



WING ON COMPANY INTERNATIONAL LIMITED

永安國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 289)

INTERIM REPORT

2013

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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, GBM, GBS, J.P.
Mr. Ignatius Wan Chiu Wong, LL. B.
Mr. Iain Ferguson Bruce, CA, FCPA
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)
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
26 Burnaby Street,
Hamilton HM11,
Bermuda.

CHAIRMAN'S STATEMENT

INTERIM RESULTS AND DIVIDEND

For the six months ended 30 June 2013, the Group's turnover was HK\$950.0 million (2012: HK\$910.0 million), an increase of 4.4% 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 2013 was HK\$870.6 million (2012: HK\$589.3 million), an increase of 47.7% due primarily to the increase 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 decreased by 23.1% to HK\$265.3 million (2012: HK\$345.0 million). This was due mainly to the reduced profit contribution from the Group's automobile dealership associate and the decline in value of its securities investments.

Earnings per share increased by 47.7% to 294.8 HK cents (2012: 199.6 HK cents) per share. Excluding the valuation gains on investment properties net of related deferred tax thereon, underlying earnings per share for the period decreased by 23.1% to 89.8 HK cents (2012: 116.8 HK cents) per share.

The directors have decided to pay an interim dividend of 31 HK cents (2012: 41 HK cents) per share, absorbing a total amount of HK\$91,541,000 (2012: HK\$121,071,000). The interim dividend will be paid on 18 October 2013 (Hong Kong time) to shareholders whose names appear on the Register of Members of the Company on 11 October 2013 (Hong Kong time). The Register of Members will be closed from 8 October 2013 to 11 October 2013 (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, 7 October 2013 (Hong Kong time).

LIQUIDITY AND FINANCIAL RESOURCES

Overall Financial Position

Shareholders' equity at 30 June 2013 was HK\$13,462.2 million, an increase of 3.0% as compared to that at 31 December 2012. With cash and listed marketable securities at 30 June 2013 of about HK\$2,225.0 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 2013, the Group's total borrowings amounted to HK\$427.6 million, a decrease of about HK\$83.4 million as compared to that at 31 December 2012 due to the partial repayments and exchange differences. The Group's total borrowings of HK\$427.6 million relate to a mortgage loan for Australian investment properties. The bulk of the borrowings will be due in December 2014. The management will renegotiate the repayment schedule nearer the time. Certain assets, comprising principally property interests with a book value of HK\$2,422.8 million, have been pledged to banks as collateral security for banking facilities granted to the extent of HK\$496.6 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 2013, was 3.2% as compared with 3.9% at 31 December 2012.

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\$2,025.7 million at 30 June 2013 (at 31 December 2012: HK\$2,251.1 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, Pound sterling and Renminbi.

Capital Commitments and Contingent Liabilities

At 30 June 2013, the total amount of the Group's capital expenditure commitments was HK\$18.7 million (at 31 December 2012: HK\$4.9 million). An associate of the Company has issued a corporate guarantee in the sum of HK\$31.6 million (at 31 December 2012: Nil) and pledged a bank deposit of HK\$17.0 million (at 31 December 2012: Nil) to a financial institution in respect of a banking facility granted to its joint venture. At 30 June 2013, the maximum contingent liability shared by the Group in respect of the above arrangement was HK\$15.8 million (at 31 December 2012: HK\$15.5 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 2013, the Group's department stores business turnover increased by 3.7% to HK\$731.9 million (2012: HK\$705.8 million) while its operating profit dropped slightly to HK\$102.7 million (2012: HK\$103.4 million) due to rising operating costs.

Property Investments

For the six months ended 30 June 2013, the Group's property investment income increased by 8.1% to HK\$215.8 million (2012: HK\$199.6 million). The Group was able to maintain an overall occupancy rate of over 95% for its commercial office properties in Hong Kong during the period under review and achieve a 12.4% increase in rental income to HK\$132.0 million (2012: HK\$117.4 million). Income from the Group's commercial investment properties in Australia increased slightly by 1.8% to HK\$79.4 million (2012: HK\$78.0 million) while the overall occupancy rate at 30 June 2013 stayed at above 95%.

Automobile Dealership Business

During the period under review, the recovery of the United States economy remained on track and the automobile industry in the United States continued to strengthen. While the car market remained severely competitive due mainly to the over supply situation, the Group's automobile dealership associate achieved a slight growth in both sales and operating profits. As opposed to the first half of 2012 during which the Group recorded a share of profit after tax of HK\$47.6 million on the associate's disposal of 49% interest in a wholly owned subsidiary, the Group recorded a loss after tax of HK\$11.5 million from the associate's disposal of certain investment properties during the period under review. Overall, the Group's share of profit after tax from the associate for the six months ended 30 June 2013 decreased by 73.2% to HK\$19.7 million (2012: HK\$73.6 million).

Others

The Group's investments in securities recorded a loss of HK\$7.0 million (2012: a profit of HK\$26.9 million) during the period under review. The Group recorded a net foreign exchange loss of HK\$1.7 million (2012: a gain of HK\$0.4 million) from its foreign currency deposits. During the first half of 2013, the Group recognised a foreign exchange gain of HK\$10.1 million (2012: HK\$12.4 million) upon the return of investments from subsidiaries in Australia.

CHAIRMAN'S STATEMENT

(Continued)

STAFF

As at 30 June 2013, the Group had a total staff of 814 (at 30 June 2012: 827). The Group's remuneration policies, bonus schemes, Mandatory Provident Fund Schemes, etc., have not changed materially from the information disclosed in the 2012 Annual Report.

OUTLOOK FOR THE REMAINDER OF 2013

Barring unforeseen circumstances, the Group's department store business in Hong Kong is expected to remain stable in the second half of the year despite rising operating costs and labour shortage. The Group's commercial investment properties will continue to provide stable rental income. With the positive outlook of the United States economy and its improving car market, our automobile dealership associate is expected to continue to contribute profits to the Group in the second half of the year.

Karl C. Kwok
Chairman

Hong Kong, 27 August 2013

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 (the “Company”) as at 30 June 2013 and the related consolidated income statement, consolidated statement of comprehensive income, 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 2013 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

27 August 2013

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2013 \$'000	2012 \$'000
Turnover	3(a)	950,042	909,977
Other revenue	4	20,111	23,823
Other net (loss)/gain	4	(4,271)	34,179
Cost of department store sales	5(d)	(411,938)	(401,539)
Cost of property leasing activities	5(c)	(33,460)	(31,233)
Other operating expenses		<u>(208,965)</u>	<u>(195,057)</u>
Profit from operations		311,519	340,150
Finance costs	5(a)	<u>(10,721)</u>	<u>(16,046)</u>
Valuation gains on investment properties	8(a)	300,798 <u>613,830</u>	324,104 <u>245,296</u>
Share of profits of associates		914,628 <u>19,684</u>	569,400 <u>73,635</u>
Profit before taxation	5	934,312	643,035
Income tax	6	<u>(63,276)</u>	<u>(53,557)</u>
Profit for the period		<u>871,036</u>	<u>589,478</u>
Attributable to:			
Shareholders of the Company		870,635	589,265
Non-controlling interests		<u>401</u>	<u>213</u>
Profit for the period		<u>871,036</u>	<u>589,478</u>
Basic and diluted earnings per share	7(a)	<u>294.8 cents</u>	<u>199.6 cents</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 13.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June			
		2013		2012	
		\$'000	\$'000	\$'000	\$'000
Profit for the period			871,036		589,478
			-----		-----
Other comprehensive income for the period (after tax and reclassification adjustments):					
Item that will not be reclassified to profit or loss:					
– Share of land and building revaluation of an associate: surplus on revaluation of land and building held for own use reclassified to investment properties			1,318		–
Items that may be reclassified subsequently to profit or loss:					
– Foreign currency translation adjustments:					
– exchange differences on translation of financial statements of overseas subsidiaries			(260,919)		507
– share of exchange differences on translation of financial statements of overseas associates			1,136		(4,480)
– release of the exchange reserve upon refund of investments in overseas subsidiaries	4		(10,100)		(12,399)
– release of the exchange reserve upon dissolution of overseas subsidiaries	4		–		(1,262)
			-----		-----
			(269,883)		(17,634)
– Share of cash flow hedge of an associate: net movement in the hedging reserve			4,477		5,633
– Available-for-sale securities: net movement in the investment revaluation reserve			–		660
			-----		-----
Other comprehensive income for the period			(264,088)		(11,341)
			-----		-----
Total comprehensive income for the period			606,948		578,137
			-----		-----
Attributable to:					
Shareholders of the Company			606,530		577,945
Non-controlling interests			418		192
			-----		-----
Total comprehensive income for the period			606,948		578,137
			-----		-----

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013 – unaudited
(Expressed in Hong Kong dollars)

		At 30 June 2013 \$'000	At 31 December 2012 \$'000
Non-current assets			
Fixed assets	8		
– Investment properties		10,884,481	10,603,352
– Other property, plant and equipment		511,906	524,882
		11,396,387	11,128,234
Goodwill		1,178	1,178
Interest in associates	9	908,562	881,947
Available-for-sale securities		23,128	23,128
Deferred tax assets		7,764	9,937
		12,337,019	12,044,424
Current assets			
Trading securities		333,323	330,323
Inventories		97,373	108,778
Debtors, deposits and prepayments	10	93,800	53,144
Loans to an associate	9	19,366	19,349
Amounts due from fellow subsidiaries		2,051	2,095
Amount due from an associate		305	304
Cash and cash equivalents	11	1,934,091	1,939,075
		2,480,309	2,453,068
Current liabilities			
Creditors and accrued charges	12	450,882	419,754
Secured bank loan		44,531	50,590
Amounts due to fellow subsidiaries		2,799	3,215
Current tax payable		57,563	39,137
		555,775	512,696
Net current assets		1,924,534	1,940,372
Total assets less current liabilities carried forward		14,261,553	13,984,796

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013 – unaudited
(Continued)
(Expressed in Hong Kong dollars)

	At 30 June 2013 \$'000	At 31 December 2012 \$'000
Total assets less current liabilities brought forward	14,261,553	13,984,796
Non-current liabilities		
Secured bank loan	383,036	460,450
Deferred tax liabilities	396,774	431,033
	<u>779,810</u>	<u>891,483</u>
NET ASSETS	<u>13,481,743</u>	<u>13,093,313</u>
Capital and reserves		
Share capital	29,530	29,530
Reserves	13,432,634	13,044,622
Total equity attributable to shareholders of the Company	13,462,164	13,074,152
Non-controlling interests	<u>19,579</u>	<u>19,161</u>
TOTAL EQUITY	<u>13,481,743</u>	<u>13,093,313</u>

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 2013 – 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 2013	29,530	271,419	11,350	573,794	(16,094)	754,347	283	11,449,523	13,074,152	19,161	13,093,313
	Changes in equity for the six months ended 30 June 2013:											
	Profit for the period	-	-	-	-	-	-	-	870,635	870,635	401	871,036
	Other comprehensive income for the period	-	1,318	-	(269,900)	4,477	-	-	-	(264,105)	17	(264,088)
	Total comprehensive income for the period	-	1,318	-	(269,900)	4,477	-	-	870,635	606,530	418	606,948
	Dividends approved in respect of the previous year	-	-	-	-	-	-	-	(218,518)	(218,518)	-	(218,518)
		-	1,318	-	(269,900)	4,477	-	-	652,117	388,012	418	388,430
	Balance at 30 June 2013	<u>29,530</u>	<u>272,737</u>	<u>11,350</u>	<u>303,894</u>	<u>(11,617)</u>	<u>754,347</u>	<u>283</u>	<u>12,101,640</u>	<u>13,462,164</u>	<u>19,579</u>	<u>13,481,743</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013 – unaudited

(Continued)

(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 2012	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
Changes in equity for the six months ended 30 June 2012:											
Profit for the period	-	-	-	-	-	-	-	589,265	589,265	213	589,478
Other comprehensive income for the period	-	-	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	-	-	-	-	-	-	-	(162,412)	(162,412)	-	(162,412)
	-	-	660	(17,613)	5,633	-	(1,728)	428,581	415,533	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>12,221,043</u>	<u>18,222</u>	<u>12,239,265</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013 – unaudited

(Continued)

(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 July 2012	29,530	271,555	11,350	545,322	(21,719)	754,347	-	10,630,658	12,221,043	18,222	12,239,265
	Changes in equity for the six months ended 31 December 2012:											
	Profit for the period	-	-	-	-	-	-	-	940,219	940,219	952	941,171
	Other comprehensive income for the period	-	(136)	-	28,472	5,625	-	-	-	33,961	(13)	33,948
	Total comprehensive income for the period	-	(136)	-	28,472	5,625	-	-	940,219	974,180	939	975,119
	Share of the general reserve fund of an associate: transfer to the general reserve fund	-	-	-	-	-	-	283	(283)	-	-	-
	Dividends declared and paid in respect of the current period	-	-	-	-	-	-	-	(121,071)	(121,071)	-	(121,071)
		-	(136)	-	28,472	5,625	-	283	818,865	853,109	939	854,048
	Balance at 31 December 2012	<u>29,530</u>	<u>271,419</u>	<u>11,350</u>	<u>573,794</u>	<u>(16,094)</u>	<u>754,347</u>	<u>283</u>	<u>11,449,523</u>	<u>13,074,152</u>	<u>19,161</u>	<u>13,093,313</u>

Note: Retained earnings attributable to the shareholders of the Company as at 30 June 2013 include the aggregate net valuation gain relating to investment properties after deferred tax of \$8,125,239,000 (at 31 December 2012: \$7,519,942,000).

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 2013 – unaudited

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2013	2012
	Note	\$'000	\$'000
Cash generated from operations		314,012	287,578
Tax paid		<u>(32,410)</u>	<u>(27,462)</u>
Net cash generated from operating activities		281,602	260,116
Net cash generated from investing activities		9,290	13,435
Net cash used in financing activities		<u>(254,140)</u>	<u>(204,113)</u>
Net increase in cash and cash equivalents		36,752	69,438
Cash and cash equivalents at 1 January		1,939,075	1,683,832
Effect of foreign exchange rate changes		<u>(41,736)</u>	<u>147</u>
Cash and cash equivalents at 30 June	11	<u><u>1,934,091</u></u>	<u><u>1,753,417</u></u>
		At	At
		30 June	30 June
		2013	2012
		\$'000	\$'000
Analysis of the balances of cash and cash equivalents			
Cash at bank and in hand		277,036	190,169
Bank deposits		<u>1,657,055</u>	<u>1,563,248</u>
Cash and cash equivalents	11	<u><u>1,934,091</u></u>	<u><u>1,753,417</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 27 August 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 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 and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2012 annual financial statements. The condensed consolidated interim financial statements and notes thereon 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”).

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 2012 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 2012 are available from the Stock Exchange’s website. The auditors have expressed an unqualified opinion on those financial statements in their independent auditor’s report dated 27 March 2013.

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 number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, Presentation of financial statements – presentation of items of other comprehensive income
- Amendments to HKFRS 7, Financial instruments: disclosures – disclosures – offsetting financial assets and financial liabilities
- HKFRS 10, Consolidated financial statements
- HKFRS 12, Disclosures of interests in other entities
- HKFRS 13, Fair value measurement
- Annual Improvements to HKFRSs 2009-2011 Cycle

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

(a) **Amendments to HKAS 1, Presentation of financial statements – presentation of items of other comprehensive income**

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in this interim financial report has been modified accordingly.

(b) **Amendments to HKFRS 7, Financial instruments: disclosures – disclosures – offsetting financial assets and financial liabilities**

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, Financial instruments: Presentation, and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on the Group's interim financial report because the Group has not offset financial instruments, nor has it entered into any master netting arrangement or similar agreement which is subject to the disclosure requirements of HKFRS 7.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

2. Changes in accounting policies (Continued)

(c) HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, Consolidated and separate financial statements, relating to the preparation of consolidated financial statements and HK-SIC 12 Consolidation – Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

(d) HKFRS 12, Disclosures of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting HKFRS 12.

(e) HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The Group has provided those disclosures in note 14. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

(f) Annual Improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker ("CODM") and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the Group has continued to disclose segment assets and segment liabilities in note 3(b).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

3. Turnover and segment reporting

(a) Turnover

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

The Group's turnover comprises 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	
	2013	2012
	\$'000	\$'000
Sale of goods	599,706	581,830
Net income from concession sales	132,150	123,954
	<hr/>	<hr/>
Department stores	731,856	705,784
Property investment (note 5(c))	218,186	204,193
	<hr/>	<hr/>
	<u>950,042</u>	<u>909,977</u>

(b) 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

3. Turnover and segment reporting (Continued)

(b) Segment reporting (Continued)

(i) 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.
- 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	
	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	731,856	705,784	218,186	204,193	950,042	909,977
Inter-segment revenue	-	-	48,609	44,602	48,609	44,602
Reportable segment revenue	<u>731,856</u>	<u>705,784</u>	<u>266,795</u>	<u>248,795</u>	<u>998,651</u>	<u>954,579</u>
Reportable segment profit	<u>102,747</u>	<u>103,373</u>	<u>215,836</u>	<u>199,608</u>	<u>318,583</u>	<u>302,981</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

3. Turnover and segment reporting (Continued)

(b) Segment reporting (Continued)

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

	Department stores		Property investment		Total	
	At	At	At	At	At	At
	30 June	31 December	30 June	31 December	30 June	31 December
	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reportable segment assets	192,523	170,056	11,391,112	11,122,987	11,583,635	11,293,043
Additions to non-current segment assets during the period/year	5,584	6,568	3,147	29,112	8,731	35,680
Reportable segment liabilities	<u>364,386</u>	<u>325,178</u>	<u>484,608</u>	<u>579,205</u>	<u>848,994</u>	<u>904,383</u>

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

Six months ended 30 June

2013 **2012**
\$'000 \$'000

Profit

Reportable segment profit derived from the Group's external customers	318,583	302,981
Other revenue	20,111	23,823
Other net (loss)/gain	(4,271)	34,179
Finance costs	(10,721)	(16,046)
Valuation gains on investment properties	613,830	245,296
Share of profits of associates	19,684	73,635
Unallocated head office and corporate expenses	<u>(22,904)</u>	<u>(20,833)</u>
Consolidated profit before taxation	<u>934,312</u>	<u>643,035</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

3. Turnover and segment reporting (Continued)

(b) Segment reporting (Continued)

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

	At 30 June 2013 \$'000	At 31 December 2012 \$'000
Assets		
Reportable segment assets	11,583,635	11,293,043
Elimination of inter-segment receivables	<u>(4,079)</u>	<u>(4,566)</u>
	11,579,556	11,288,477
Goodwill	1,178	1,178
Interest in associates	908,562	881,947
Available-for-sale securities	23,128	23,128
Deferred tax assets	7,764	9,937
Trading securities	333,323	330,323
Loans to an associate	19,366	19,349
Amount due from an associate	305	304
Unallocated head office and corporate assets	<u>1,944,146</u>	<u>1,942,849</u>
Consolidated total assets	<u><u>14,817,328</u></u>	<u><u>14,497,492</u></u>
Liabilities		
Reportable segment liabilities	848,994	904,383
Elimination of inter-segment payables	<u>(4,079)</u>	<u>(4,566)</u>
	844,915	899,817
Current tax payable	57,563	39,137
Deferred tax liabilities	396,774	431,033
Unallocated head office and corporate liabilities	<u>36,333</u>	<u>34,192</u>
Consolidated total liabilities	<u><u>1,335,585</u></u>	<u><u>1,404,179</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

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

	Six months ended 30 June	
	2013	2012
	\$'000	\$'000
Other revenue		
Interest income from		
– bank deposits	12,209	14,603
– securities	578	670
Dividend income from		
– listed securities	4,864	5,932
– unlisted securities	465	395
Forfeiture of unclaimed dividends	1,212	1,348
Others	783	875
	<u>20,111</u>	<u>23,823</u>
Other net (loss)/gain		
Net (loss)/gain on remeasurement to fair value of trading securities	(9,508)	13,354
Net realised gain/(loss) on disposal of		
– trading securities	1,002	4,455
– derivative financial instruments	(4,220)	2,334
Release of the exchange reserve upon refund of investments in overseas subsidiaries	10,100	12,399
Net gain on dissolution of subsidiaries (note)	–	1,262
Net foreign exchange (loss)/gain	(1,662)	375
Net gain on disposal of other fixed assets	17	–
	<u>(4,271)</u>	<u>34,179</u>

Note: For the six months ended 30 June 2012, net gain on dissolution of subsidiaries included 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)

5. Profit before taxation

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

	Six months ended 30 June	
	2013	2012
	\$'000	\$'000
(a) Finance costs		
Interest on bank loan repayable within five years	<u>10,721</u>	<u>16,046</u>
(b) Staff costs (excluding directors' remuneration)		
Contributions to defined contribution retirement plans	5,992	5,707
Salaries, wages and other benefits	<u>101,401</u>	<u>95,448</u>
	<u>107,393</u>	<u>101,155</u>
(c) Rentals received and receivable from investment properties		
Gross rentals (note 3(a))	(218,186)	(204,193)
Less: direct outgoings	<u>33,460</u>	<u>31,233</u>
	<u>(184,726)</u>	<u>(172,960)</u>
(d) Other items		
Depreciation and amortisation		
– owned assets	18,547	18,884
– lease incentives	7,254	7,775
Impairment losses on trade and other debtors recognised/(written back)	9	(59)
Operating lease charges		
– minimum lease payments for hire of land and buildings	21,381	20,903
– contingent rentals for hire of land and buildings	816	859
Cost of inventories sold	<u>411,938</u>	<u>401,539</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

6. Income tax in the consolidated income statement

	Six months ended 30 June	
	2013	2012
	\$'000	\$'000
Current tax – Hong Kong Profits Tax		
Provision for the period	36,071	36,289
Current tax – Overseas		
Provision for the period	15,726	14,465
Deferred tax		
Origination and reversal of temporary differences		
– changes in fair value of investment properties	8,533	1,007
– other temporary differences	2,946	1,796
	11,479	2,803
Total income tax expense	63,276	53,557

The provision for Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the six months ended 30 June 2013. Taxation for overseas subsidiaries is charged similarly at the appropriate current rates of taxation ruling in the relevant countries.

7. 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 2013 of \$870,635,000 (six months ended 30 June 2012: \$589,265,000) divided by 295,295,000 shares (2012: 295,295,000 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 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”.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

7. 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 (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			
	2013		2012	
	\$'000	Amount per share cents	\$'000	Amount per share cents
Profit attributable to shareholders of the Company as shown in the consolidated income statement	870,635	294.8	589,265	199.6
Adjustments:				
– valuation gains on investment properties	(613,830)	(207.9)	(245,296)	(83.1)
– increase in deferred tax liabilities in relation to the valuation gains on investment properties	<u>8,533</u>	<u>2.9</u>	<u>1,007</u>	<u>0.3</u>
Underlying profit attributable to shareholders of the Company	<u><u>265,338</u></u>	<u><u>89.8</u></u>	<u><u>344,976</u></u>	<u><u>116.8</u></u>

8. Fixed assets

- (a) Investment properties were revalued as at 30 June 2013 by the directors using relevant market indices to update the professional valuations that were carried out as at 31 December 2012. As a result of the update, valuation gains of \$613,830,000 (six months ended 30 June 2012: \$245,296,000) and deferred tax of \$8,533,000 (six months ended 30 June 2012: \$1,007,000) thereon 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)

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

	At 30 June 2013 \$'000	At 31 December 2012 \$'000
Within one year	338,769	340,533
After one year but within five years	539,698	645,360
After five years	21,973	58,722
	900,440	1,044,615

9. Interest in associates

	At 30 June 2013 \$'000	At 31 December 2012 \$'000
Unlisted shares		
Share of net assets other than goodwill and intangible assets	438,261	409,715
Share of goodwill and intangible assets of an associate	470,301	472,232
	908,562	881,947

The loans to an associate of \$19,366,000 (at 31 December 2012: \$19,349,000) are unsecured, interest-free and have no fixed repayment terms.

10. Debtors, deposits and prepayments

	At 30 June 2013 \$'000	At 31 December 2012 \$'000
Trade and other debtors	53,652	25,518
Less: allowance for doubtful debts	(27)	(18)
	53,625	25,500
Deposits and prepayments	40,175	27,644
	93,800	53,144

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

10. Debtors, deposits and prepayments (Continued)

All debtors, deposits and prepayments of the Group, apart from certain rental deposits and prepayments totalling \$16,246,000 (at 31 December 2012: \$18,532,000), are expected to be recovered or recognised as an expense within one year.

At the end of the reporting period, the ageing analysis of trade and other debtors (net of allowance for doubtful debts), based on the due date, is as follows:

	At 30 June 2013 \$'000	At 31 December 2012 \$'000
Current or less than one month past due	52,773	24,670
One to three months past due	635	510
More than three months but less than twelve months past due	104	233
More than twelve months past due	113	87
	<u>53,625</u>	<u>25,500</u>

Credit period granted to customers is generally 30 days from the date of billing.

11. Cash and cash equivalents

	At 30 June 2013 \$'000	At 31 December 2012 \$'000
Cash at bank and in hand	277,036	106,440
Bank deposits	<u>1,657,055</u>	<u>1,832,635</u>
	<u>1,934,091</u>	<u>1,939,075</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

12. Creditors and accrued charges

At the end of the reporting period, the ageing analysis of trade and other creditors, based on the due date, is as follows:

	At 30 June 2013 \$'000	At 31 December 2012 \$'000
Amounts not yet due	277,337	333,348
On demand or less than one month overdue	133,449	40,969
One to three months overdue	1,918	623
Three to twelve months overdue	626	28
More than twelve months overdue	1,595	1,601
	<u>414,925</u>	<u>376,569</u>
Trade and other creditors	414,925	376,569
Accrued charges	35,957	43,185
	<u>450,882</u>	<u>419,754</u>

All creditors and accrued charges of the Group, apart from certain rental deposits received and accrued charges totalling \$36,542,000 (at 31 December 2012: \$35,356,000), are expected to be settled or recognised as income within one year or are repayable on demand.

13. Dividends

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

	Six months ended 30 June	
	2013 \$'000	2012 \$'000
Interim dividend declared and payable after the interim period of 31 cents (2012: 41 cents) per share	<u>91,541</u>	<u>121,071</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)

13. 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	
	2013	2012
	\$'000	\$'000
Final dividend in respect of the financial year ended 31 December 2012 of 74 cents (31 December 2011: 55 cents) per share payable during the following interim period	218,518	162,412

14. Fair value measurement of financial instruments

(a) Financial assets and liabilities measured at fair value

- (i) Fair value hierarchy

	At 30 June 2013			At 31 December 2012		
	Fair value measurements using			Fair value measurements using		
	Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Fair value	Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Fair value
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Recurring fair value measurement						
Financial assets:						
- Unlisted available-for-sale securities	11,560	-	11,560	11,560	-	11,560
- Trading securities	333,323	294,755	38,568	330,323	292,604	37,719

During the six months ended 30 June 2013, there were no transfers between Level 1 and Level 2 (2012: None). The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period during which they occur.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

14. Fair value measurement of financial instruments (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The trading securities in Level 2 represent unlisted but quoted investment funds. The fair value of these investment funds is determined by reference to quoted active market price of the listed securities comprising the fund portfolio being valued, adjusted for factors unique to the funds being valued.

The fair value of the unlisted available-for-sale securities is determined by reference to quoted active market price of instruments similar to the securities being valued, adjusted for factors unique to the securities being valued.

(b) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2012 and 30 June 2013 except for the unlisted equity securities of \$11,568,000 (at 31 December 2012: \$11,568,000), which do not have a quoted market price in an active market and therefore their fair values cannot be reliably measured. These unlisted equity securities are stated at cost at the end of the reporting period.

15. Capital commitments

At the end of the reporting period, capital commitments of the Group outstanding not provided for in the interim financial report were as follows:

	At 30 June 2013 \$'000	At 31 December 2012 \$'000
Authorised and contracted for	10,221	4,926
Authorised but not contracted for	8,500	–
	<u>18,721</u>	<u>4,926</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

16. Financial guarantees issued

As at 30 June 2013, an associate of the Company has issued a corporate guarantee in the sum of \$31,588,000 (at 31 December 2012: \$Nil) to a financial institution in respect of a banking facility granted to its joint venture. The maximum liability of the associate as at 30 June 2013 was \$31,588,000 (at 31 December 2012: \$Nil), representing the banking facility utilised by the joint venture that is covered by this guarantee. As at 30 June 2013, the associate has also pledged a bank deposit of \$17,042,000 (at 31 December 2012: \$Nil) to the financial institution to secure this banking facility.

As at 31 December 2012, the Company had issued a corporate guarantee in the sum of \$15,545,000 to a financial institution in respect of a banking facility granted to a joint venture of an associate. The guarantee has been released during the six months ended 30 June 2013.

As at the end of the reporting period, the directors do not consider it probable that a claim will be made against the associate under these guarantees. As at 30 June 2013, the maximum contingent liability shared by the Group was \$15,794,000 (at 31 December 2012: \$15,545,000).

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 2013 was as follows:

	Six months ended 30 June	
	2013	2012
	\$'000	\$'000
Salaries and other short-term employee benefits	28,847	20,248
Contributions to defined contribution retirement plans	507	483
	<u>29,354</u>	<u>20,731</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

17. Material related party transactions (Continued)

(b) Financing arrangements

A subsidiary of the Group had entered into loan agreements with an associate as disclosed in note 9. The related amounts have been disclosed in the consolidated statement of financial position.

(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 of the Group. Rental and management fees payable to this fellow subsidiary amounted to \$12,264,000 (2012: \$12,266,000) during the period. The amount due from the fellow subsidiary as at 30 June 2013 amounted to \$2,041,000 (at 31 December 2012: \$2,041,000).
- (ii) A subsidiary of the Group rents office premises to a fellow subsidiary. Rental and management fees receivable from this fellow subsidiary amounted to \$2,416,000 (2012: \$2,392,000) during the period. The amount due to the fellow subsidiary as at 30 June 2013 amounted to \$1,171,000 (at 31 December 2012: \$1,171,000).
- (iii) A fellow subsidiary, engaged in securities trading, deals in securities for certain subsidiaries of the Group. Commission of \$25,000 (2012: \$43,000) was payable to this fellow subsidiary during the period. The amount due from the fellow subsidiary as at 30 June 2013 amounted to \$10,000 (at 31 December 2012: \$54,000).
- (iv) A subsidiary of the Group provides building and tenancy management services to a fellow subsidiary. Building and tenancy management fees receivable from this fellow subsidiary amounted to \$456,000 (2012: \$456,000) during the period. The amount due to the fellow subsidiary as at 30 June 2013 amounted to \$1,628,000 (at 31 December 2012: \$2,044,000).

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

18. Approval of the interim financial report

The interim financial report was approved by the Board of Directors on 27 August 2013.

SUPPLEMENTARY INFORMATION

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions in the Corporate Governance Code 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 2013.

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 2013.

DIRECTORS’ INTERESTS IN SHARES

As at 30 June 2013, the interests and short positions of the directors in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under section 352 of the SFO were as follows:

(a) The Company

Name of Director	Number of ordinary shares held					Total interests as 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	Total 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 controlled 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 controlled 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 2013, 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.