in Australia increased by 16.9% to HK\$59.6 million (2007: HK\$51.0 million). This increase was a result of the higher rents achieved for renewals and new lettings, and the higher net rental income achieved when translating the net rental income from Australian dollars to Hong Kong dollars. The overall occupancy rate for the commercial investment properties in Australia remained stable at above 95%.

Automobile Dealership Business

Despite the deteriorating car sales market in the United States caused by the credit crunch and the weak United States economy, the Group's associate in the United States engaging in the automobile dealership business managed to achieve car sales turnover and profit margins at a level comparable to the last period. However, the after tax profit contributed by the associate decreased by 94.1% due mainly to the revaluation deficit on investment properties held by the associate as a result of falling property prices in the United States and a moderate increase in operating costs.

Others

During the period under review, the Group recorded a net exchange gain of HK\$7.0 million (2007: HK\$9.6 million) mainly from its Australian dollar deposits and recognised a foreign exchange gain of HK\$19.9 million (2007: HK\$16.5 million) upon the return of investments from subsidiaries in Australia. The Group's investments in securities recorded a loss of HK\$47.8 million, the bulk of which are unrealised losses, during the first half of 2008 due to poor stock market performance in Hong Kong and overseas, compared to a profit of HK\$29.9 million in the corresponding period last year.

Staff

As at 30 June 2008, the Group had a total staff of 948 (at 30 June 2007: 959). The Group's remuneration policies, bonus schemes, Mandatory Provident Fund Schemes, etc., have not changed materially from the information disclosed in the 2007 Annual Report.

CHAIRMAN'S STATEMENT

(Continued)

OUTLOOK FOR THE REMAINDER OF 2008

The mainstay of the Group's income for the remainder of the year will continue to come from its commercial investment properties and department stores business. These two operations are expected to perform steadily. The bearish stock markets in Hong Kong and overseas will continue to have a negative bearing on the Group's investment portfolios. The weakening of the Australian dollar may also impact unfavourably on our property investments in Melbourne when translated back to the Hong Kong dollar. The prevailing weak car sales market in the United States is not expected to recover soon and our automobile dealership associate in the United States will continue to trade under difficult conditions.

Karl C. Kwok
Chairman

Hong Kong, 10 September 2008

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

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 7 to 26 which comprises the consolidated balance sheet of Wing On Company International Limited as of 30 June 2008, the consolidated income statement, the consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors are responsible for the preparation and presentation of the interim financial report in accordance with HKAS 34.

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

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity” issued by the HKICPA. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2008 is not prepared, in all material respects, in accordance with HKAS 34 “Interim financial reporting”.

KPMG

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

10 September 2008

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2008	2007
	Note	\$'000	\$'000
Turnover	2	705,060	614,862
Other revenue	3	35,943	40,650
Other net (loss)/gain	3	(23,632)	53,375
Cost of department store sales	4(d)	(301,570)	(253,860)
Cost of property leasing activities	4(c)	(32,037)	(34,861)
Other operating expenses		(177,346)	(166,863)
Profit from operations		<u>206,418</u>	<u>253,303</u>
Finance costs	4(a)	(39,265)	(29,807)
		167,153	223,496
Net valuation gain on investment properties	8	582,417	457,646
		749,570	681,142
Share of profits of associates		1,294	16,849
Profit before taxation	4	750,864	697,991
Income tax	5	(71,385)	(102,552)
Profit for the period		<u>679,479</u>	<u>595,439</u>
Attributable to:			
Shareholders of the Company		679,207	595,104
Minority interests		272	335
Profit for the period		<u>679,479</u>	<u>595,439</u>
Dividends attributable to the interim period:			
Interim and special dividends declared and payable after the interim period end	6(a)	50,205	366,204
Basic earnings per share	7	<u>230.0 cents</u>	<u>201.5 cents</u>

The notes on pages 14 to 26 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

At 30 June 2008 – unaudited
(Expressed in Hong Kong dollars)

		At 30 June 2008 \$'000	At 31 December 2007 \$'000
Non-current assets			
Fixed assets			
– Investment properties		7,401,644	6,597,039
– Other property, plant and equipment		675,760	690,166
	8	8,077,404	7,287,205
Goodwill		1,178	1,178
Interest in associates	9	699,775	705,820
Available-for-sale securities		165,708	181,758
Deferred tax assets		39,910	42,019
		8,983,975	8,217,980
Current assets			
Trading securities		253,798	256,592
Inventories		75,020	74,383
Debtors, deposits and prepayments	10	55,838	54,476
Amounts due from fellow subsidiaries		7,083	6,870
Amount due from an associate		2,349	1,621
Current tax recoverable		2,364	371
Cash and cash equivalents	11	1,178,368	1,177,295
		1,574,820	1,571,608
Current liabilities			
Creditors and accrued charges	12	290,807	311,871
Amounts due to fellow subsidiaries		1,890	1,119
Amount due to an associate		59	59
Current tax payable		20,679	32,669
		313,435	345,718
Net current assets		1,261,385	1,225,890
Total assets less current liabilities carried forward		10,245,360	9,443,870

CONSOLIDATED BALANCE SHEET

(Continued)

At 30 June 2008 – unaudited
(Expressed in Hong Kong dollars)

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Total assets less current liabilities brought forward	10,245,360	9,443,870
Non-current liabilities		
Secured bank loan	959,335	879,424
Deferred tax liabilities	1,063,820	986,342
	<u>2,023,155</u>	<u>1,865,766</u>
Net assets	<u>8,222,205</u>	<u>7,578,104</u>
Capital and reserves		
Share capital	29,533	29,533
Reserves	8,176,712	7,532,889
	<u>8,206,245</u>	<u>7,562,422</u>
Total equity attributable to shareholders of the Company	8,206,245	7,562,422
Minority interests	<u>15,960</u>	<u>15,682</u>
Total equity	<u>8,222,205</u>	<u>7,578,104</u>

The notes on pages 14 to 26 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008 – unaudited
(Expressed in Hong Kong dollars)

	Attributable to shareholders of the Company									
	Share capital	Land and building revaluation reserve	Investment revaluation reserve	Exchange reserve	Hedging reserve	Contributed surplus	Retained earnings (note)	Total	Minority interests	Total equity
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2008	29,533	181,893	9,213	365,969	(30,033)	754,347	6,251,500	7,562,422	15,682	7,578,104
Net income recognised directly in equity										
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	144,237	-	-	-	144,237	6	144,243
Share of exchange differences on translation of financial statements of overseas associates	-	-	-	654	-	-	-	654	-	654
Share of cash flow hedge of an associate: changes in fair value of effective portion, net of deferred tax	-	-	-	-	(1,172)	-	-	(1,172)	-	(1,172)
Changes in fair value of available-for-sale securities	-	-	(16,050)	-	-	-	-	(16,050)	-	(16,050)
Net income for the period recognised directly in equity	-	-	(16,050)	144,891	(1,172)	-	-	127,669	6	127,675
Transfers from equity										
Release of exchange reserve upon return on investments in overseas subsidiaries	-	-	-	(19,911)	-	-	-	(19,911)	-	(19,911)
Share of land and building revaluation reserve of an associate: release of valuation surplus upon disposal of a property	-	(6,821)	-	-	-	-	-	(6,821)	-	(6,821)
Transfer to the consolidated income statement on impairment of available-for-sale securities	-	-	17,249	-	-	-	-	17,249	-	17,249
Profit for the period	-	-	-	-	-	-	679,207	679,207	272	679,479
Total recognised income and expense for the period	-	(6,821)	1,199	124,980	(1,172)	-	679,207	797,393	278	797,671
Dividends approved in respect of the previous year	6(b) -	-	-	-	-	-	(153,570)	(153,570)	-	(153,570)
	-	(6,821)	1,199	124,980	(1,172)	-	525,637	643,823	278	644,101
At 30 June 2008	29,533	175,072	10,412	490,949	(31,205)	754,347	6,777,137	8,206,245	15,960	8,222,205

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Continued)

For the six months ended 30 June 2008 – unaudited
(Expressed in Hong Kong dollars)

		Attributable to shareholders of the Company									
		Share capital	Land and building revaluation reserve	Investment revaluation reserve	Exchange reserve	Hedging reserve	Contributed surplus	Retained earnings (note)	Total	Minority interests	Total equity
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2007	29,533	174,939	2,742	217,759	(8,220)	754,347	5,161,370	6,332,470	14,337	6,346,807	
Net income recognised directly in equity											
Exchange differences on translation of financial statements of overseas subsidiaries											
	-	-	-	112,704	-	-	-	112,704	72	112,776	
Share of exchange differences on translation of financial statements of overseas associates											
	-	-	-	3,483	-	-	-	3,483	-	3,483	
Share of cash flow hedge of an associate: changes in fair value of effective portion, net of deferred tax											
	-	-	-	-	9,544	-	-	9,544	-	9,544	
Changes in fair value of available-for-sale securities											
	-	-	(912)	-	-	-	-	(912)	-	(912)	
Net income for the period recognised directly in equity											
	-	-	(912)	116,187	9,544	-	-	124,819	72	124,891	
Transfer from equity											
Release of exchange reserve upon return on investments in overseas subsidiaries											
	-	-	-	(16,519)	-	-	-	(16,519)	-	(16,519)	
Profit for the period											
	-	-	-	-	-	-	595,104	595,104	335	595,439	
Total recognised income and expense for the period											
	-	-	(912)	99,668	9,544	-	595,104	703,404	407	703,811	
Dividends approved in respect of the previous year 6(b)											
	-	-	-	-	-	-	(132,897)	(132,897)	-	(132,897)	
	-	-	(912)	99,668	9,544	-	462,207	570,507	407	570,914	
At 30 June 2007	29,533	174,939	1,830	317,427	1,324	754,347	5,623,577	6,902,977	14,744	6,917,721	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Continued)

For the six months ended 30 June 2008 – unaudited
(Expressed in Hong Kong dollars)

		Attributable to shareholders of the Company									
		Share capital	Land and building revaluation reserve	Investment revaluation reserve	Exchange reserve	Hedging reserve	Contributed surplus	Retained earnings (note)	Total	Minority interests	Total equity
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2007		29,533	174,939	1,830	317,427	1,324	754,347	5,623,577	6,902,977	14,744	6,917,721
Net income recognised directly in equity											
Exchange differences on translation of financial statements of overseas subsidiaries		-	-	-	52,312	-	-	-	52,312	(23)	52,289
Share of exchange differences on translation of financial statements of overseas associates		-	-	-	(997)	-	-	-	(997)	-	(997)
Share of cash flow hedge of an associate: changes in fair value of effective portion, net of deferred tax		-	-	-	-	(31,357)	-	-	(31,357)	-	(31,357)
Share of valuation surplus of an associate: change in fair value of land and building, net of deferred tax		-	6,954	-	-	-	-	-	6,954	-	6,954
Changes in fair value of available-for-sale securities		-	-	2,998	-	-	-	-	2,998	-	2,998
Net income for the period recognised directly in equity		-	6,954	2,998	51,315	(31,357)	-	-	29,910	(23)	29,887
Transfers from equity											
Deficit transferred to the consolidated income statement on disposal of available-for-sale securities		-	-	4,385	-	-	-	-	4,385	-	4,385
Release of exchange reserve upon dissolution of overseas subsidiaries		-	-	-	(2,773)	-	-	-	(2,773)	-	(2,773)
Profit for the period		-	-	-	-	-	-	994,127	994,127	961	995,088
Total recognised income and expense for the period		-	6,954	7,383	48,542	(31,357)	-	994,127	1,025,649	938	1,026,587
Dividends declared and paid in respect of the current period	6(a)	-	-	-	-	-	-	(366,204)	(366,204)	-	(366,204)
		-	6,954	7,383	48,542	(31,357)	-	627,923	659,445	938	660,383
At 31 December 2007		29,533	181,893	9,213	365,969	(30,033)	754,347	6,251,500	7,562,422	15,682	7,578,104

Note: Retained earnings attributable to the shareholders of the Company as at 30 June 2008 include the net valuation gain relating to investment properties after deferred tax of \$3,956,457,000 (as at 31 December 2007: \$3,428,787,000).

The notes on pages 14 to 26 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2008	2007
	\$'000	\$'000
Cash generated from operations	202,692	193,440
Tax paid	<u>(29,019)</u>	<u>(6,952)</u>
Net cash generated from operating activities	173,673	186,488
Net cash (used in)/generated from investing activities	(34,837)	5,108
Net cash used in financing activities	<u>(194,105)</u>	<u>(162,891)</u>
Net (decrease)/increase in cash and cash equivalents	(55,269)	28,705
Cash and cash equivalents at 1 January	1,177,295	1,350,169
Effect of foreign exchange rates changes	<u>56,342</u>	<u>55,406</u>
Cash and cash equivalents at 30 June	<u><u>1,178,368</u></u>	<u><u>1,434,280</u></u>

Analysis of the balances of cash and cash equivalents

	At	At
	30 June	30 June
	2008	2007
	\$'000	\$'000
Cash at bank and in hand	97,322	123,968
Bank deposits	<u>1,081,046</u>	<u>1,310,312</u>
Cash and cash equivalents	<u><u>1,178,368</u></u>	<u><u>1,434,280</u></u>

The notes on pages 14 to 26 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise stated)

1. Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 10 September 2008.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements. HKICPA has issued a number of interpretations that are effective for accounting periods beginning on or after 1 January 2008. The Group has carried out an assessment of these interpretations and considered that they have no significant impact on the interim financial report.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2007 annual financial statements. The condensed consolidated interim financial statements and notes thereto do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”, which term collectively includes HKASs and Interpretations).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 6. In addition, this interim financial report has been reviewed by the Company’s Audit Committee.

The financial information relating to the financial year ended 31 December 2007 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 2007 are available from the Stock Exchange’s website. The auditors have expressed an unqualified opinion on those financial statements in their report dated 15 April 2008.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

2. Turnover and segment reporting

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

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

	Six months ended 30 June	
	2008	2007
	\$'000	\$'000
Sale of goods	445,309	383,216
Net income from concession sales	107,751	90,544
	<hr/>	<hr/>
Department stores	553,060	473,760
Property investment	152,000	141,102
	<hr/>	<hr/>
	705,060	614,862
	<hr/> <hr/>	<hr/> <hr/>

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

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

2. Turnover and segment reporting (Continued)

	Department stores		Property investment		Inter-segment elimination		Unallocated		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers (turnover)	553,060	473,760	152,000	141,102	-	-	-	-	705,060	614,862
Inter-segment revenue	-	-	38,353	37,514	(38,353)	(37,514)	-	-	-	-
Other revenue from external customers	-	-	1,303	-	-	-	1,150	891	2,453	891
Total	<u>553,060</u>	<u>473,760</u>	<u>191,656</u>	<u>178,616</u>	<u>(38,353)</u>	<u>(37,514)</u>	<u>1,150</u>	<u>891</u>	<u>707,513</u>	<u>615,753</u>
Segment result	73,448	52,152	140,048	123,815	-	-	-	-	213,496	175,967
Interest income from bank deposits									30,002	36,883
Unallocated operating (expenses net of income)/income net of expenses									(37,080)	40,453
Profit from operations									206,418	253,303
Finance costs									(39,265)	(29,807)
									167,153	223,496
Net valuation gain on investment properties	-	-	582,417	457,646	-	-	-	-	582,417	457,646
									749,570	681,142
Share of profits of associates	-	-	-	-	-	-	1,294	16,849	1,294	16,849
Profit before taxation									750,864	697,991
Income tax									(71,385)	(102,552)
Profit for the period									<u>679,479</u>	<u>595,439</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

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

	Six months ended 30 June	
	2008	2007
	\$'000	\$'000
Other revenue		
Interest income from bank deposits	30,002	36,883
Interest income from listed securities	–	252
Dividend income from listed securities	2,948	2,054
Dividend income from unlisted securities	540	570
Compensation received on early termination of leases	1,303	–
Others	1,150	891
	<u>35,943</u>	<u>40,650</u>
Other net (loss)/gain		
Net (loss)/gain on remeasurement to fair value of trading securities	(40,569)	22,925
Impairment of available-for-sale securities transferred from the investment revaluation reserve	(17,249)	–
Net realised gain on disposal of trading securities	6,822	4,577
Release of exchange reserve upon return on investments in overseas subsidiaries	19,911	16,519
Net foreign exchange gain	7,017	9,595
Net gain/(loss) on dissolution of a subsidiary	437	(241)
Net loss on disposal of other fixed assets	(1)	–
	<u>(23,632)</u>	<u>53,375</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

4. Profit before taxation

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

	Six months ended 30 June	
	2008	2007
	\$'000	\$'000
(a) Finance costs:		
Interest on bank loan repayable within five years	39,265	29,807
(b) Staff costs (excluding directors' remuneration):		
Contributions to defined contribution retirement plans	5,203	4,751
Salaries, wages and other benefits	87,868	80,731
	93,071	85,482
(c) Rentals received and receivable from investment properties:		
Gross rentals	(152,000)	(141,102)
Less: direct outgoings	32,037	34,861
	(119,963)	(106,241)
(d) Other items:		
Depreciation and amortisation		
– owned assets	21,200	22,958
– lease incentives	5,832	4,294
Operating lease charges		
– minimum lease payments for hire of land and buildings	15,739	14,954
– contingent rentals for hire of land and buildings	517	498
Cost of inventories sold	301,570	253,860

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

5. Income tax in the consolidated income statement

	Six months ended 30 June	
	2008	2007
	\$'000	\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	11,536	13,677
	-----	-----
Current tax – Overseas		
Provision for the period	2,892	3,804
Under-provision in respect of prior periods	677	404
	-----	-----
	3,569	4,208
	-----	-----
Deferred tax		
Effect of decrease in tax rate on deferred tax balances at 1 January	(37,978)	–
Origination and reversal of temporary differences		
– changes in fair value of investment properties	92,803	82,289
– other temporary differences	1,455	2,378
	-----	-----
	56,280	84,667
	-----	-----
Total income tax expense	<u>71,385</u>	<u>102,552</u>

In June 2008, the Hong Kong Government promulgated a decrease in Profits Tax rate applicable to the Group's operations in Hong Kong from 17.5% to 16.5%. This decrease is taken into account in the preparation of the Group's 2008 interim financial report. Accordingly, the provision for Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the six months ended 30 June 2008. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

6. Dividends

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

	Six months ended 30 June	
	2008	2007
	\$'000	\$'000
Interim dividend declared and payable after the interim period end of 17 cents (2007: 24 cents) per share	50,205	70,878
Special dividend declared and payable after the interim period end of \$Nil (2007: 100 cents) per share	—	295,326
	<u>50,205</u>	<u>366,204</u>

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

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

	Six months ended 30 June	
	2008	2007
	\$'000	\$'000
Final dividend in respect of the financial year ended 31 December 2007, approved and paid during the following interim period of 52 cents (31 December 2006: 45 cents) per share	<u>153,570</u>	<u>132,897</u>

7. Basic earnings per share

- (a) The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of the Company for the six months ended 30 June 2008 of \$679,207,000 (six months ended 30 June 2007: \$595,104,000) divided by 295,326,000 shares (2007: 295,326,000 shares) in issue during the interim period.

There were no outstanding potential shares throughout the periods presented.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

7. Basic earnings per share (Continued)

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

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			
	2008		2007	
	\$'000	Amount per share cents	\$'000	Amount per share cents
Profit attributable to shareholders of the Company as shown in the consolidated income statement	679,207	230.0	595,104	201.5
Net valuation gain on investment properties	(582,417)	(197.2)	(457,646)	(155.0)
Increase in deferred tax liabilities in relation to the net valuation gain on investment properties	92,803	31.4	82,289	27.9
	189,593	64.2	219,747	74.4
Effect of decrease in tax rate on deferred tax balances at 1 January	(38,056)	(12.9)	–	–
Underlying profit attributable to shareholders of the Company	151,537	51.3	219,747	74.4

8. Fixed assets

Investment properties were revalued as at 30 June 2008 by the directors using relevant market indices to update the professional valuations that were carried out as at 31 December 2007. As a result of the update, a net gain of \$582,417,000 (six months ended 30 June 2007: \$457,646,000) and deferred tax of \$92,803,000 thereon (six months ended 30 June 2007: \$82,289,000) have been included in the consolidated income statement.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

8. Fixed assets (Continued)

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

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Within one year	257,581	221,735
After one year but within five years	509,559	481,509
After five years	121,331	115,053
	888,471	818,297

9. Interest in associates

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Unlisted shares		
Share of net assets other than goodwill and intangible assets	206,275	244,440
Share of goodwill and intangible assets of an associate	493,500	461,380
	699,775	705,820

10. Debtors, deposits and prepayments

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Trade and other debtors	16,592	17,715
Less: Allowance for bad and doubtful debts	(43)	(11)
	16,549	17,704
Deposits and prepayments	39,289	36,772
	55,838	54,476

All debtors, deposits and prepayments, apart from certain rental deposits totalling \$9,774,000 (as at 31 December 2007: \$9,774,000), are expected to be recovered within one year.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

10. Debtors, deposits and prepayments (Continued)

Included in debtors, deposits and prepayments are trade and other debtors (net of allowance for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Current or less than one month past due	14,997	16,132
One to three months past due	755	1,092
More than three months but less than twelve months past due	789	469
More than twelve months past due	8	11
	<u>16,549</u>	<u>17,704</u>

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

11. Cash and cash equivalents

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Cash at bank and in hand	97,322	80,872
Bank deposits	1,081,046	1,096,423
	<u>1,178,368</u>	<u>1,177,295</u>

12. Creditors and accrued charges

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Trade and other creditors	259,025	269,823
Accrued charges	29,566	41,077
Derivative financial instruments	2,216	971
	<u>290,807</u>	<u>311,871</u>

All creditors and accrued charges, apart from certain rental deposits received totalling \$24,267,000 (as at 31 December 2007: \$16,237,000), are expected to be settled within one year.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

12. Creditors and accrued charges (Continued)

Included in creditors and accrued charges are trade and other creditors with the following ageing analysis as of the balance sheet date:

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Amounts not yet due	209,182	209,107
On demand or less than one month overdue	44,820	54,787
One to three months overdue	779	1,986
Three to twelve months overdue	902	652
More than twelve months overdue	3,342	3,291
	<u>259,025</u>	<u>269,823</u>

13. Capital commitments

Capital commitments of the Group outstanding as at 30 June 2008 not provided for in the interim financial report were as follows:

	At 30 June 2008 \$'000	At 31 December 2007 \$'000
Authorised and contracted for	1,780	4,772
Authorised but not contracted for	–	1,779
	<u>1,780</u>	<u>6,551</u>

14. Financial guarantees issued

As at 30 June 2008, an associate of the Group has issued corporate guarantees in the sum of \$93,373,000 to certain financial institutions in the People's Republic of China in respect of banking facilities granted to a jointly controlled entity of the associate, which expire within one year. As at the balance sheet date, the directors do not consider it probable that a claim will be made against the associate under these guarantees. The maximum liability of the associate as at 30 June 2008 under these guarantees issued was \$63,064,000 (as at 31 December 2007: \$Nil), representing its share of the banking facilities utilised by the jointly controlled entity of the associate. As at 30 June 2008, the maximum liability shared by the Group was \$31,532,000 (as at 31 December 2007: \$Nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

15. Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group for the six months ended 30 June 2008 was as follows:

	Six months ended 30 June	
	2008	2007
	\$'000	\$'000
Salaries and other short-term employee benefits	13,184	10,660
Contributions to defined contribution retirement plans	348	310
	<u>13,532</u>	<u>10,970</u>

(b) Recurring transactions

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

- (i) A fellow subsidiary rents retail premises to a subsidiary. Rental and management fees payable to this fellow subsidiary amounted to \$9,187,000 (2007: \$9,179,000) during the period. The amount due from the fellow subsidiary as at 30 June 2008 amounted to \$1,528,000 (as at 31 December 2007: \$1,528,000).
- (ii) A subsidiary rents office premises to a fellow subsidiary. Rental and management fees receivable from this fellow subsidiary amounted to \$1,309,000 (2007: \$1,167,000) during the period. The amount due to the fellow subsidiary as at 30 June 2008 amounted to \$1,106,000 (as at 31 December 2007: \$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 \$256,000 (2007: \$215,000) was payable to these fellow subsidiaries during the period. Interest income of \$29,000 (2007: \$53,000) was receivable from these fellow subsidiaries during the period. The amounts due from these fellow subsidiaries as at 30 June 2008 amounted to \$5,555,000 (as at 31 December 2007: \$5,342,000).
- (iv) A subsidiary provides building and tenancy management services to a fellow subsidiary. Building and tenancy management fees receivable from this fellow subsidiary amounted to \$456,000 (2007: \$424,000) during the period. The amount due to the fellow subsidiary as at 30 June 2008 amounted to \$784,000 (as at 31 December 2007: \$572,000).

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

16. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ending 31 December 2008

Up to the date of issue of this interim financial report, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ending 31 December 2008 and which have not been adopted in this interim financial report.

The following developments are considered to be relevant to the Group's annual financial statements:

		Effective for accounting periods beginning on or after
HK(IFRIC) 13	Customer loyalty programmes	1 July 2008
HKFRS 8	Operating segments	1 January 2009
Revised HKAS 1	Presentation of financial statements	1 January 2009
Revised HKAS 23	Borrowing costs	1 January 2009

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. It is expected that the adoption of them might result in consequential changes to the accounting policies and disclosures to the Group's financial statements, but the impact on the Group's results of operations and financial position is unlikely to be significant.

17. Approval of the interim financial report

The interim financial report was approved by the Board of Directors on 10 September 2008.

SUPPLEMENTARY INFORMATION

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the six months ended 30 June 2008 save as below mentioned. However, the following action has been taken by the Company in order to ensure compliance with the Code.

Prior to the Annual General Meeting held on 12 June 2008, the Company’s non-executive directors were not appointed for a specific term but were subject to retirement by rotation and re-election at annual general meetings in accordance with the Company’s Bye-Laws. The Board has since April 2006 agreed that all directors (including non-executive directors) appointed or elected in future be appointed or elected for a fixed term of not more than three years. The Company has followed this practice since the Annual General Meeting held on 14 June 2006 so that when a director’s current term expires, he or she may only be re-elected for a fixed term of not more than three years. Since the Annual General Meeting held on 12 June 2008, all directors are appointed for a specific term.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its code of conduct regarding directors’ securities transactions. The Company has made specific enquiries of all directors and all directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2008.

SUPPLEMENTARY INFORMATION

(Continued)

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2008, 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.

SUPPLEMENTARY INFORMATION

(Continued)

DIRECTORS' INTERESTS IN SHARES (Continued)

(b) Kee Wai Investment Company (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			
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	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			
Kwok Man Cho	124,177	–	–	–	–	124,177	5.35
Philip Kwok	10,000	–	–	–	–	10,000	0.43

SUPPLEMENTARY INFORMATION

(Continued)

DIRECTORS' INTERESTS IN SHARES (Continued)

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

Name of Director	Number of ordinary shares held					Total interests	Total interests as a % of the issued share capital
	Personal interests (held as beneficial owner)	Family interests (interests of spouse)	Corporate interests (interests of controlled corporation)	Other interests			
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 2008, 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.