



WING ON COMPANY INTERNATIONAL LIMITED

永安國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 289)

INTERIM REPORT

2012

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

Non-executive Director

Dr. Bill Kwok, J.P.

Independent Non-executive Directors

Miss Maria Tam Wai Chu, GBS, J.P.
Mr. Ignatius Wan Chiu Wong, LL. B.
Mr. Iain Ferguson Bruce, CA, FCPA
Mr. Anthony Francis Martin Conway (deceased on 8 September 2012)
Mr. Leung Wing Ning

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Leung Wing Ning (Chairman, appointed on 13 September 2012)
Mr. Karl C. Kwok
Mr. Ignatius Wan Chiu Wong

NOMINATION COMMITTEE

Mr. Leung Wing Ning (Chairman)
Mr. Karl C. Kwok
Mr. Ignatius Wan Chiu Wong

CORPORATE INFORMATION

(Continued)

AUDITOR

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

SECRETARY

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

REGISTERED OFFICE

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

PRINCIPAL OFFICE

7th Floor, Wing On Centre,
211 Des Voeux Road Central,
Hong Kong.
Website: www.wingonet.com

SHARE REGISTRARS

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

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

CHAIRMAN'S STATEMENT

INTERIM RESULTS AND DIVIDEND

For the six months ended 30 June 2012, the Group's turnover increased by 6.8% to HK\$910.0 million (2011: HK\$852.1 million). This increase was attributable mainly to the increase in both the Group's department stores business turnover and the rental income from the Group's investment properties.

Profit attributable to shareholders for the first half of 2012 was HK\$589.3 million (2011 restated: HK\$1,244.3 million), a decrease of 52.6% due primarily to the decrease in valuation gains on investment properties as compared to the same period last year. Excluding this non-cash item and related deferred tax thereon, the Group's underlying profit attributable to shareholders increased by 24.4% to HK\$345.0 million (2011: HK\$277.2 million). This was due mainly to the improved profit contributions from the Group's property investments and automobile dealership associate.

Earnings per share decreased by 52.6% to 199.6 HK cents (2011 restated: 421.4 HK cents) per share. Excluding the valuation gains on investment properties net of related deferred tax thereon, underlying earnings per share for the period increased by 24.4% to 116.8 HK cents (2011: 93.9 HK cents) per share.

The directors have decided to pay an interim dividend of 41 HK cents (2011: 33 HK cents) per share, absorbing a total amount of HK\$121,071,000 (2011: HK\$97,447,000). The interim dividend will be paid on 18 October 2012 (Hong Kong time) to shareholders whose names appear on the Register of Members of the Company on 12 October 2012 (Hong Kong time). The Register of Members will be closed from 9 October 2012 to 12 October 2012 (Hong Kong time), both dates inclusive, during which period no share transfer will be accepted.

To qualify for the interim dividend, share 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 before 4:00 p.m. on Monday, 8 October 2012 (Hong Kong time).

LIQUIDITY AND FINANCIAL RESOURCES

Overall Financial Position

Shareholders' equity at 30 June 2012 was HK\$12,221.0 million, an increase of 3.5% as compared to that at 31 December 2011 (as restated). With cash and listed marketable securities at 30 June 2012 of about HK\$2,033.3 million 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 2012, the Group's total borrowings amounted to HK\$528.9 million, a decrease of about HK\$24.7 million as compared to that at 31 December 2011 due to the partial repayments net of exchange differences. The Group's total borrowings of HK\$528.9 million relate to a mortgage loan for Australian investment properties. The mortgage loan was renewed in December 2011 for three years to December 2014; the bulk of which will be repayable by the end of 2014. Certain assets, comprising principally property interests with a book value of HK\$2,627.2 million, have been pledged to banks as collateral security for banking facilities granted to the extent of HK\$1,014.4 million. In view of the existing strong cash position, the Group does not anticipate any liquidity problems.

Gearing Ratio

The gearing ratio, which is computed from the total borrowings of the Group divided by shareholders' equity of the Group at 30 June 2012, was 4.3% as compared with 4.7% at 31 December 2011 (as restated).

Funding and Treasury Policies

The Group adopts a prudent funding and treasury policy. To minimise exposure to foreign exchange fluctuations, the Group's borrowings in Australia for its Melbourne investment properties are denominated in Australian dollars. Hence, the foreign exchange exposure is limited to the net investments in overseas subsidiaries of approximately HK\$2,130.6 million at 30 June 2012 (at 31 December 2011: HK\$2,115.8 million).

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

Capital Commitments and Contingent Liabilities

At 30 June 2012, the total amount of the Group's capital expenditure commitments was HK\$2.8 million (at 31 December 2011: HK\$2.5 million). The Company has issued a corporate guarantee to a financial institution in respect of a banking facility granted to a jointly controlled entity of an associate, which expires within one year. At 30 June 2012, the maximum contingent liability shared by the Group was HK\$15.3 million (at 31 December 2011: HK\$15.4 million).

CHAIRMAN'S STATEMENT

(Continued)

HALF YEAR BUSINESS REVIEW

Department Store Operations

The Group's department store operations remained stable during the period under review. For the six months ended 30 June 2012, the Group's department store business achieved a 5.9% increase in turnover to HK\$705.8 million (2011: HK\$666.4 million) while its operating profit dropped slightly by 1.5% to HK\$103.4 million (2011: HK\$105.0 million) due to increased operating costs.

Property Investments

For the six months ended 30 June 2012, the Group's property investment income increased by 13.4% to HK\$199.6 million (2011: HK\$176.0 million). The Group was able to maintain an overall occupancy rate of over 95% for its commercial office properties in Hong Kong and achieve a 24.2% increase in rental income to HK\$117.4 million (2011: HK\$94.5 million). Income from the Group's commercial investment properties in Australia decreased by 0.6% to HK\$78.0 million (2011: HK\$78.5 million). The overall occupancy rate of the Group's commercial investment properties in Australia remained at about 95%.

Automobile Dealership Business

The Group's automobile dealership associate in the United States achieved sales growth from an improving car market there. As opposed to the first half of 2011 during which supply of cars and spare parts from the Japanese automakers were disrupted by the earthquake in Japan thereby driving up margins on car sales, our associate's margins on car sales were significantly reduced in the period under review due to price discounting as a result of the increased new vehicle supply from the automakers. During the period under review, the associate disposed 49% of its interest in a wholly owned subsidiary, which had interests in several dealership operations in the People's Republic of China, to an independent third party and thereafter recognised its remaining 51% interest in that entity as a jointly controlled entity at its fair value by reason of losing control of that entity. The Group's share of profit after tax arising from the disposal was HK\$47.6 million. Overall, the Group's share of profit after tax from the associate for the six months ended 30 June 2012 increased by 104.4% to HK\$73.6 million (2011: HK\$36.0 million).

Others

The Group's investments in securities recorded a profit of HK\$26.9 million (2011: HK\$12.8 million) during the period under review. The Group recorded a net foreign exchange gain of HK\$0.4 million (2011: HK\$5.6 million) mainly from its Australian dollar deposits. During the first half of 2012, the Group recognised a foreign exchange gain of HK\$12.4 million (2011: HK\$12.7 million) upon the return of investments from subsidiaries in Australia.

CHAIRMAN'S STATEMENT

(Continued)

STAFF

As at 30 June 2012, the Group had a total staff of 827 (at 30 June 2011: 847). The Group's remuneration policies, bonus schemes, Mandatory Provident Fund Schemes, etc., have not changed materially from the information disclosed in the 2011 Annual Report.

OUTLOOK FOR THE REMAINDER OF 2012

The Eurozone sovereign debt crisis and the weak economic fundamentals of the United States will continue to overshadow the global economy as well as the economy of Hong Kong. Barring any further deterioration of economic conditions, the Group's department store business in Hong Kong is expected to perform satisfactorily in the second half of the year. The Group's commercial investment properties will continue to provide stable rental income. Our automobile associate will continue to operate under a competitive environment.

Karl C. Kwok
Chairman

Hong Kong, 28 August 2012

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

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 8 to 34 which comprises the consolidated statement of financial position of Wing On Company International Limited as at 30 June 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors are responsible for the preparation and presentation of the interim financial report in accordance with HKAS 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2012 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

28 August 2012

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2012	2011 (restated)
		\$'000	\$'000
Turnover	3	909,977	852,090
Other revenue	5	23,823	20,678
Other net gain	5	34,179	25,808
Cost of department store sales	6(d)	(401,539)	(372,380)
Cost of property leasing activities	6(c)	(31,233)	(30,381)
Other operating expenses		<u>(195,057)</u>	<u>(189,700)</u>
Profit from operations		340,150	306,115
Finance costs	6(a)	<u>(16,046)</u>	<u>(17,539)</u>
Valuation gains on investment properties	9(a)	324,104	288,576
		<u>245,296</u>	<u>980,793</u>
Share of profits of associates		569,400	1,269,369
		<u>73,635</u>	<u>36,160</u>
Profit before taxation	6	643,035	1,305,529
Income tax	7	<u>(53,557)</u>	<u>(60,955)</u>
Profit for the period		<u><u>589,478</u></u>	<u><u>1,244,574</u></u>
Attributable to:			
Shareholders of the Company		589,265	1,244,286
Non-controlling interests		<u>213</u>	<u>288</u>
Profit for the period		<u><u>589,478</u></u>	<u><u>1,244,574</u></u>
Basic and diluted earnings per share	8(a)	<u><u>199.6 cents</u></u>	<u><u>421.4 cents</u></u>

The notes on pages 16 to 34 form part of this interim financial report. Details of dividends payable to shareholders of the Company are set out in note 14.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012 – unaudited
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June			
		2012		2011 (restated)	
		\$'000	\$'000	\$'000	\$'000
Profit for the period			589,478		1,244,574
			-----		-----
Other comprehensive income for the period (after tax and reclassification adjustments):					
Foreign currency translation adjustments:					
– exchange differences on translation of financial statements of overseas subsidiaries			507	90,633	
– share of exchange differences on translation of financial statements of overseas associates			(4,480)	462	
– release of the exchange reserve upon return on investments in overseas subsidiaries	5		(12,399)	(12,733)	
– release of the exchange reserve upon dissolution of overseas subsidiaries	5		(1,262)	–	
			-----	-----	
			(17,634)		78,362
Land and building revaluation:					
– surplus on revaluation of land and building held for own use reclassified to investment properties	9(c)		–		94,423
Share of cash flow hedge of an associate:					
– net movement in the hedging reserve			5,633		16,768
Available-for-sale securities:					
– changes in fair value recognised during the period			660	1,786	
			-----	-----	
			(11,341)	191,339	
			-----	-----	
Total comprehensive income for the period			578,137	1,435,913	
			=====	=====	
Attributable to:					
Shareholders of the Company			577,945	1,435,627	
Non-controlling interests			192	286	
			-----	-----	
Total comprehensive income for the period			578,137	1,435,913	
			=====	=====	

The notes on pages 16 to 34 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012 – unaudited
(Expressed in Hong Kong dollars)

		At 30 June 2012 \$'000	At 31 December 2011 (restated) \$'000	At 1 January 2011 (restated) \$'000
	Note			
Non-current assets				
Fixed assets	9			
– Investment properties		9,896,737	9,651,226	7,976,716
– Other property, plant and equipment		537,569	555,513	591,706
		10,434,306	10,206,739	8,568,422
Goodwill		1,178	1,178	1,178
Interest in associates	10	870,597	795,809	711,276
Available-for-sale securities		23,128	22,468	27,485
Deferred tax assets		9,383	10,512	25,922
		11,338,592	11,036,706	9,334,283
Current assets				
Trading securities		328,975	332,478	291,651
Held-to-maturity investments		47,940	48,435	–
Inventories		96,792	102,865	90,437
Debtors, deposits and prepayments	11	58,755	52,412	50,110
Loans to an associate	10	19,363	19,387	3,264
Amounts due from fellow subsidiaries		4,772	2,563	1,801
Amount due from an associate		304	204	–
Current tax recoverable		36	137	95
Cash and cash equivalents	12	1,753,417	1,683,832	1,569,618
		2,310,354	2,242,313	2,006,976
Current liabilities				
Secured bank loan		49,891	49,869	594,187
Creditors and accrued charges	13	422,726	467,411	359,331
Amounts due to fellow subsidiaries		1,333	2,767	3,645
Amount due to an associate		–	–	12,935
Current tax payable		55,229	31,977	19,986
		529,179	552,024	990,084
Net current assets		1,781,175	1,690,289	1,016,892
Total assets less current liabilities carried forward		13,119,767	12,726,995	10,351,175

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)
At 30 June 2012 – unaudited
(Expressed in Hong Kong dollars)

	At 30 June 2012	At 31 December 2011 (restated)	At 1 January 2011 (restated)
Note	\$'000	\$'000	\$'000
Total assets less current liabilities brought forward	13,119,767	12,726,995	10,351,175
Non-current liabilities			
Secured bank loan	479,029	503,750	–
Deferred tax liabilities	401,473	399,705	352,175
	880,502	903,455	352,175
NET ASSETS	12,239,265	11,823,540	9,999,000
Capital and reserves			
Share capital	29,530	29,530	29,530
Reserves	12,191,513	11,775,980	9,951,759
Total equity attributable to shareholders of the Company	12,221,043	11,805,510	9,981,289
Non-controlling interests	18,222	18,030	17,711
TOTAL EQUITY	12,239,265	11,823,540	9,999,000

The notes on pages 16 to 34 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012 – unaudited
(Expressed in Hong Kong dollars)

		Attributable to shareholders of the Company									
Note	Share capital	Land and building revaluation reserve	Investment revaluation reserve	Exchange reserve	Hedging reserve	Contributed surplus	General reserve fund	Retained earnings (Note)	Total	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2012											
– as previously reported	29,530	255,975	10,690	562,935	(27,352)	754,347	1,728	9,166,358	10,754,211	18,030	10,772,241
– effect of adoption of amendments to HKAS 12	2(b)	–	15,580	–	–	–	–	1,035,719	1,051,299	–	1,051,299
– as restated		29,530	271,555	10,690	562,935	(27,352)	754,347	1,728	10,202,077	18,030	11,823,540
Profit for the period		–	–	–	–	–	–	589,265	589,265	213	589,478
Other comprehensive income		–	–	660	(17,613)	5,633	–	–	(11,320)	(21)	(11,341)
Total comprehensive income for the period		–	–	660	(17,613)	5,633	–	589,265	577,945	192	578,137
Share of the general reserve fund of an associate: release of the general reserve fund upon disposal of its subsidiaries		–	–	–	–	–	(1,728)	1,728	–	–	–
Dividends approved in respect of the previous year	14(b)	–	–	–	–	–	–	(162,412)	(162,412)	–	(162,412)
		–	–	660	(17,613)	5,633	–	(1,728)	428,581	192	415,725
Balance at 30 June 2012		<u>29,530</u>	<u>271,555</u>	<u>11,350</u>	<u>545,322</u>	<u>(21,719)</u>	<u>754,347</u>	<u>–</u>	<u>10,630,658</u>	<u>18,222</u>	<u>12,239,265</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Continued)

For the six months ended 30 June 2012 – unaudited
(Expressed in Hong Kong dollars)

		Attributable to shareholders of the Company										
		Share capital	Land and building revaluation reserve	Investment revaluation reserve	Exchange reserve	Hedging reserve	Contributed surplus	General reserve fund	Retained earnings (Note)	Total	Non-controlling interests	Total equity
Note		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2011												
		29,530	176,750	11,807	579,292	(40,241)	754,347	1,068	7,664,424	9,176,977	17,711	9,194,688
		-	-	-	-	-	-	-	804,312	804,312	-	804,312
		29,530	176,750	11,807	579,292	(40,241)	754,347	1,068	8,468,736	9,981,289	17,711	9,999,000
Profit for the period												
		-	-	-	-	-	-	-	1,089,838	1,089,838	288	1,090,126
		-	-	-	-	-	-	-	154,448	154,448	-	154,448
		-	-	-	-	-	-	-	1,244,286	1,244,286	288	1,244,574
Other comprehensive income												
		-	78,843	1,786	78,364	16,768	-	-	-	175,761	(2)	175,759
		-	15,580	-	-	-	-	-	-	15,580	-	15,580
		-	94,423	1,786	78,364	16,768	-	-	-	191,341	(2)	191,339
Total comprehensive income for the period												
		-	94,423	1,786	78,364	16,768	-	-	1,244,286	1,435,627	286	1,435,913
Dividends approved in respect of the previous year												
		-	-	-	-	-	-	-	(174,224)	(174,224)	-	(174,224)
		-	94,423	1,786	78,364	16,768	-	-	1,070,062	1,261,403	286	1,261,689
Balance at 30 June 2011												
		29,530	271,173	13,593	657,656	(23,473)	754,347	1,068	9,538,798	11,242,692	17,997	11,260,689

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Continued)

For the six months ended 30 June 2012 – unaudited
(Expressed in Hong Kong dollars)

		Attributable to shareholders of the Company										
		Share capital	Land and building revaluation reserve	Investment revaluation reserve	Exchange reserve	Hedging reserve	Contributed surplus	General reserve fund	Retained earnings (Note)	Total	Non- controlling interests	Total equity
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2011												
		29,530	255,593	13,593	657,656	(23,473)	754,347	1,068	8,580,038	10,268,352	17,997	10,286,349
		-	15,580	-	-	-	-	-	958,760	974,340	-	974,340
		29,530	271,173	13,593	657,656	(23,473)	754,347	1,068	9,538,798	11,242,692	17,997	11,260,689
Profit for the period												
		-	-	-	-	-	-	-	684,427	684,427	67	684,494
		-	-	-	-	-	-	-	76,959	76,959	-	76,959
		-	-	-	-	-	-	-	761,386	761,386	67	761,453
		-	382	(2,903)	(94,721)	(3,879)	-	-	-	(101,121)	(34)	(101,155)
Total comprehensive income for the period												
		-	382	(2,903)	(94,721)	(3,879)	-	-	761,386	660,265	33	660,298
Share of the general reserve fund of an associate:												
		-	-	-	-	-	-	660	(660)	-	-	-
Dividends declared and paid in respect of the current period 14(a)												
		-	-	-	-	-	-	-	(97,447)	(97,447)	-	(97,447)
		-	-	-	-	-	-	660	(98,107)	(97,447)	-	(97,447)
Balance at 31 December 2011												
		29,530	271,555	10,690	562,935	(27,352)	754,347	1,728	10,202,077	11,805,510	18,030	11,823,540

Note: Retained earnings attributable to the shareholders of the Company as at 30 June 2012 include the aggregate net valuation gain relating to investment properties after deferred tax of \$6,885,063,000 (at 31 December 2011 (restated): \$6,640,774,000).

The notes on pages 16 to 34 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
Cash generated from operations	287,578	170,680
Tax paid	<u>(27,462)</u>	<u>(22,099)</u>
Net cash generated from operating activities	260,116	148,581
Net cash generated from/(used in) investing activities	13,435	(12,904)
Net cash used in financing activities	<u>(204,113)</u>	<u>(217,743)</u>
Net increase/(decrease) in cash and cash equivalents	69,438	(82,066)
Cash and cash equivalents at 1 January	1,683,832	1,569,618
Effect of foreign exchange rate changes	<u>147</u>	<u>16,049</u>
Cash and cash equivalents at 30 June	<u><u>1,753,417</u></u>	<u><u>1,503,601</u></u>
	At	At
	30 June	30 June
	2012	2011
	\$'000	\$'000
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hand	190,169	74,208
Bank deposits	<u>1,563,248</u>	<u>1,429,393</u>
Cash and cash equivalents	<u><u>1,753,417</u></u>	<u><u>1,503,601</u></u>

The notes on pages 16 to 34 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 28 August 2012.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2011 annual financial statements. The condensed consolidated interim financial statements and notes thereto do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”, which term collectively includes HKASs and Interpretations).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 7. In addition, this interim financial report has been reviewed by the Company’s Audit Committee.

The financial information relating to the financial year ended 31 December 2011 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 2011 are available from the Stock Exchange’s website. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 March 2012.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

2. Changes in accounting policies

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

- Amendments to HKFRS 7, Financial instruments: disclosures
- Amendments to HKAS 12, Income taxes

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

(a) Amendments to HKFRS 7 Financial instruments: disclosures

The amendments to HKFRS 7 require certain disclosures to be included in the annual financial statements in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset existing at the end of the reporting period, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

(b) Amendments to HKAS 12 Income taxes

Under HKAS 12, deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the assets in question. In this regard, the amendments to HKAS 12 introduced a rebuttable presumption that the carrying amount of investment property carried at fair value under HKAS 40, Investment property, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

2. Changes in accounting policies (Continued)

(b) Amendments to HKAS 12 Income taxes (Continued)

Previously, where investment properties were held under leasehold interests, the Group assumed that the property's value would be recovered through use and measured deferred tax accordingly. As a result of adopting the amendments to HKAS 12, the Group reviewed its investment property portfolio and concluded that the presumption in the amended HKAS 12 is not rebutted in respect of its investment properties. Therefore, the deferred tax relating to these properties has been re-measured on the basis of recovering their carrying amounts entirely through sale. This change in accounting policy has been applied retrospectively by restating the balances at 1 January 2011 and 31 December 2011, with consequential adjustments to comparatives for the period ended 30 June 2011 as follows:

	As previously reported \$'000	Effect of adoption of amendments to HKAS 12 \$'000	As restated \$'000
Consolidated income statement for six months ended 30 June 2011:			
Income tax expense	215,403	(154,448)	60,955
Profit for the period	1,090,126	154,448	1,244,574
Basic and diluted earnings per share	369.1 cents	52.3 cents	421.4 cents
Consolidated statement of comprehensive income for six months ended 30 June 2011:			
Profit for the period	1,090,126	154,448	1,244,574
Land and building revaluation reserve: surplus on revaluation of land and building held for own use reclassified to investment properties	78,843	15,580	94,423
Consolidated statement of financial position as at 31 December 2011:			
Deferred tax liabilities	1,451,004	(1,051,299)	399,705
Retained earnings	9,166,358	1,035,719	10,202,077
Land and building revaluation reserve	255,975	15,580	271,555
Consolidated statement of financial position as at 1 January 2011:			
Deferred tax liabilities	1,156,487	(804,312)	352,175
Retained earnings	7,664,424	804,312	8,468,736

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

3. Turnover

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

The Group's turnover 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	
	2012	2011
	\$'000	\$'000
Sale of goods	581,830	547,961
Net income from concession sales	123,954	118,400
	<u>705,784</u>	<u>666,361</u>
Department stores	705,784	666,361
Property investment	204,193	185,729
	<u>909,977</u>	<u>852,090</u>

4. Segment reporting

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

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

(a) Segment results, assets and liabilities

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

4. Segment reporting (Continued)

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

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

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

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

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

	Department stores		Property investment		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	705,784	666,361	204,193	185,729	909,977	852,090
Inter-segment revenue	–	–	44,602	38,483	44,602	38,483
Reportable segment revenue	<u>705,784</u>	<u>666,361</u>	<u>248,795</u>	<u>224,212</u>	<u>954,579</u>	<u>890,573</u>
Reportable segment profit	<u>103,373</u>	<u>105,049</u>	<u>199,608</u>	<u>175,996</u>	<u>302,981</u>	<u>281,045</u>
	Department stores		Property investment		Total	
	At 30 June	At 31 December	At 30 June	At 31 December	At 30 June	At 31 December
	2012	2011	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reportable segment assets	158,137	164,072	10,430,388	10,200,702	10,588,525	10,364,774
Additions to non-current segment assets during the period/year	926	7,366	6,905	38,708	7,831	46,074
Reportable segment liabilities	<u>340,915</u>	<u>380,937</u>	<u>584,673</u>	<u>616,835</u>	<u>925,588</u>	<u>997,772</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

4. Segment reporting (Continued)

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

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
Profit		
Reportable segment profit derived from the		
Group's external customers	302,981	281,045
Share of profits of associates	73,635	36,160
Other revenue	23,823	20,678
Other net gain	34,179	25,808
Finance costs	(16,046)	(17,539)
Valuation gains on investment properties	245,296	980,793
Unallocated head office and corporate expenses	(20,833)	(21,416)
	<u>643,035</u>	<u>1,305,529</u>
Consolidated profit before taxation	<u>643,035</u>	<u>1,305,529</u>
	At	At
	30 June	31 December
	2012	2011
	\$'000	(restated) \$'000
Assets		
Reportable segment assets	10,588,525	10,364,774
Elimination of inter-segment receivables	(3,951)	(5,044)
	<u>10,584,574</u>	<u>10,359,730</u>
Goodwill	1,178	1,178
Interest in associates	870,597	795,809
Available-for-sale securities	23,128	22,468
Deferred tax assets	9,383	10,512
Trading securities	328,975	332,478
Held-to-maturity investments	47,940	48,435
Loans to an associate	19,363	19,387
Amount due from an associate	304	204
Current tax recoverable	36	137
Unallocated head office and corporate assets	1,763,468	1,688,681
	<u>13,648,946</u>	<u>13,279,019</u>
Consolidated total assets	<u>13,648,946</u>	<u>13,279,019</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

4. Segment reporting (Continued)

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

	At 30 June 2012 \$'000	At 31 December 2011 (restated) \$'000
Liabilities		
Reportable segment liabilities	925,588	997,772
Elimination of inter-segment payables	<u>(3,951)</u>	<u>(5,044)</u>
	921,637	992,728
Amounts due to fellow subsidiaries	1,333	2,767
Current tax payable	55,229	31,977
Deferred tax liabilities	401,473	399,705
Unallocated head office and corporate liabilities	<u>30,009</u>	<u>28,302</u>
Consolidated total liabilities	<u><u>1,409,681</u></u>	<u><u>1,455,479</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

5. Other revenue and other net gain

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
Other revenue		
Interest income from		
– bank deposits	14,603	12,535
– loans to an associate	–	255
– securities	670	608
Dividend income from		
– listed securities	5,932	4,804
– unlisted securities	395	505
Forfeiture of unclaimed dividends	1,348	1,101
Others	875	870
	<u>23,823</u>	<u>20,678</u>
Other net gain		
Net gain on remeasurement to fair value of		
– trading securities	13,354	4,538
– derivative financial instruments	–	466
Net realised gain on disposal of		
– trading securities	4,455	251
– derivative financial instruments	2,334	2,228
Release of the exchange reserve upon return on investments in overseas subsidiaries	12,399	12,733
Net gain on dissolution of subsidiaries (note)	1,262	–
Net foreign exchange gain	375	5,601
Net loss on disposal of other fixed assets	–	(9)
	<u>34,179</u>	<u>25,808</u>

Note: Net gain on dissolution of subsidiaries includes exchange reserve of \$1,262,000 released from equity to the consolidated income statement during the period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

6. Profit before taxation

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

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
(a) Finance costs		
Interest on bank loan repayable within five years	16,046	17,539
(b) Staff costs (excluding directors' remuneration)		
Contributions to defined contribution retirement plans	5,707	5,585
Salaries, wages and other benefits	95,448	95,908
	101,155	101,493
(c) Rentals received and receivable from investment properties		
Gross rentals	(204,193)	(185,729)
Less: direct outgoings	31,233	30,381
	(172,960)	(155,348)
(d) Other items		
Depreciation and amortisation		
– owned assets	18,884	19,556
– lease incentives	7,775	7,332
Impairment losses (written back)/recognised		
– trade and other debtors	(59)	18
Operating lease charges		
– minimum lease payments for hire of land and buildings	20,903	18,631
– contingent rentals for hire of land and buildings	859	820
Cost of inventories sold	401,539	372,380

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

7. Income tax in the consolidated income statement

	Six months ended 30 June	
	2012	2011
	\$'000	(restated) \$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	36,289	17,470
Current tax – Overseas		
Provision for the period	14,465	12,726
Under-provision in respect of prior year	–	9
	14,465	12,735
Deferred tax		
Origination and reversal of temporary differences		
– changes in fair value of investment properties	1,007	13,720
– other temporary differences	1,796	17,030
	2,803	30,750
Total income tax expense	53,557	60,955

The provision for Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the six months ended 30 June 2012. Taxation for overseas subsidiaries is charged similarly at the appropriate current rates of taxation ruling in the relevant countries.

8. Basic and diluted earnings per share

- (a) The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of the Company for the six months ended 30 June 2012 of \$589,265,000 (six months ended 30 June 2011 (restated): \$1,244,286,000) divided by 295,295,000 shares (2011: 295,295,000 shares) in issue during the interim period.

There were no outstanding potential shares throughout the periods presented.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

8. Basic and diluted earnings per share (Continued)

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

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

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

	Six months ended 30 June			
	2012		2011 (restated)	
	Amount	Amount	Amount	Amount
	per share	per share	per share	per share
	\$'000	cents	\$'000	cents
Profit attributable to shareholders of the Company as shown in the consolidated income statement	589,265	199.6	1,244,286	421.4
Adjustments:				
– valuation gains on investment properties	(245,296)	(83.1)	(980,793)	(332.1)
– increase in deferred tax liabilities in relation to the valuation gains on investment properties	<u>1,007</u>	<u>0.3</u>	<u>13,720</u>	<u>4.6</u>
Underlying profit attributable to shareholders of the Company	<u><u>344,976</u></u>	<u><u>116.8</u></u>	<u><u>277,213</u></u>	<u><u>93.9</u></u>

9. Fixed assets

- (a) Investment properties were revalued as at 30 June 2012 by the directors using relevant market indices to update the professional valuations that were carried out as at 31 December 2011. As a result of the update, valuation gains of \$245,296,000 (six months ended 30 June 2011: \$980,793,000) and deferred tax of \$1,007,000 thereon (six months ended 30 June 2011 (restated): \$13,720,000) have been included in the consolidated income statement.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

9. Fixed assets (Continued)

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

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Within one year	320,331	316,418
After one year but within five years	675,057	707,293
After five years	98,099	127,295
	<u>1,093,487</u>	<u>1,151,006</u>

- (c) For the six months ended 30 June 2011, certain portion of the land and buildings in Hong Kong revalued by the directors in 1981 had been transferred from other property, plant and equipment to investment properties, since these properties were no longer used by the Group and as such it was decided that these properties would be leased to third parties. Upon the transfer, a revaluation surplus of \$94,423,000 (as restated) had been recognised in equity in the land and building revaluation reserve.

10. Interest in associates

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Unlisted shares		
Share of net assets other than goodwill and intangible assets	373,219	321,814
Share of goodwill and intangible assets of an associate	497,378	473,995
	<u>870,597</u>	<u>795,809</u>

The loans to an associate are unsecured, interest-free and have no fixed repayment terms.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

11. Debtors, deposits and prepayments

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Trade and other debtors	25,634	25,351
Less: allowance for doubtful debts	<u>(194)</u>	<u>(250)</u>
	25,440	25,101
Deposits and prepayments	<u>33,315</u>	<u>27,311</u>
	<u>58,755</u>	<u>52,412</u>

All debtors, deposits and prepayments of the Group, apart from certain rental deposits and prepayments totalling \$16,267,000 (at 31 December 2011: \$17,255,000), are expected to be recovered or recognised as an expense within one year.

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

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Current or less than one month past due	24,594	24,487
One to three months past due	628	485
More than three months but less than twelve months past due	190	104
More than twelve months past due	<u>28</u>	<u>25</u>
	<u>25,440</u>	<u>25,101</u>

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

12. Cash and cash equivalents

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Cash at bank and in hand	190,169	188,212
Bank deposits	<u>1,563,248</u>	<u>1,495,620</u>
	<u>1,753,417</u>	<u>1,683,832</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

13. Creditors and accrued charges

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Trade and other creditors	388,077	424,615
Accrued charges	34,649	42,796
	<u>422,726</u>	<u>467,411</u>

All creditors and accrued charges of the Group, apart from certain rental deposits received and accrued charges totalling \$27,345,000 (at 31 December 2011: \$28,200,000), are expected to be settled or recognised as income within one year or are repayable on demand.

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

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Amounts not yet due	257,498	301,603
On demand or less than one month overdue	127,380	120,415
One to three months overdue	1,077	517
Three to twelve months overdue	197	134
More than twelve months overdue	1,925	1,946
	<u>388,077</u>	<u>424,615</u>

14. Dividends

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

	Six months ended 30 June 2012 \$'000	2011 \$'000
Interim dividend declared and payable after the end of the reporting period of 41 cents (2011: 33 cents) per share	<u>121,071</u>	<u>97,447</u>

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

14. Dividends (Continued)

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

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
Final dividend in respect of the financial year ended 31 December 2011 of 55 cents (31 December 2010: 59 cents) per share payable during the following interim period	<u>162,412</u>	<u>174,224</u>

15. Capital commitments

Capital commitments of the Group outstanding as at 30 June 2012 not provided for in the interim financial report were as follows:

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Authorised and contracted for	<u>2,769</u>	<u>2,521</u>

16. Financial guarantees issued

As at 30 June 2012, the Company had issued a corporate guarantee in the sum of \$15,268,000 (at 31 December 2011: \$15,425,000) to a financial institution in Hong Kong in respect of a banking facility granted to a jointly controlled entity of an associate, which would expire within one year from the end of the reporting date. The maximum liability of the Company as at 30 June 2012 was \$15,268,000 (at 31 December 2011: \$15,425,000), representing the banking facility utilised by the jointly controlled entity of the associate that is covered by this guarantee.

As at 31 December 2011, the associate had issued a corporate guarantee in the sum of \$50,347,000 to a financial institution in the People's Republic of China in respect of a financial facility granted to another jointly controlled entity of the associate. The financial facility was not utilised by the jointly controlled entity of the associate as at 31 December 2011. The guarantee has been released during the six months ended 30 June 2012.

As at the end of the reporting period, the directors do not consider it probable that a claim will be made against the Company under the guarantee. As at 30 June 2012, the total maximum contingent liability shared by the Group was \$15,268,000 (at 31 December 2011: \$15,425,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

17. Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group for the six months ended 30 June 2012 was as follows:

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
Salaries and other short-term employee benefits	20,248	19,256
Contributions to defined contribution retirement plans	483	461
	<u>20,731</u>	<u>19,717</u>

(b) Financing arrangements

A subsidiary of the Group had entered into loan agreements with an associate as disclosed in note 10. Related amounts are disclosed as follows:

	At 30 June 2012 \$'000	At 31 December 2011 \$'000
Loans to an associate	<u>19,363</u>	<u>19,387</u>

	Six months ended 30 June	
	2012	2011
	\$'000	\$'000
Related interest income	—	255
New loans to an associate	—	19,424

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

17. Material related party transactions (Continued)

(c) Recurring transactions

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

- (i) A fellow subsidiary rents retail premises to a subsidiary. Rental and management fees payable to this fellow subsidiary amounted to \$12,266,000 (2011: \$10,385,000) during the period. The amount due from the fellow subsidiary as at 30 June 2012 amounted to \$2,041,000 (at 31 December 2011: \$2,041,000).
- (ii) A subsidiary rents office premises to a fellow subsidiary. Rental and management fees receivable from this fellow subsidiary amounted to \$2,392,000 (2011: \$2,278,000) during the period. The amount due to the fellow subsidiary as at 30 June 2012 amounted to \$1,171,000 (at 31 December 2011: \$1,171,000).
- (iii) A fellow subsidiary, engaged in securities trading, deals in securities for certain subsidiaries of the Group. Commission of \$43,000 (2011: \$261,000) was payable to this fellow subsidiary during the period. The amount due from the fellow subsidiary as at 30 June 2012 amounted to \$2,731,000 (at 31 December 2011: \$522,000).
- (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 (2011: \$456,000) during the period. The amount due to the fellow subsidiary as at 30 June 2012 amounted to \$162,000 (at 31 December 2011: \$1,596,000).

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

18. Comparative figures

Certain comparative figures have been adjusted as a result of the changes in accounting policies. Further details are disclosed in note 2 to the interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

19. Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 June 2012

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 six months ended 30 June 2012 and which have not been adopted in this interim financial report. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, Presentation of financial statements	1 July 2012
Amendments to HKFRS 7, Financial instruments: disclosures	1 January 2013/ 1 January 2015
Amendments to HKAS 32, Financial instruments: presentation	1 January 2014
HKFRS 9, Financial instruments	1 January 2015
HKFRS 10, Consolidated financial statements	1 January 2013
HKFRS 11, Joint arrangements	1 January 2013
HKFRS 12, Disclosure of interests in other entities	1 January 2013
HKFRS 13, Fair value measurement	1 January 2013
HKAS 19 (2011), Employee benefits	1 January 2013
HKAS 27 (2011), Separate financial statements	1 January 2013
HKAS 28 (2011), Investments in associates and joint ventures	1 January 2013

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

19. Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 June 2012 (Continued)

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

20. Approval of the interim financial report

The interim financial report was approved by the Board of Directors on 28 August 2012.

SUPPLEMENTARY INFORMATION

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) set out in Appendix 14 of 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 2012.

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 2012.

DIRECTORS’ INTERESTS IN SHARES

As at 30 June 2012, 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		
Karl C. Kwok	320,710	–	–	–	320,710	0.109
Lester Kwok	489,140	–	–	–	489,140	0.166
Bill Kwok	798,388	295,000	255,000 (Note 1)	–	1,348,388	0.457
Mark Kwok	397,000	–	10,000 (Note 2)	–	407,000	0.138
Leung Wing Ning	10,000	–	–	–	10,000	0.003

Notes:

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

SUPPLEMENTARY INFORMATION

(Continued)

DIRECTORS' INTERESTS IN SHARES (Continued)

(b) Kee Wai Investment Company (BVI) Limited

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

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

(c) The Wing On Fire & Marine (2011) Limited

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

SUPPLEMENTARY INFORMATION

(Continued)

DIRECTORS' INTERESTS IN SHARES (Continued)

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

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

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, according to the information available to the Company, the following companies were interested in 5% or more of the issued share capital of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Number of ordinary shares held	Total interests as a % of the issued share capital
(i) Wing On International Holdings Limited	180,545,138	61.141
(ii) Wing On Corporate Management (BVI) Limited	180,545,138	61.141
(iii) Kee Wai Investment Company (BVI) Limited	180,545,138	61.141

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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