Wing On NETshop: www.wingonet.com

WING ON COMPANY INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

stock code: 289

永安

Annual Report 2008

WING ON

2008

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting of Shareholders of Wing On Company International Limited will be held at 7th Floor, Wing On Centre, 211 Des Voeux Road Central, Hong Kong on Thursday, 18 June 2009 at 10:30 a.m. (Hong Kong time) for the following purposes:

Ordinary Business

1. To receive and adopt the Reports of the Directors and of the Auditor together with the Financial Statements for the year ended 31 December 2008.

2. To declare a Final Dividend.

3. To re-elect retiring Directors and to fix the fees of Directors.

4. To fix the maximum number of Directors at 12 and authorise the Directors to appoint additional Directors up to such maximum number.

5. To re-appoint Auditor and authorise the Directors to fix their remuneration.

Special Business

6. To consider and if thought fit, pass the following resolution as an Ordinary Resolution:

   "That a general mandate be unconditionally given to the Directors to issue and dispose of additional shares not exceeding 20% of the existing issued share capital of the Company during the Relevant Period (as defined in item 7(c))."

7. To consider and if thought fit, pass the following resolution as an Ordinary Resolution:

   "That:

   (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as defined in paragraph (c) below) of all powers of the Company to purchase its own shares, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, be and is hereby generally and unconditionally approved;

   (b) the aggregate nominal amount of shares of the Company purchased by the Company pursuant to paragraph (a) above during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company at the date of this Resolution, and the authority pursuant to paragraph (a) above shall be limited accordingly; and

Special Business (Continued)

(c) for the purposes of this Resolution and Resolution set out in item 6, "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-Laws of the Company or any applicable law to be held; and

(iii) the revocation or variation of this Resolution by an ordinary resolution of the Shareholders of the Company in General Meeting."

8. To consider and if thought fit, pass the following resolution as an Ordinary Resolution:

"That the general mandate granted to the Directors to issue and dispose of additional shares pursuant to Ordinary Resolution set out in item 6 of the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution set out in item 7 of the notice convening this meeting, provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company at the date of this Resolution."

By Order of the Board
Karl C. Kwok
Chairman

Hong Kong, 30 April 2009

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.

NOTICE OF ANNUAL GENERAL MEETING
(Continued)

Notes:

(1) A member entitled to attend and vote at the above meeting may appoint a proxy or proxies to attend and, on a poll, vote on his behalf. Where a member appoints two or more proxies to represent him, the proxy form must clearly indicate the number of shares in the Company ("Share(s)") which each proxy represents. A proxy need not be a member of the Company.

(2) Where there are joint registered holders of any Share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such Share as if he were solely entitled thereto, but if more than one such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such Share shall alone be entitled to vote in respect thereof.

(3) Pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, all resolutions set out in this Notice will be decided by poll at the above meeting.

(4) To be valid, a proxy form must be deposited at the Company's principal office not less than 48 hours before the time appointed for the holding of the above meeting, together with the power of attorney (if any) under which it is signed.

(5) The Register of Members will be closed from Thursday, 11 June 2009 to Thursday, 18 June 2009 (Hong Kong time), both dates inclusive, during which period no Share transfers can be registered.

(6) To qualify for the final dividend, share transfers to be dealt with must be accompanied by the relevant share certificates and must be lodged at the Company's Share Registrars, Tricor Progressive Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Wednesday, 10 June 2009 (Hong Kong time).

(7) Concerning item 3 above, the retiring Directors to be re-elected at the meeting are Mr. Karl C. Kwok and Mr. Iain Ferguson Bruce.

(8) Concerning item 6 above, approval is being sought from members as a general mandate to authorise allotment of Shares under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. However, the Directors have no plan at the moment to issue any new Shares of the Company.

(9) An explanatory statement containing information regarding items 3, 7 and 8 above will be sent to members together with the Company's 2008 Annual Report.

CORPORATE INFORMATION

Board of Directors

The Board of Directors as now constituted is listed below:

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

Audit Committee

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

Remuneration committee

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

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.

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.

Biography of Directors

Mr. Karl C. Kwok, Chairman and Member of the Remuneration Committee
He, aged 60, is the Chairman of Wing On International Holdings Limited. He was educated at Carleton College, Minnesota and Wharton School, University of Pennsylvania where he obtained an M.B.A. degree. He joined the Group in 1974. He has over 20 years' experience in senior management positions in banking and finance. He is the Chairman of the Board of The Trustees of Chung Chi College of The Chinese University of Hong Kong, a member of University Council and Executive Committee of the Council of The Chinese University of Hong Kong, Chairman of The Hong Kong-America Center, a trust member of The Outward Bound Trust of Hong Kong Limited, the President of Hong Kong Sailing Federation, Vice President of Sports Federation & Olympic Committee of Hong Kong, China. He is an Independent Non-executive Director of Tai Cheung Holdings Limited which is listed on The Stock Exchange of Hong Kong Limited. He is also a director of Wing On Corporate Management (BVI) Limited and Kee Wai Investment Company (BVI) Limited.

Mr. Lester Kwok, J.P., Deputy Chairman and Chief Executive Officer
He, aged 59, was educated at Stanford University, California where he obtained a B.A. (Economics) degree. He subsequently qualified as a barrister-at-law at Gray's Inn, London in 1975 and practised in London and Hong Kong. He joined the Group in late 1985. He is a Steward of The Hong Kong Jockey Club. He has served on numerous statutory appeal/review bodies at various times in the past including the Administrative Appeals Board (2000-2006), Inland Revenue Board of Review (1985-2002), Municipal Services Appeals Board (2000-2002), Town Planning Appeal Board (1994-2001), Securities and Futures Appeals Panel of the Securities and Futures Commission (1989-1995). He has also served on the Wan Chai District Board (1985-1994) and the Consumer Council (1996-1997). He is the deputy chairman and managing director of Wing On International Holdings Limited and also a director of Wing On Corporate Management (BVI) Limited and Kee Wai Investment Company (BVI) Limited. He is a brother of the Chairman.

Dr. Bill Kwok, Non-executive Director
He, aged 56, was educated at Stanford University and the University of Chicago where he obtained undergraduate degrees and a Ph.D. respectively. He joined the Group in 1985 and is responsible principally for financial investments. He is an Independent Non-executive Director of the Hong Kong Exchanges and Clearing Limited which is listed on The Stock Exchange of Hong Kong Limited. He is also a Non-executive Director of HSBC Private Bank (Suisse) SA. He is the Chairman of the Asian Securities and Investments Federation Inc, a member of Bloomberg LP Asia Pacific Advisory Board and a director of the Hong Kong Securities Institute. He also serves on the Investigation Panel A of the Hong Kong Institute of Certified Public Accountants, Takeovers and Mergers Panel and the Takeovers Appeal Committee of the Securities and Futures Commission. He served as a director and the Chairman of the Hong Kong Securities Institute from 1997 to 2003 and from 1999 to 2001 respectively, a director and a Vice Chairman of the Hong Kong Futures Exchange Limited from 1991 to 2000 and from 1997 to 2000 respectively, a member of the Financial Services Advisory Committee of the Hong Kong Trade Development Council from 1996 to 2002, the Government's Advisory Committee on Human Resources Development in the Financial Services Sector from 2000 to 2005, a director of the Investor Compensation Company Limited from 2003 to 2006 and a member of the Tourism Strategy Group of the Tourism Commission from 2006 to 2008. He recently completed his term of appointment as a Non-executive Director of HSBC Guyerzeller Bank AG and as a panel member of the Securities and Futures Appeals Tribunal in March 2009. He is also a director of Wing On International Holdings Limited, Wing On Corporate Management (BVI) Limited and Kee Wai Investment Company (BVI) Limited. He is a brother of the Chairman.

Biography of Directors (Continued)

Mr. Mark Kwok, Executive Director
He, aged 54, was educated at Stanford University, California and the University of Santa Clara where he obtained a B.A. (Economics) degree and an M.B.A. degree respectively. He joined the Group in 1986 and has been responsible for the Group's retail operations until mid 2001. He is currently looking after the Group's overseas investments. He was a member of the Executive Committee of the Hong Kong Retail Management Association. He has served as a member of Law Reform Commission's Sub-committee on Civil Liability for Unsafe Products from 1995 to 1997 and a Member of Election Committee of Subsector of Wholesale and Retail for the Legislative Council Elections of the HKSAR in 1997, 2000, 2002 and 2004. He has also served as a member of the Committee for electing deputies from the HKSAR for the 11th National People's Congress of The People's Republic of China in 2008. He is also a director of Wing On International Holdings Limited, Wing On Corporate Management (BVI) Limited and Kee Wai Investment Company (BVI) Limited. He is a brother of the Chairman.

Dr. Kwok Man Cho, Non-executive Director
He, aged 83, was educated at Lingnan University, Guangdong and Columbia University, New York where he obtained a B.A. degree and an M.A. degree respectively. He also holds a Degree of Doctor of Laws honors causa from Lingnan College. He has worked for the Group since 1951. He is a well-known figure in the insurance field. He is also a director of Wing On International Holdings Limited and Wing On Corporate Management (BVI) Limited.

Dr. Philip Kwok, SBS, J.P., Non-executive Director and Member of the Audit Committee
He, aged 70, was educated at the Massachusetts Institute of Technology and Harvard University where he obtained a S.B. degree and a Ph.D. in physics respectively. He has worked for the Group since 1971. He is also a director of Wing On International Holdings Limited.

Miss Maria Tam Wai Chu, GBS, J.P., Independent Non-executive Director and Member of the Audit Committee
She, aged 63, was educated at London University. She qualified as a barrister-at-law at Gray's Inn, London, and practised in Hong Kong. She was a member of the Preparatory Committee for the Hong Kong Special Administrative Region (P.R.C.) and Hong Kong Affairs Advisor (P.R.C.). She is currently an Independent Non-executive Director of Guangnan (Holdings) Limited, Minmetals Land Limited, Nine Dragons Paper (Holdings) Limited, Sa Sa International Holdings Limited, Sinopec Kantons Holdings Limited, Titan Petrochemicals Group Limited and Tong Ren Tang Technologies Company Limited, all are listed on The Stock Exchange of Hong Kong Limited. She is a member of the Task Group on Constitutional Development of the Commission on Strategic Development. She is a deputy to the National People's Congress of The People's Republic of China and a member of the Hong Kong Basic Law Committee. She is also a member of various community services organisations. She was appointed Independent Non-executive Director of the Company in January 1994.

Mr. Ignatius Wan Chiu Wong, LL.B., Independent Non-executive Director and Member of the Remuneration Committee
He, aged 68, read law at Birmingham University where he obtained an LL.B. (Hons.) degree. He qualified as a solicitor in England and Hong Kong and has practised law in Hong Kong for more than 17 years. He has served for some 8 years in leading financial institutions in Hong Kong. He was appointed Independent Non-executive Director of the Company in July 2000.

Biography of Directors (Continued)

Mr. Iain Ferguson Bruce, CA, FCPA, Independent Non-executive Director and Chairman of the Audit Committee
He, aged 68, is a member of the Institute of Chartered Accountants of Scotland, a fellow of the Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Directors, and a member of the Hong Kong Securities Institute. He was formerly with KPMG, Hong Kong, for over 32 years and was its senior partner from 1991 to 1996. He is currently an Independent Non-executive Director of Paul Y. Engineering Group Limited, Tencent Holdings Limited and Vitasoy International Holdings Limited, all listed on The Stock Exchange of Hong Kong Limited, and a Director of Noble Group Limited, listed on the Singapore Exchange Limited, of China Medical Technologies, Inc., listed on NASDAQ, and of Yingli Green Energy Holding Company Limited, listed on the New York Stock Exchange. He is a Steward of The Hong Kong Jockey Club, an Independent Non-executive Director of Citibank (Hong Kong) Limited and is the Chairman of KCS Limited. He was appointed Independent Non-executive Director of the Company in September 2002.

Mr. Anthony Francis Martin Conway, Independent Non-executive Director and Chairman of the Remuneration Committee
He, aged 69, is a fellow of The Hong Kong Institute of Directors, The Hong Kong Management Association and The Hong Kong Institution of Engineers. Mr. Conway has more than 40 years experience in Information Technology and General Management. He is currently an Independent Non-executive Director of Polytec Asset Holdings Limited and Armitage Technologies Holding Limited, both are listed on The Stock Exchange of Hong Kong Limited. He is also active in public service being a Council Member of The Hong Kong Institute of Directors and of The Hong Kong Management Association. He serves on a number of Hong Kong Institute of Certified Public Accountants committees. He was appointed Independent Non-executive Director of the Company in July 2004.

Note: Mr. Karl C. Kwok, Mr. Lester Kwok, Dr. Kwok Man Cho and Dr. Philip Kwok have been directors of the Company since 14 October 1991, the date of incorporation of the Company.

Biography of senior managers

Mr. Benny Chan
He, aged 50, was educated at The Hong Kong Polytechnic University where he obtained a B.A. (Hons.) degree. Joined in 1992, he looks after the Group's overseas investment projects acting as the manager in charge. In July 2001, he was appointed the managing director of The Wing On Department Stores (Hong Kong) Limited with full responsibility for the Group's retail department store operations. He remains the general manager of the Group's international investment division. He is a member of the Executive Committee of Hong Kong Retail Management Association. He is a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Mr. Sin Kar Tim
He, aged 52, is the chief accountant and company secretary. He is responsible for the Group's administration, accounting and finance matters. He is also a director of The Wing On Department Stores (Hong Kong) Limited. He was educated at The Chinese University of Hong Kong where he obtained a B.B.A. degree. He is a fellow of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants. He joined the Group in 1980.

Biography of senior managers (Continued)

Ms. Bong Kui Mein, Maria

She, aged 52, is a director of The Wing On Department Stores (Hong Kong) Limited and is overseeing the merchandising and concession administration functions. She was educated at the Chinese University of Hong Kong where she obtained a B.B.A. degree, and later attained an M.B.A. and a M.Sc (Electronics Commerce and Internet Computing) degrees from The University of Hong Kong. She is a member of the Canadian Certified General Accountants Association. She joined the Group in 1995.

Wing On Department Stores

Main Store	:	211 Des Voeux Road Central, Hong Kong	Tel: 2852 1888
wing on *Plus*	:	345 Nathan Road, Kowloon	Tel: 2710 6288
Tai Koo Shing Store	:	Citiplaza, Units 074 & 144, 1111 King's Road, Tai Koo Shing, Hong Kong	Tel: 2885 7588
Discovery Bay Store	:	Discovery Bay Plaza, Lantau Island, Hong Kong	Tel: 2987 9268
Tsimshatsui East Store	:	Wing On Plaza, 62 Mody Road, Kowloon	Tel: 2196 1388

CHAIRMAN'S STATEMENT

FINANCIAL REVIEW

2008 RESULTS AND DIVIDEND

For the year ended 31 December 2008, the Group recorded a loss of HK$172.6 million for its shareholders as compared with a profit of HK$1,589.2 million achieved in 2007. This loss was mainly due to the impact of the global financial crisis which adversely affected the Group's results and gave rise to unrealised valuation losses on the Group's investment properties in Hong Kong and Australia, unrealised losses arising from the fair value re-measurement of the Group's trading securities, impairment of the Group's investment in an investment fund and the poor results from the Group's automobile dealership associate in the United States. Excluding the net valuation loss of HK$365.8 million (2007: a net gain of HK$1,157.3 million) on investment properties net of the related deferred tax, underlying profit attributable to shareholders decreased by 55.3% to HK$193.2 million (2007: HK$431.9 million).

The Group's turnover increased by 8.7% to HK$1,407.6 million (2007: HK$1,294.9 million). The increase in the Group's turnover was mainly attributable to the continued improvement in the Group's department stores sales.

Basic loss per share was 58.4 HK cents in 2008 (2007: earnings per share of 538.1 HK cents). Excluding the net valuation loss (as compared with a gain in 2007) on investment properties and the related deferred tax thereon, underlying earnings per share for the year decreased to 65.5 HK cents (2007: 146.2 HK cents).

In respect of 2008, the directors have recommended a final dividend of 17 HK cents (2007: 52 HK cents) per share payable to shareholders on the Register of Members on 18 June 2009 (Hong Kong time) which, together with the interim dividend of 17 HK cents (2007: 24 HK cents) per share paid on 24 October 2008 (Hong Kong time) makes a total payment of 34 HK cents (2007: together with the special one-off dividend of 100 HK cents per share to commemorate the centenary of the founding of the Group's department stores business in 1907, the total dividend for 2007 was 176 HK cents) per share for the whole year. Dividend warrants will be sent to shareholders on 2 July 2009 (Hong Kong time). The Register of Members will be closed from 11 June 2009 to 18 June 2009 (Hong Kong time), both dates inclusive, during which period no share transfer will be effected. To qualify for the final dividend, transfers to be dealt with must be lodged with the Company's Share Registrars, Tricor Progressive Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong before 4:00 p.m. on 10 June 2009 (Hong Kong time).

LIQUIDITY AND FINANCIAL RESOURCES

Overall Financial Position

Shareholders' equity as at 31 December 2008 was HK$6.8 billion, a decrease of 10.6% compared with 2007. With cash and listed marketable securities at 31 December 2008 of about HK$1.3 billion as well as available banking facilities, the Group has sufficient liquidity to meet its current commitments and working capital requirements.

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

Borrowings and Charges on Group Assets

At 31 December 2008, the Group's total borrowings amounted to HK$683.9 million, a decrease of about HK$195.5 million, due entirely to exchange differences, as compared to that at 31 December 2007. The Group's total borrowings of HK$683.9 million relate to a mortgage loan for Australian investment properties; about 93.7% of which will be repayable after two years but within five years. In view of this maturity profile of the borrowings, the repayment pressure is low. Certain assets, comprising principally property interests with a book value of HK$5.1 billion, have been pledged to banks as collateral security for banking facilities granted to the extent of HK$0.7 billion. In view of the existing strong cash position, the Group does not anticipate any liquidity problems.

Gearing Ratio

The gearing ratio, which is computed from the total borrowings of the Group divided by shareholders' equity of the Group at 31 December 2008, was 10.1% as compared with 11.6% at 31 December 2007.

Funding and Treasury Policies

The Group adopts a prudent funding and treasury policy. To minimise exposure to foreign exchange fluctuations, the Group's borrowings in Australia for its Melbourne investment property are denominated in Australian dollars. Hence, the foreign exchange exposure is limited to the net investments in overseas subsidiaries of approximately HK$1.4 billion at 31 December 2008 (at 31 December 2007: HK$1.8 billion).

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

Capital Commitments and Contingent Liabilities

At 31 December 2008, the total amount of the Group's capital expenditure commitments was HK$2,188,000 (at 31 December 2007: HK$6,551,000). An associate of the Group has issued corporate guarantees to certain financial institutions in respect of banking facilities granted to a jointly controlled entity of the associate, which expire within one year. At 31 December 2008, the maximum contingent liability shared by the Group was HK$25,175,000 (at 31 December 2007: HK$ Nil).

BUSINESS REVIEW

Department Stores Operations

As reported in the Group's 2008 Interim Report, the first half of 2008 witnessed exceptional improvement to both turnover and profit of the Group's department stores business. However, in the second half of 2008, especially after the outbreak of the global financial crisis, economic activities began to slow down, thereby dampening the growth rate of turnover and profit. Overall, the turnover of the Group's department stores during the year under review increased by 9.0% to HK$1,100.9 million (2007: HK$1,009.7 million). As a result of more efficient cost control measures, operating profit increased by 17.1% to HK$142.1 million (2007: HK$121.3 million).

Property Investments

The Group's overall property investment income for the year ended 31 December 2008 increased by 12.3% to HK$282.6 million (2007: HK$251.6 million). During the year under review, the Group was still able to obtain rental increases from tenancy renewals and new lettings while maintaining a stable occupancy of over 95% for its commercial office properties in Hong Kong. The Group achieved a 14.3% increase in rental income from its commercial investment properties in Hong Kong to HK$161.2 million (2007: HK$141.0 million) in 2008. Income from the commercial office properties in Melbourne increased by 10.7% to HK$119.0 million (2007: HK$107.5 million) which was a result of higher rental income received from lease renewals and new lettings. The overall occupancy rate for the Group's investment properties in Melbourne stayed at above 95%.

Automobile Dealership Business

As the credit crunch became more severe in the second half of 2008 in the United States, the Group's automobile dealership associate in the United States experienced a significant decline in its business from the latter part of the third quarter of 2008. In response to the negative market changes, the associate's dealership management implemented measures to drastically reduce operating costs and closed down a number of unprofitable dealerships. Notwithstanding the cost reduction measures, the associate was required to record impairment charges in respect of fixed assets and intangible assets related to non-performing or discontinued dealership operations. The associate also recorded a revaluation deficit on its investment properties as a result of falling property prices. Overall, the Group's share of after tax profit from the associate decreased by 91.8% to HK$2.8 million (2007: HK$34.2 million). Excluding a gain on fair value re-measurement of HK$22.2 million (2007: HK$3.4 million) in respect of an Employee Stock Ownership Plan and a Senior Stock Purchase Plan operated by the associate for its senior management which require re-measurement of the related financial liabilities at fair value as at each balance sheet date, the Group recorded a share of after tax loss of HK$19.4 million from the associate, compared to an after tax profit of HK$30.8 million in 2007.

Others

Affected by the decline in global stock markets, the Group recorded net realised and unrealised losses on trading securities of HK$3.2 million (2007: net gain of HK$15.7 million) and HK$153.7 million (2007: net gain of HK$34.5 million) respectively during the year under review. The Group also recorded an impairment charge of HK$32.5 million in respect of its investment in an investment fund. The Group recognised a foreign exchange gain of HK$19.9 million (2007: HK$16.5 million) during the first half of 2008 upon the return of investments from subsidiaries in Australia. However, the Group recorded a net foreign exchange loss of HK$6.1 million (2007: net gain of HK$10.7 million) in 2008.

CHAIRMAN'S STATEMENT
(Continued)

STAFF

As at 31 December 2008, the Group had a total staff of 962 (2007: 952). The staff costs (excluding directors' remuneration) amounted to approximately HK$187.2 million (2007: HK$179.1 million). The Group will continue to maximise its human resources. The Group provides employee benefits such as staff insurance, staff discount on purchases, a housing scheme, the Mandatory Provident Fund ("MPF") Scheme and MPF exempted defined contribution retirement schemes. Discretionary management bonuses are granted to senior managers and preferential staff loans for defined purposes are offered to managerial staff.

In addition to basic salaries, the Group's retail division provides sales incentive gratuities to sales operation staff in order to motivate their sales efforts. The Group's retail division also formulates and launches in-house training programmes for various levels of staff to maintain and upgrade service quality and managerial capacities. The Group also provides external training sponsorship and tuition assistance.

OUTLOOK FOR 2009

2009 will be a difficult and challenging year as the damage and destruction on global economies caused by the global financial tsunami continue to unfold. Consumer confidence and spending power are expected to further weaken, which will not be encouraging for the Group's department stores business. However, the Group's department stores management will do their utmost to weather the situation. Office rental income from the Group's investment properties in Hong Kong and overseas is expected to come under pressure in an economic down cycle. Barring further drastic declines in the local economy, it is anticipated that these two core businesses of the Group will continue to contribute profits to the Group. The Group's automobile dealership associate in the United States will continue to operate under adverse conditions as it is uncertain as to when the car market in the United States will recover. As property values in Hong Kong and overseas are expected to decline further, the mark to market treatment of the Group's investment properties will have a negative impact on the Group's results. Notwithstanding the bleak business outlook, the financial position of the Group is sound with a strong net cash position and the Group is well positioned to meet the challenges ahead.

On behalf of the Board, I would like to thank our management and staff for their efforts in 2008 and our shareholders for their continuing support.

Karl C. Kwok
Chairman

Hong Kong, 15 April 2009

REPORT OF THE DIRECTORS

The directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the operation of department stores and property investment. The analyses of the turnover and profit from operations of the Group by business and geographical segments respectively are set out in Note 2 to the financial statements.

FINANCIAL STATEMENTS

The loss of the Group for the year ended 31 December 2008 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 30 to 103.

An interim dividend of 17 HK cents (2007: 24 HK cents) per share was paid on 24 October 2008 (Hong Kong time). A special one-off dividend of 100 HK cents per share to commemorate the centenary of the founding of the Group's department stores business in 1907 was paid in 2007. The directors now recommend that a final dividend of 17 HK cents (2007: 52 HK cents) per share in respect of the year ended 31 December 2008 be payable to shareholders on the Register of Members on 18 June 2009 (Hong Kong time). Dividend warrants will be sent to shareholders on 2 July 2009 (Hong Kong time).

Time for closure of the Register of Members and the latest time for transfers to be dealt with in order to qualify for the final dividend are set out in the notes to the Notice of Annual General Meeting.

RESERVES

Movements in reserves during the year are set out on pages 34 and 35.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 27.

CHARITABLE DONATIONS

Donations made by the Group during the year amounted to HK$259,880 (2007: HK$85,000).

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out on pages 100 to 102.

FIXED ASSETS

Movements in fixed assets during the year are set out in Note 12 to the financial statements.

INVESTMENT PROPERTIES

Details of the Group's investment properties are set out on page 28.

BORROWINGS

The maturity profile of borrowings, banking facilities and assets pledged are set out in Note 23 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers and the five largest suppliers of the Group accounted for less than 30% of the Group's turnover and purchases respectively in the year.

DEFINED CONTRIBUTION RETIREMENT PLANS

Particulars of defined contribution retirement plans of the Group are set out in Note 11 to the financial statements.

DIRECTORS

The directors during the financial year and up to the date of this report were:

Mr. Karl C. Kwok (Chairman)
Mr. Lester Kwok, J.P. (Deputy Chairman and Chief Executive Officer)
Dr. Bill Kwok (Non-executive Director)
Mr. Mark Kwok (Executive Director)
Dr. Kwok Man Cho (Non-executive Director)
Dr. Philip Kwok, SBS, J.P. (Non-executive Director)
Miss Maria Tam Wai Chu, GBS, J.P. (Independent Non-executive Director)
Mr. Ignatius Wan Chiu Wong, LL.B. (Independent Non-executive Director)
Mr. Iain Ferguson Bruce, CA, FCPA (Independent Non-executive Director)
Mr. Anthony Francis Martin Conway (Independent Non-executive Director)

Mr. Karl C. Kwok and Mr. Iain Ferguson Bruce shall retire from the Board at the Annual General Meeting and, being eligible, have offered themselves for re-election. Mr. Karl C. Kwok and Mr. Iain Ferguson Bruce will be proposed to be re-elected for a fixed term of three years until the 2012 Annual General Meeting.

Dr. Kwok Man Cho, who is retiring at the conclusion of the forthcoming Annual General Meeting, does not wish to seek re-election. The Board takes this opportunity to thank him for his long service and invaluable contribution to the Board.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGERS

Brief biographical details in respect of Directors of the Company and senior managers of the Group are set out on pages 6 to 9.

DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of directors' remuneration, five highest paid individuals' emoluments and staff costs are set out in Notes 6, 7 and 4(b) to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Details of the continuing connected transactions and related party transactions are set out in "Continuing Connected Transactions" on pages 25 and 26 and in Note 29 to the financial statements respectively.

Save for the above, no contract of significance to which the Company, any of its holding companies, or any of its subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest subsisted at the end of the year or at any time during the year.

At no time during the year was the Company, any of its holding companies, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable directors of the Company to acquire benefits by means of the acquisitions of shares in, or debentures of, the Company or any other body corporate.

There is no service contract with any director which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2008, the interests and short positions of the directors in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO were as follows:

(a) The Company

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

DIRECTORS' INTERESTS IN SHARES (Continued)

(a) The Company (Continued)

Notes:

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

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

(b) Kee Wai Investment Company (BVI) Limited

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

(c) Wing On Corporate Management (BVI) Limited

	Number of ordinary shares held					
Name of Director	Personal interests (held as beneficial owner)	Family interests (interests of spouse)	Corporate interests (interests of controlled corporation)	Other interests	Total interests	Total interests as a % of the issued share capital
Kwok Man Cho	124,177	–	–	–	124,177	5.35
Philip Kwok	10,000	–	–	–	10,000	0.43

DIRECTORS' INTERESTS IN SHARES (Continued)

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

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

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

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, according to the information available to the Company, the following companies were interested in 5% or more of the issued share capital of the Company as recorded in the register required to be kept under section 336 of the SFO:

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

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

REPORT OF THE DIRECTORS
(Continued)

SUFFICIENCY OF PUBLIC FLOAT

According to information that is available to the Company, the percentage of the Company's shares which are in the hands of public exceeds 25% of the Company's total number of issued shares.

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 year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-Laws although there is no restriction against such rights under Bermuda Law.

AUDITOR

A resolution for the reappointment of KPMG as auditor of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board
Karl C. Kwok
Chairman

Hong Kong, 15 April 2009

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the financial year ended 31 December 2008 save as below mentioned. However, the following action has been taken by the Company in order to ensure compliance with the Code.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its code of conduct regarding directors' securities transactions. The Company has made specific enquiries of all directors and all directors have confirmed that they have complied with the required standard set out in the Model Code during the financial year ended 31 December 2008.

BOARD OF DIRECTORS

The Board currently comprises of ten directors, including the Chairman, the Deputy Chairman, one executive director, three non-executive directors and four independent non-executive directors. The names and biographies of the directors and relationship between members of the Board are set out on pages 6 to 8.

Mr. Lester Kwok (executive director), Mr. Mark Kwok (executive director), Dr. Bill Kwok (non-executive director) are brothers of Mr. Karl C. Kwok (chairman) and Dr. Philip Kwok (non-executive director) is their cousin.

BOARD OF DIRECTORS (Continued)

The Board meets regularly to review and approve the financial statements, including the quarterly, half-yearly and annual financial statements, of the Group. Seven Board meetings were held during the financial year ended 31 December 2008. The attendance of each director at the Board meetings during the financial year ended 31 December 2008 is set out in the table below:

Directors	Meetings attended/held
Executive Directors	
Mr. Karl C. Kwok (Chairman)	7/7
Mr. Lester Kwok (Deputy Chairman and Chief Executive Officer)	7/7
Mr. Mark Kwok	7/7
Non-executive Directors	
Dr. Bill Kwok	7/7
Dr. Kwok Man Cho	7/7
Dr. Philip Kwok	7/7
Independent Non-executive Directors	
Miss Maria Tam Wai Chu	7/7
Mr. Ignatius Wan Chiu Wong	7/7
Mr. Iain Ferguson Bruce	7/7
Mr. Anthony Francis Martin Conway	7/7

All directors well understand their roles, responsibilities and obligations as stated in the Company's Corporate Governance Practices Code ("the Company's Code"). The Directors acknowledge their responsibility for preparing financial statements which give a true and fair view of the state of affairs of the Group. The statement of the auditor of the Company about their reporting responsibilities on the financial statements of the Company is set out on page 29 in the independent auditor's report. The Directors, having made appropriate enquires, confirm that there are no material uncertainties relating to events or conditions that may cast doubt upon the Company's ability to continue as a going concern.

The Board is responsible for the determination of the overall business strategies, policies and plans of the Group. All major and significant acquisitions, disposals, capital transactions and investments are subject to the approval of the Board. The management is delegated with the day to day running and operational matters of the Group's businesses and to formulate business plans for the Board's review and approval.

The Company has received from each independent non-executive director an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers the independent non-executive directors to be independent.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the Chief Executive Officer are segregated and are not exercised by the same individual and are clearly defined in the Company's Code. Briefly, Mr. Karl C. Kwok, the Chairman, is responsible for ensuring that all directors are properly briefed on issues arising at Board meetings and to provide leadership for the Board. The Chairman is also responsible for ensuring that good corporate governance practices and procedures are established and followed. Mr. Lester Kwok, the Chief Executive Officer, is responsible for providing leadership to the management and to manage and oversee the business affairs of the Group. The Chief Executive Officer is to implement Board policies and decisions applicable to the management and operational matters of the Group in addition to presenting annual business budgets of the Group to the Board for approval.

NON-EXECUTIVE DIRECTORS

There are currently three non-executive directors and four independent non-executive directors. All non-executive directors have been re-elected for a fixed term of not more than three years.

REMUNERATION OF DIRECTORS

The Remuneration Committee was formed on 30 June 2005 and comprises of two independent non-executive directors (including the Committee Chairman) and one executive director.

The terms of reference of the Remuneration Committee are as set out in the Company's Code. The Remuneration Committee has the responsibility for determining the specific remuneration packages of all executive directors and senior management and for making recommendations to the Board on the remuneration of non-executive directors. It also reviews and approves any performance-based remuneration and compensation arrangements for loss of office of directors and senior management. The Remuneration Committee is responsible for making recommendations to the Board on the Company's policy and structure for the remuneration of directors and senior management of the Group and to ensure that no director takes part in deciding his/her own remuneration. The remuneration of directors is determined with reference to factors such as salaries paid by comparable companies, individual duties, responsibilities, performance and time commitments of the directors and the results of the Group. The Remuneration Committee considers that discretionary performance bonuses should be incentives for executive directors to monitor and improve the performance of the Group. Discretionary performance bonuses to be awarded to the executive directors are based on an incremental scale linked to the after tax profit target levels of the Group. Directors serving on the Audit Committee or the Remuneration Committee will receive extra allowances for such additional services rendered.

REMUNERATION OF DIRECTORS (Continued)

During the financial year ended 31 December 2008, the Remuneration Committee has reviewed the remuneration packages of all executive directors and senior management. The Remuneration Committee has also reviewed the directors' fees and allowances for 2008. Three meetings were held in 2008. The attendance of committee members during 2008 is set out in the table below:

Remuneration Committee Members	Meetings attended/held
Mr. Anthony Francis Martin Conway (Committee Chairman)	3/3
Mr. Karl C. Kwok	3/3
Mr. Ignatius Wan Chiu Wong	3/3

The amount of remuneration paid to each director of the Company for 2008 is set out in Note 6 to the financial statements.

At the forthcoming Annual General Meeting to be held on 18 June 2009, the Board will propose a director's fee of HK$120,000 for each director for the year 2009 as recommended by the Remuneration Committee.

NOMINATION OF DIRECTORS

The Company does not have a Nomination Committee. The Chairman of the Board is responsible for nominating any suitable person to join the Board if considered necessary. Such nomination will have to be approved by the Board. During the financial year ended 31 December 2008, there were no new directors appointed to the Board.

AUDITORS' REMUNERATION

During the financial year ended 31 December 2008, the fees charged for statutory audit services provided to the Company and its subsidiaries amounted to HK$2,575,000 (2007: HK$2,417,000), and in addition HK$2,547,000 (2007: HK$2,379,000) was charged for other non-statutory audit services, such as tax compliance and advisory services, accounting advice, interim review and internal systems reviews. Included in the fees for non-statutory audit services is an amount of HK$878,000 (2007: HK$679,000) paid to the Group's auditor for performing internal systems review services as approved by the Audit Committee.

AUDIT COMMITTEE

The Board has since 1998 established an Audit Committee. The present Audit Committee comprises of two independent non-executive directors (including the Committee Chairman who possesses the necessary business and financial knowledge and experience to understand financial statements) and one non-executive director.

AUDIT COMMITTEE (Continued)

The terms of reference of the Audit Committee are as set out in the Company's Code. According to its terms of reference, the Audit Committee is required, amongst others, to oversee the Company's relationship with the external auditor, to review the Group's interim results and annual financial statements and to monitor compliance with statutory and listing requirements and to engage external consultants to review the scope and effectiveness of the Group's internal control function. During the financial year ended 31 December 2008, the Audit Committee has reviewed and discussed with management and the external auditor the interim and annual results with a view to ensuring that the Group's financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The Audit Committee has engaged an external consultant to perform internal audit services as and when required. The Audit Committee has also reviewed the independence and quality of work of KPMG and has recommended to the Board to re-appoint KPMG as auditor for 2009. Four meetings were held in 2008. The attendance of committee members during 2008 is set out in the table below:

Audit Committee Members	Meetings attended/held
Mr. Iain Ferguson Bruce (Committee Chairman)	4/4
Miss Maria Tam Wai Chu	4/4
Dr. Philip Kwok	4/4

INTERNAL CONTROLS

The Board recognises its responsibility for maintaining an adequate and sound internal control system to safeguard the assets of the Group. An external consultant has been appointed to conduct regular reviews of the Group's major internal control systems in order to assist the Group to comply fully with Code Provision C.2.1 of the Code.

During the year, the external consultant has assisted the Group to perform a review of the effectiveness of certain major components of the Group's internal control systems. The external consultant, based on the results of the review work, noted that there were no material or significant internal control deficiencies during the course of the review. The Board, through the Audit Committee and the external consultant, has reviewed the internal controls of the Group and is satisfied that this Code requirement has been complied with in respect of the year ended 31 December 2008.

CONTINUING CONNECTED TRANSACTIONS

The following is a summary of transactions entered into by the Company in 2005 and 2008 which constituted "Continuing Connected Transactions" for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. For full details of these transactions, please refer to the official announcements made by the Company at the relevant time.

(1) On 2 June 2005, The Wing On Company Limited ("WOCO"), a wholly-owned subsidiary of the Company, entered into a Tenancy Agreement with Wocom Holdings Limited ("WOCOM") to renew the tenancy of Rooms 1001 to 1006 Wing On Centre, 111 Connaught Road Central, Hong Kong for a three year fixed term commencing from 8 June 2005 to 7 June 2008 at a monthly rental of HK$135,500 (exclusive of management fees, air-conditioning charges and government rates). Since WOCOM is an indirect non wholly-owned subsidiary of Kee Wai Investment Company (BVI) Limited ("Kee Wai (BVI)"), a substantial shareholder of the Company, which in turn is holding approximately 61.13% interest in the existing issued share capital of the Company, the Tenancy Agreement constitutes a continuing connected transaction of the Company.

    On 15 April 2008, WOCO entered into a Tenancy Agreement with WOCOM to renew the tenancy of Rooms 1001 to 1006 Wing On Centre, 111 Connaught Road Central, Hong Kong for a three years fixed term commencing from 8 June 2008 to 7 June 2011 at a monthly rental of HK$317,000 (exclusive of management fees, air-conditioning charges and government rates). The maximum aggregate annual rental value would be HK$3,804,000. Since WOCOM is an indirect non wholly-owned subsidiary of Kee Wai (BVI), a substantial shareholder of the Company, which in turn is holding approximately 61.13% interest in the existing issued share capital of the Company, the Tenancy Agreement constitutes a continuing connected transaction of the Company.

(2) On 16 December 2005, The Wing On Department Stores (Hong Kong) Limited ("WODS") exercised an option under the provisions of the tenancy agreement to renew the tenancy of Basement 1, Portion of Ground Floor and the whole of 1st to 6th Floors, Wing On Kowloon Centre, 345 Nathan Road, Kowloon, Hong Kong ("Premises") for a further term of three years from 1 January 2006 to 31 December 2008 with WOCO and The Wing On Properties and Securities Company Limited ("WOPS") at a monthly rental of HK$3,360,000 (exclusive of rates, management fees and all outgoings). The Premises is jointly owned by WOCO and WOPS in the interest of 64.37% and 35.63% respectively. WODS and WOCO are wholly-owned subsidiaries of the Company. Since WOPS is an indirect non wholly-owned subsidiary of Kee Wai (BVI), a substantial shareholder of the Company, which in turn is holding approximately 61.13% interest in the existing issued share capital of the Company, the exercise of the option to renew constitutes a continuing connected transaction of the Company.

    On 12 December 2008, WODS entered into a Tenancy Agreement to renew the tenancy of the Premises for a fixed term of three years from 1 January 2009 to 31 December 2011 with WOCO and WOPS at a monthly rental of HK$3,920,000 (exclusive of rates, air-conditioning charges, management fee and all other outgoings). The maximum aggregate annual rental payable to WOPS would be HK$16,760,352. The Premises is jointly owned by WOCO and WOPS in the interest of 64.37% and 35.63% respectively. WODS and WOCO are wholly-owned subsidiaries of the Company. Since WOPS is an indirect non wholly-owned subsidiary of Kee Wai (BVI), a substantial shareholder of the Company, which in turn is holding approximately 61.13% interest in the existing issued share capital of the Company, the Tenancy Agreement constitutes a continuing connected transaction of the Company.

The independent non-executive directors have reviewed and confirmed that the continuing connected transactions disclosed above were entered in the ordinary and usual course of business of the Group and on normal commercial terms and in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The external auditor has also confirmed that the continuing connected transactions disclosed above have been approved by the Directors of the Company, the rentals charged for each of the transactions were in accordance with the rental charges set out in the relevant agreement governing the transactions and the aggregate dollar amount of each of the transactions did not exceed the annual Cap Amount as set out in the minutes of the Board of Directors approving the continuing connected transactions.

FIVE YEAR SUMMARY

	2008	2007	2006	2005	2004
Income statement items (HK$ million)					
Turnover	**1,408**	1,295	1,149	1,070	991
Profit from operations after finance costs	**213**	432	340	347	295
(Loss)/profit before taxation	**(278)**	1,914	646	1,149	1,032
Income tax benefit/(expense)	**106**	(323)	(78)	(154)	(159)
(Loss)/profit attributable to shareholders	**(173)**	1,589	568	994	872
Balance sheet items (HK$ million)					
Fixed assets	**6,315**	7,287	5,701	5,341	4,688
Other assets	**2,285**	2,502	2,446	2,190	2,074
Total assets	**8,600**	9,789	8,147	7,531	6,762
Current liabilities	**341**	346	327	1,005	292
Non-current liabilities	**1,480**	1,866	1,473	623	1,266
Total liabilities	**1,821**	2,212	1,800	1,628	1,558
Minority interests	**16**	15	14	14	14
Total equity attributable to shareholders of the Company	**6,763**	7,562	6,333	5,889	5,190
Per share basis (HK$)					
Basic (loss)/earnings per share	**(0.58)**	5.38	1.92	3.37	2.95
Dividend per share	**0.34**	1.76	0.63	0.70	0.55

PROPERTIES HELD FOR INVESTMENT

Particulars of properties held for investment by the Group are as follows:

	Location	Approximate floor area (sq.ft.)	Held by the Group	Category of the lease	Use
1.	Portions of Ground, 10th and 13th Floors and the whole of 5th, 6th, 8th, 9th, 11th, 12th and 14th to 29th Floors together with carparking floors on 3rd and 4th Floors, Wing On Centre, 209-211 Des Voeux Road Central, and 110-114 Connaught Road Central, Sheung Wan, Hong Kong. Inland Lot No. 7916	351,490*	100%	Long lease	Commercial
2.	Shop Nos. 14-17, 19-23 and 47-51 on Ground Floor, Wing On Plaza, 62 Mody Road, Tsimshatsui East, Kowloon. 8666/26500th shares of and in Kowloon Inland Lot No. 10586	7,176	100%	Long lease	Commercial
3.	Portion of Ground Floor and the whole of 8th to 18th Floors together with carparking floors on Basements 2 and 3, Wing On Kowloon Centre, 345 Nathan Road, Yaumatei, Kowloon. Kowloon Inland Lot Nos. 6501 and 9564, Section A and the Remaining Portion of Kowloon Inland Lot No. 6703	157,751*	64.37%	Medium lease	Commercial
4.	The Halbouty Center, 5100 Westheimer, Houston, Harris County, Texas, USA	102,207*	88.22%	Long lease	Commercial
5.	333 Collins Street, Melbourne, Victoria, Australia	619,202*	100%	Freehold	Commercial
6.	349 Collins Street, Melbourne, Victoria, Australia	21,697	100%	Freehold	Commercial

* excluding carparking area for properties with carparking floors

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WING ON COMPANY INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Wing On Company International Limited (the "Company"), set out on pages 30 to 103, which comprise the consolidated and Company balance sheets as at 31 December 2008, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

15 April 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

	Note	2008 $'000	2007 $'000
Turnover	2	1,407,644	1,294,898
Other revenue	3	65,262	82,245
Other net (loss)/gain	3	(164,296)	80,384
Cost of department store sales	4(d)	(599,112)	(540,277)
Cost of property leasing activities	4(c)	(63,135)	(69,605)
Other operating expenses		(361,849)	(352,288)
Profit from operations		284,514	495,357
Finance costs	4(a)	(71,291)	(63,292)
		213,223	432,065
Net valuation (loss)/gain on investment properties	12(c)	(494,995)	1,430,901
Net gain on disposal of properties	12(g)	–	16,053
		(281,772)	1,879,019
Share of profits of associates		3,509	34,971
(Loss)/profit before taxation	4	(278,263)	1,913,990
Income tax benefit/(expense)	5	106,027	(323,463)
(Loss)/profit for the year		(172,236)	1,590,527
Attributable to:			
Shareholders of the Company		(172,600)	1,589,231
Minority interests		364	1,296
(Loss)/profit for the year		(172,236)	1,590,527
Dividends attributable to the year	9(a)		
Interim and special dividends declared and paid during the year		50,205	366,204
Final dividend proposed after the balance sheet date		50,205	153,570
		100,410	519,774
Basic (loss)/earnings per share	10(a)	(58.4) cents	538.1 cents

The notes on pages 38 to 103 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2008
(Expressed in Hong Kong dollars)

	Note	2008 $'000	2007 $'000
Non-current assets			
Fixed assets	12(a)		
– Investment properties		5,654,751	6,597,039
– Other property, plant and equipment		660,741	690,166
		6,315,492	7,287,205
Goodwill	13	1,178	1,178
Interest in associates	15	669,482	705,820
Available-for-sale securities	16	22,989	181,758
Deferred tax assets	24(b)	40,966	42,019
		7,050,107	8,217,980
Current assets			
Trading securities	17	176,419	256,592
Inventories	18(a)	85,066	74,383
Debtors, deposits and prepayments	19	165,711	54,476
Amounts due from fellow subsidiaries	20	1,774	6,870
Amount due from an associate	20	–	1,621
Current tax recoverable	24(a)	3,100	371
Cash and cash equivalents	21	1,118,141	1,177,295
		1,550,211	1,571,608
Current liabilities			
Creditors and accrued charges	22	317,147	311,871
Amounts due to fellow subsidiaries	20	1,999	1,119
Secured bank loan	23	8,549	–
Amount due to an associate	20	12,936	59
Current tax payable	24(a)	729	32,669
		341,360	345,718
Net current assets		1,208,851	1,225,890
Total assets less current liabilities carried forward		8,258,958	9,443,870

CONSOLIDATED BALANCE SHEET

(Continued)
At 31 December 2008
(Expressed in Hong Kong dollars)

	Note	2008 $'000	2007 $'000
Total assets less current liabilities brought forward		8,258,958	9,443,870
Non-current liabilities			
Secured bank loan	23	675,368	879,424
Deferred tax liabilities	24(b)	804,083	986,342
		1,479,451	1,865,766
Net assets		6,779,507	7,578,104
Capital and reserves			
Share capital		29,533	29,533
Reserves		6,734,023	7,532,889
Total equity attributable to shareholders of the Company		6,763,556	7,562,422
Minority interests		15,951	15,682
Total equity		6,779,507	7,578,104

Approved and authorised for issue by the board of directors on 15 April 2009.

Karl C. Kwok
Director

Lester Kwok
Director

The notes on pages 38 to 103 form part of these financial statements.

BALANCE SHEET

At 31 December 2008

(Expressed in Hong Kong dollars)

	Note	2008 $'000	2007 $'000
Non-current assets			
Investments in subsidiaries	14	2,801,990	2,801,990
Current assets			
Debtors, deposits and prepayments	19	400	456
Amounts due from subsidiaries	20	684,890	764,728
Cash and cash equivalents	21	157,155	163,785
		842,445	928,969
Current liabilities			
Creditors and accrued charges	22	17,838	16,591
Amounts due to subsidiaries	20	421	593
		18,259	17,184
Net current assets		824,186	911,785
Net assets		3,626,176	3,713,775
Capital and reserves	25(b)		
Share capital		29,533	29,533
Reserves		3,596,643	3,684,242
Total equity		3,626,176	3,713,775

Approved and authorised for issue by the board of directors on 15 April 2009.

Karl C. Kwok
Director

Lester Kwok
Director

The notes on pages 38 to 103 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

(Expressed in Hong Kong dollars)

	Attributable to shareholders of the Company										
	Share capital $'000 (note 25(c))	Land and building revaluation reserve $'000 (note 25(d)(i))	Investment revaluation reserve $'000 (note 25(d)(ii))	Exchange reserve $'000 (note 25(d)(iii))	Hedging reserve $'000 (note 25(d)(iv))	Contributed surplus $'000 (note 25(d)(v))	General reserve fund $'000 (note 25(d)(vi))	Retained earnings $'000	Total $'000	Minority interests $'000	Total equity $'000
At 1 January 2008	29,533	181,893	9,213	365,969	(30,033)	754,347	–	6,251,500	7,562,422	15,682	7,578,104
Net (loss)/income recognised directly in equity											
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	(346,408)	–	–	–	–	(346,408)	(95)	(346,503)
Share of exchange differences on translation of financial statements of overseas associates	–	–	–	(4,045)	–	–	–	–	(4,045)	–	(4,045)
Share of cash flow hedge of an associate: changes in fair value of effective portion, net of deferred tax	–	–	–	–	(45,082)	–	–	–	(45,082)	–	(45,082)
Effect on deferred tax balances related to land and building revaluation reserve at 1 January resulting from a decrease in tax rate	–	1,675	–	–	–	–	–	–	1,675	–	1,675
Changes in fair value of available-for-sale securities	–	–	(19,151)	–	–	–	–	–	(19,151)	–	(19,151)
Net (loss)/income for the year recognised directly in equity	–	1,675	(19,151)	(350,453)	(45,082)	–	–	–	(413,011)	(95)	(413,106)
Transfers from equity											
Release of exchange reserve upon return on investments in overseas subsidiaries	–	–	–	(19,911)	–	–	–	–	(19,911)	–	(19,911)
Share of release of land and building revaluation reserve of an associate upon disposal of properties, net of deferred tax	–	(6,818)	–	–	–	–	–	–	(6,818)	–	(6,818)
Transfer to the consolidated income statement on impairment of available-for-sale securities	–	–	17,249	–	–	–	–	–	17,249	–	17,249
Loss for the year	–	–	–	–	–	–	–	(172,600)	(172,600)	364	(172,236)
Total recognised income and expense for the year	–	(5,143)	(1,902)	(370,364)	(45,082)	–	–	(172,600)	(595,091)	269	(594,822)
Share of general reserve fund of an associate: transfer to general reserve fund	–	–	–	–	–	–	66	(66)	–	–	–
Dividends approved in respect of the previous year (note 9(b))	–	–	–	–	–	–	–	(153,570)	(153,570)	–	(153,570)
Dividends declared and paid in respect of the current year (note 9(a))	–	–	–	–	–	–	–	(50,205)	(50,205)	–	(50,205)
	–	–	–	–	–	–	66	(203,841)	(203,775)	–	(203,775)
At 31 December 2008	29,533	176,750	7,311	(4,395)	(75,115)	754,347	66	5,875,059	6,763,556	15,951	6,779,507

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Continued)

For the year ended 31 December 2008

(Expressed in Hong Kong dollars)

	Attributable to shareholders of the Company									
	Share capital	Land and building revaluation reserve	Investment revaluation reserve	Exchange reserve	Hedging reserve	Contributed surplus	Retained earnings	Total	Minority interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
	(note 25(c))	(note 25(d)(i))	(note 25(d)(ii))	(note 25(d)(iii))	(note 25(d)(iv))	(note 25(d)(v))				
At 1 January 2007	29,533	174,939	2,742	217,759	(8,220)	754,347	5,161,370	6,332,470	14,337	6,346,807
Net income recognised directly in equity										
Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	165,016	–	–	–	165,016	49	165,065
Share of exchange differences on translation of financial statements of overseas associates	–	–	–	2,486	–	–	–	2,486	–	2,486
Share of cash flow hedge of an associate: changes in fair value of effective portion, net of deferred tax	–	–	–	–	(21,813)	–	–	(21,813)	–	(21,813)
Share of land and building revaluation surplus of an associate: change in fair value of land and building, net of deferred tax	–	6,954	–	–	–	–	–	6,954	–	6,954
Changes in fair value of available-for-sale securities	–	–	2,086	–	–	–	–	2,086	–	2,086
Net income for the year recognised directly in equity	–	6,954	2,086	167,502	(21,813)	–	–	154,729	49	154,778
Transfers from equity										
Deficit transferred to the consolidated income statement on disposal of available-for-sale securities	–	–	4,385	–	–	–	–	4,385	–	4,385
Release of exchange reserve upon return on investments in overseas subsidiaries	–	–	–	(16,519)	–	–	–	(16,519)	–	(16,519)
Release of exchange reserve upon dissolution of overseas subsidiaries	–	–	–	(2,773)	–	–	–	(2,773)	–	(2,773)
Profit for the year	–	–	–	–	–	–	1,589,231	1,589,231	1,296	1,590,527
Total recognised income and expense for the year	–	6,954	6,471	148,210	(21,813)	–	1,589,231	1,729,053	1,345	1,730,398
Dividends approved in respect of the previous year (note 9(b))	–	–	–	–	–	–	(132,897)	(132,897)	–	(132,897)
Dividends declared and paid in respect of the current year (note 9(a))	–	–	–	–	–	–	(366,204)	(366,204)	–	(366,204)
	–	–	–	–	–	–	(499,101)	(499,101)	–	(499,101)
At 31 December 2007	29,533	181,893	9,213	365,969	(30,033)	754,347	6,251,500	7,562,422	15,682	7,578,104

The notes on pages 38 to 103 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

	Note	2008 $'000	2007 $'000
Operating activities			
(Loss)/profit before taxation		(278,263)	1,913,990
Adjustments for:			
– Net valuation loss/(gain) on investment properties		494,995	(1,430,901)
– Depreciation and amortisation		53,803	54,443
– Impairment of fixed assets		–	33
– Impairment of trade and other debtors recognised/ (written back)		10	(14)
– Impairment of available-for-sale securities		32,464	–
– Finance costs		71,291	63,292
– Dividend income from investments in securities		(8,735)	(7,728)
– Interest income from listed securities		–	(422)
– Interest income from bank deposits		(50,732)	(72,447)
– Interest income from loans to an associate		(1,378)	–
– Release of exchange reserve upon return on investments in overseas subsidiaries		(19,911)	(16,519)
– Share of profits of associates		(3,509)	(34,971)
– Net gain on disposal of other fixed assets		(40)	(20)
– Net gain on disposal of properties		–	(16,053)
– Net gain on dissolution of subsidiaries		(437)	(3,156)
– Net realised and unrealised losses/(gains) on trading securities and derivative financial instruments		146,072	(53,784)
– Net loss on disposal of available-for-sale securities		–	3,786
– Foreign exchange loss/(gain)		16,060	(3,817)
Operating profit before changes in working capital		451,690	395,712
Increase in inventories		(10,683)	(2,506)
Decrease in debtors, deposits and prepayments		6,391	4,325
Decrease/(increase) in amounts due from fellow subsidiaries		5,096	(2,082)
Decrease/(increase) in amount due from an associate		1,621	(1,621)
Increase in creditors and accrued charges		12,222	10,805
Increase/(decrease) in amounts due to fellow subsidiaries		880	(98)
Increase/(decrease) in amounts due to an associate		14,255	(14,311)
Cash generated from operations		481,472	390,224
Tax paid			
– Hong Kong Profits Tax paid		(28,450)	(27,491)
– Overseas tax paid		(24,718)	(4,155)
Net cash generated from operating activities		428,304	358,578

CONSOLIDATED CASH FLOW STATEMENT

(Continued)
For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

	Note	2008 $'000	2007 $'000
Investing activities			
Payment of lease incentives		(2,047)	(8,434)
Payment for the purchase of fixed assets		(50,397)	(41,507)
Proceeds from disposal of properties and other fixed assets		52	71,538
Dividends received from investments in securities		8,715	7,481
Dividends received from an associate		1,602	–
Interest income from bank deposits received		52,109	72,539
Interest income from listed securities received		–	422
Payment for the purchase of available-for-sale securities		–	(156,866)
Payment for the purchase of trading securities		(124,154)	(136,525)
Proceeds from sale of trading securities		58,255	142,042
Proceeds from sale of available-for-sale securities		–	8,586
Capital injection to an associate		(3,069)	–
New loans to an associate		(14,631)	–
Net cash used in investing activities		(73,565)	(40,724)
Financing activities			
Interest paid		(65,835)	(64,698)
Dividends paid to shareholders of the Company		(203,775)	(499,101)
Net cash used in financing activities		(269,610)	(563,799)
Net increase/(decrease) in cash and cash equivalents		85,129	(245,945)
Cash and cash equivalents at 1 January		1,177,295	1,350,169
Effect of foreign exchange rate changes		(144,283)	73,071
Cash and cash equivalents at 31 December	21	1,118,141	1,177,295

The notes on pages 38 to 103 form part of these financial statements.

1. Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued a number of new Interpretations and an amendment to HKFRSs that are first effective for the current accounting period of the Group and the Company. However, none of these developments are relevant to the Group's or the Company's operations.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 32).

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as otherwise stated in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 31.

1. Significant accounting policies (Continued)

(c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses.

(d) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's net assets. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the year.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

1. **Significant accounting policies** (Continued)

(e) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to cash-generating units and is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associates.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in the consolidated income statement.

On disposal of a cash-generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in debt and equity securities

The Group's accounting policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in debt and equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

– Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in the consolidated income statement as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in the consolidated income statement. The net gain or loss recognised in the consolidated income statement does not include any dividends or interest earned on these investments as these are recognised in accordance with the accounting policies set out in notes 1(t)(iii) and 1(t)(v) respectively.

– Investments in securities which do not fall into the above category are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity. Income from these investments is recognised in the consolidated income statement in accordance with the accounting policy set out in note 1(t)(iii) and, when these investments are derecognised or impaired, the cumulative gain or loss previously recognised directly in equity is recognised in the consolidated income statement.

1. Significant accounting policies (Continued)

(f) Other investments in debt and equity securities (Continued)

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in the consolidated income statement, except where the derivative financial instruments are designated as a hedge of the variability in cash flows of a recognised liability which qualifies for cash flow hedge accounting, in which case any gain or loss on remeasurement of the effective portion of the derivative financial instruments to fair value is recognised directly in equity. Any gain or loss on remeasurement of the ineffective portion is recognised immediately in the consolidated income statement.

The associated gain or loss is removed from equity and recognised in the consolidated income statement in the same period or periods during which the liability assumed affects the consolidated income statement (such as when interest expense is recognised).

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the consolidated income statement.

(h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold or freehold interest to earn rental income.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in the consolidated income statement. Rental income from investment properties is accounted for as described in the accounting policy set out in note 1(t)(ii).

When the Group holds a property interest under an operating lease to earn rental income, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease, and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases.

(Expressed in Hong Kong dollars unless otherwise indicated)

1. Significant accounting policies (Continued)

(i) Other property, plant and equipment

The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses:

– land held under operating leases and buildings thereon, where the fair values of the leasehold interest in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease; and

– other items of plant and equipment.

The Group has taken advantage of the provisions set out in paragraph 80A of HKAS 16 "Property, plant and equipment" issued by the HKICPA, with the effect that the land and building which was revalued by the directors in 1981 has not been revalued to fair value at the balance sheet date.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the consolidated income statement on the date of retirement or disposal. Upon disposal of the land and building which was revalued in 1981, the attributable revaluation surplus will be transferred from the land and building revaluation reserve to retained earnings.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment using the straight-line method over their estimated useful lives as follows:

Leasehold land and buildings	22 – 999 years
Furniture and fixtures	10% – 20% per annum
Computer hardware and software	20% per annum
Motor vehicles	25% per annum

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. The useful life of an asset is reviewed annually.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

1. Significant accounting policies (Continued)

(j) Leased assets (Continued)

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the consolidated income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the consolidated income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the consolidated income statement in the accounting period in which they are incurred.

1. Significant accounting policies (Continued)

(k) Impairment of assets

(i) Impairment of investments in debt and equity securities and trade and other receivables

Investments in debt and equity securities (other than investments in subsidiaries and associates) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity securities below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for unquoted equity securities are not reversed.

1. Significant accounting policies (Continued)

(k) Impairment of assets (Continued)

(i) Impairment of investments in debt and equity securities and trade and other receivables (Continued)

– For trade and other current receivables and other financial assets carried at cost or amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of the asset), where the effect of discounting is material. This assessment is made collectively where financial assets carried at cost or amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the consolidated income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in the consolidated income statement. The amount of the cumulative loss that is recognised in the consolidated income statement is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the consolidated income statement.

Impairment losses recognised in the consolidated income statement in respect of available-for-sale equity securities are not reversed through the consolidated income statement. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for bad and doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed.

1. **Significant accounting policies** (Continued)

(k) **Impairment of assets** (Continued)

(i) Impairment of investments in debt and equity securities and trade and other receivables (Continued)

Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the consolidated income statement.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than investment properties carried at revalued amounts);

– investments in subsidiaries and associates; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

1. **Significant accounting policies** (Continued)

(k) **Impairment of assets** (Continued)

(ii) Impairment of other assets (Continued)

– Recognition of impairment losses

An impairment loss is recognised in the consolidated income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount except for the land and building which was revalued in 1981. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

When an impairment loss arises on the land and building which was revalued in 1981, it will first be charged against the attributable balance relating to that property included in the land and building revaluation reserve and any excess will be charged to the consolidated income statement.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated income statement in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34 "Interim financial reporting" in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

1. Significant accounting policies (Continued)

(l) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is determined on a weighted average basis and includes the direct costs of purchase. Net realisable value is determined by reference to the sales proceeds of items sold in the ordinary course of business subsequent to the balance sheet date or to management estimates based on prevailing market conditions.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of bad and doubtful debts, except where the receivables are interest-free balances with related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of bad and doubtful debts.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the consolidated income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

1. Significant accounting policies (Continued)

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

1. **Significant accounting policies** (Continued)

(r) **Income tax** (Continued)

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences relating to investments in subsidiaries and associates to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1. Significant accounting policies (Continued)

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specific payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's accounting policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in the consolidated income statement on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in the consolidated income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1. Significant accounting policies (Continued)

(t) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated income statement as follows:

(i) Sale of goods and net income from concession sales

Revenue arising from the sale of goods and net income from concession sales are recognised when the customer has accepted the goods and the related risks and rewards of ownership.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in the consolidated income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in the consolidated income statement as an integral part of the aggregate net lease payments receivable.

(iii) Dividends

Dividend income from listed securities is recognised when the share price of the security goes ex-dividend. Dividend income from unlisted investments is recognised in the accounting period in which it is declared or proposed and approved by shareholders of the investee company.

(iv) Profit on sale of listed securities

Profit on sale of listed securities is recognised on the trade date basis.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(u) Translation of foreign currencies

The functional currency of the Company and subsidiaries which operate in Hong Kong is Hong Kong dollars while that for subsidiaries which operate in the People's Republic of China (the "PRC") and overseas is in their respective local currencies. The presentation currency of the Group is Hong Kong dollars.

1. Significant accounting policies (Continued)

(u) Translation of foreign currencies (Continued)

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the consolidated income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

On disposal of a foreign enterprise, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(v) Borrowing costs

Borrowing costs are expensed in the consolidated income statement in the period in which they are incurred.

(w) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

1. Significant accounting policies (Continued)

(w) Related parties (Continued)

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(x) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

2. Turnover and segment reporting

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

The Group's turnover for the year 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:

	2008	**2007**
	$'000	$'000
Sale of goods	884,173	799,861
Net income from concession sales	216,686	209,839
Department stores	1,100,859	1,009,700
Property investment	306,785	285,198
	1,407,644	1,294,898

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting system.

2. Turnover and segment reporting (Continued)

Business segments

The Group comprises the following main business segments:

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

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

	Department stores		Property investment		Inter-segment elimination		Unallocated		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue from external customers (turnover)	1,100,859	1,009,700	306,785	285,198	–	–	–	–	1,407,644	1,294,898
Inter-segment revenue	–	–	76,333	75,875	(76,333)	(75,875)	–	–	–	–
Other revenue from external customers	–	–	1,801	–	–	–	2,616	1,648	4,417	1,648
Total	1,100,859	1,009,700	384,919	361,073	(76,333)	(75,875)	2,616	1,648	1,412,061	1,296,546
Segment result	142,077	121,307	282,595	251,576	–	–	–	–	424,672	372,883
Interest income from bank deposits									50,732	72,447
Unallocated operating net (expense)/income									(190,890)	50,027
Profit from operations									284,514	495,357
Finance costs									(71,291)	(63,292)
									213,223	432,065
Net valuation (loss)/gain on investment properties	–	–	(494,995)	1,430,901	–	–	–	–	(494,995)	1,430,901
Net gain on disposal of properties	–	–	–	16,053	–	–	–	–	–	16,053
									(281,772)	1,879,019
Share of profits of associates	–	–	–	–	–	–	3,509	34,971	3,509	34,971
(Loss)/profit before taxation									(278,263)	1,913,990
Income tax benefit/(expense)									106,027	(323,463)
(Loss)/profit for the year									(172,236)	1,590,527

2. Turnover and segment reporting (Continued)

Business segments (Continued)

	Department stores		Property investment		Inter-segment elimination		Unallocated		Total	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Depreciation and amortisation	(8,106)	(9,441)	(45,165)	(44,600)	–	–	(532)	(402)	(53,803)	(54,443)
Impairment losses (recognised)/ written back										
– fixed assets	–	–	–	–	–	–	–	(33)	–	(33)
– trade and other debtors	(10)	14	–	–	–	–	–	–	(10)	14
– available-for-sale securities	–	–	–	–	–	–	(32,464)	–	(32,464)	–
Segment assets	138,986	126,453	6,301,403	7,276,475	(8,799)	(7,612)	–	–	6,431,590	7,395,316
Interest in associates									669,482	705,820
Unallocated assets									1,499,246	1,688,452
Total assets									8,600,318	9,789,588
Segment liabilities	248,527	241,764	46,633	45,880	(8,799)	(7,612)	–	–	286,361	280,032
Unallocated liabilities									1,534,450	1,931,452
Total liabilities									1,820,811	2,211,484
Capital expenditure incurred during the year	9,665	3,573	35,596	46,595	–	–	650	93	45,911	50,261

2. Turnover and segment reporting (Continued)

Geographical segments

Hong Kong is a major market for the Group's businesses. Australia and the United States are also the major markets for property investment.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	Hong Kong		Australia		United States		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue from external customers (turnover)	1,272,330	1,163,063	121,993	114,055	13,321	17,780	1,407,644	1,294,898
Segment result	303,095	262,140	118,453	106,910	3,124	3,833	424,672	372,883
Interest income from bank deposits							50,732	72,447
Unallocated operating net (expense)/income							(190,890)	50,027
Profit from operations							284,514	495,357
Finance costs							(71,291)	(63,292)
							213,223	432,065
Net valuation (loss)/gain on investment properties	(432,627)	1,173,587	(53,849)	255,017	(8,519)	2,297	(494,995)	1,430,901
Net gain on disposal of properties	–	2,619	–	–	–	13,434	–	16,053
							(281,772)	1,879,019
Share of profits of associates	–	–	–	–	3,509	34,971	3,509	34,971
(Loss)/profit before taxation							(278,263)	1,913,990
Income tax benefit/(expense)							106,027	(323,463)
(Loss)/profit for the year							(172,236)	1,590,527
Segment assets	4,689,006	5,142,978	1,661,125	2,164,554	90,258	95,396	6,440,389	7,402,928
Inter-segment elimination	(8,799)	(7,612)	–	–	–	–	(8,799)	(7,612)
	4,680,207	5,135,366	1,661,125	2,164,554	90,258	95,396	6,431,590	7,395,316
Capital expenditure incurred during the year	13,820	6,391	29,565	41,257	2,526	2,613	45,911	50,261

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

	2008	2007
	$'000	$'000
Other revenue		
Interest income from bank deposits	50,732	72,447
Interest income from listed securities	–	422
Interest income from loans to an associate	1,378	–
Dividend income from listed securities	5,881	5,182
Dividend income from unlisted securities	2,854	2,546
Compensation received on early termination of leases	1,801	–
Others	2,616	1,648
	65,262	82,245
Other net (loss)/gain		
Net (loss)/gain on remeasurement to fair value of:		
– trading securities	(153,739)	34,476
– derivative financial instruments	–	196
Net realised (loss)/gain on disposal of:		
– trading securities	(3,195)	15,696
– derivative financial instruments	10,862	3,416
Impairment of available-for-sale securities (note (a))	(32,464)	–
Release of exchange reserve upon return on investments in overseas subsidiaries	19,911	16,519
Net foreign exchange (loss)/gain	(6,148)	10,691
Net gain on dissolution of subsidiaries (note (b))	437	3,156
Net gain on disposal of other fixed assets	40	20
Net loss on disposal of available-for-sale securities (note (c))	–	(3,786)
	(164,296)	80,384

Notes:

(a) The amount for the year ended 31 December 2008 included $17,249,000 transferred from the investment revaluation reserve.

(b) The amount for the year ended 31 December 2007 included $2,773,000 transferred from the exchange reserve.

(c) The amount for the year ended 31 December 2007 included a deficit of $4,385,000 transferred from the investment revaluation reserve.

4. (Loss)/profit before taxation

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

		2008	2007
		$'000	$'000
(a)	Finance costs:		
	Interest on bank loan repayable within five years	71,291	63,292
(b)	Staff costs (excluding directors' remuneration):		
	Contributions to defined contribution retirement plans	10,322	9,752
	Salaries, wages and other benefits	176,850	169,354
		187,172	179,106
(c)	Rentals received and receivable from investment properties:		
	Gross rentals	(306,785)	(285,198)
	Less: direct outgoings	63,135	69,605
		(243,650)	(215,593)
(d)	Other items:		
	Depreciation and amortisation		
	– owned assets	43,203	44,954
	– lease incentives	10,600	9,489
	Impairment losses recognised/(written back)		
	– fixed assets	–	33
	– trade and other debtors (note 19(b))	10	(14)
	Auditors' remuneration		
	– current year	2,558	2,415
	– prior year	17	2
	Operating lease charges		
	– minimum lease payments for hire of land and buildings	31,490	30,036
	– contingent rentals for hire of land and buildings	321	164
	Cost of inventories sold (note 18(b))	599,112	540,277

5. Income tax in the consolidated income statement

(a) Income tax in the consolidated income statement represents:

	2008	2007
	$'000	$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	16,138	27,069
Over-provision in respect of prior years	(50)	(4)
	16,088	27,065
Current tax – Overseas		
Provision for the year	8,429	29,019
(Over)/under-provision in respect of prior years (note (c))	(5,809)	396
	2,620	29,415
Deferred tax (note 24(b))		
Effect on deferred tax balances at 1 January resulting from a decrease in tax rate		
– changes in fair value of investment properties	(38,056)	–
– other temporary differences	1,753	–
Origination and reversal of temporary differences		
– changes in fair value of investment properties	(90,434)	272,203
– other temporary differences	2,002	(5,220)
	(124,735)	266,983
Total income tax (benefit)/expense	(106,027)	323,463

In June 2008, the Hong Kong Government promulgated a decrease in the Hong Kong Profits Tax rate applicable to the Group's operations in Hong Kong from 17.5% to 16.5% as from the year ended 31 December 2008 and a one-off reduction of 75% of the tax payable for the year of assessment 2007/08 subject to a ceiling of $25,000. This decrease is taken into account in the preparation of these financial statements. Accordingly, the provision for Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the year and the opening balance of deferred tax has been re-estimated. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

5. Income tax in the consolidated income statement (Continued)

(b) Reconciliation between tax (benefit)/expense and accounting (loss)/profit at the applicable tax rate:

	2008	**2007**
	$'000	$'000
(Loss)/profit before taxation	(278,263)	1,913,990
Notional Hong Kong Profits Tax calculated at 16.5% (2007: 17.5%)	(45,913)	334,948
Tax effect of non-deductible expenses	18,800	4,623
Tax effect of non-taxable revenue	(7,841)	(14,935)
Tax effect of temporary differences not recognised	(372)	(204)
Tax effect of unused tax losses not recognised	9,613	738
Tax effect of previously unrecognised tax losses utilised this year	–	(5,583)
Tax effect of previously unrecognised tax losses recognised this year	(24,268)	(28,112)
Tax effect of prior years' unrecognised temporary differences recognised this year	–	(19)
Effect on deferred tax balances at 1 January resulting from a decrease in tax rate	(36,303)	–
Effect of different tax rates of subsidiaries and associates operating in other jurisdictions	(13,876)	31,670
Effect of overseas withholding tax	(8)	(55)
(Over)/under-provision in respect of prior years	(5,859)	392
Actual tax (benefit)/expense	(106,027)	323,463

(c) In the prior year, the Group recognised capital gains tax on disposal of an investment property in the United States of America (the "USA") in accordance with the applicable tax laws and regulations in the USA. During the current year, the tax assessment in respect of the gain on disposal was finalised and the over-provided amount was reversed to the consolidated income statement.

6. Directors' remuneration

The remuneration of the directors is as follows:

	2008				
	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Total $'000
Executive directors					
Mr Karl C. Kwok	120	3,644	1,280	12	5,056
Mr Lester Kwok	120	3,304	1,180	12	4,616
Mr Mark Kwok	120	2,110	755	181	3,166
	360	9,058	3,215	205	12,838
Non-executive directors					
Dr Bill Kwok	120	–	–	–	120
Dr Kwok Man Cho	120	–	–	–	120
Dr Philip Kwok	120	544	–	–	664
	360	544	–	–	904
Independent Non-executive directors					
Miss Maria Tam Wai Chu	120	70	–	–	190
Mr Ignatius Wan Chiu Wong	120	60	–	–	180
Mr Iain Ferguson Bruce	120	100	–	–	220
Mr Anthony Francis Martin Conway	120	90	–	–	210
	480	320	–	–	800
	1,200	9,922	3,215	205	14,542

6. Directors' remuneration (Continued)

The remuneration of the directors is as follows: (Continued)

	2007				
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	$'000	$'000	$'000	$'000	$'000
Executive directors					
Mr Karl C. Kwok	100	3,347	939	12	4,398
Mr Lester Kwok	100	3,014	861	12	3,987
Mr Mark Kwok	100	1,931	554	166	2,751
	300	8,292	2,354	190	11,136
Non-executive directors					
Dr Bill Kwok	100	–	–	–	100
Dr Kwok Man Cho	100	–	–	–	100
Dr Philip Kwok	100	544	–	–	644
	300	544	–	–	844
Independent Non-executive directors					
Miss Maria Tam Wai Chu	100	70	–	–	170
Mr Ignatius Wan Chiu Wong	100	60	–	–	160
Mr Iain Ferguson Bruce	100	100	–	–	200
Mr Anthony Francis Martin Conway	100	90	–	–	190
	400	320	–	–	720
	1,000	9,156	2,354	190	12,700

7. Individuals with highest emoluments

Of the five individuals with the highest emoluments in the Group, three (2007: three) are directors whose emoluments are disclosed in note 6. The aggregate of the emoluments in respect of the other two (2007: two) individuals are as follows:

	2008	**2007**
	$'000	$'000
Salaries, allowances and benefits in kind	5,880	5,510
Contributions to defined contribution retirement plans	376	340
Discretionary bonuses	1,175	783
	7,431	6,633

The emoluments of the two (2007: two) individuals with the highest emoluments are within the following brands:

	Number of individuals	
	2008	**2007**
$		
2,500,001 – 3,000,000	1	1
3,000,001 – 3,500,000	–	–
3,500,001 – 4,000,000	–	–
4,000,001 – 4,500,000	–	1
4,500,001 – 5,000,000	1	–
	2	2

8. (Loss)/profit attributable to shareholders of the Company

The consolidated (loss)/profit attributable to shareholders of the Company includes a profit of $116,176,000 (2007: $403,368,000) which has been dealt with in the financial statements of the Company.

9. Dividends

(a) Dividends payable to shareholders of the Company attributable to the year

	2008 $'000	2007 $'000
Interim dividend declared and paid of 17 cents (2007: 24 cents) per share	50,205	70,878
Special dividend declared and paid of nil (2007: 100 cents) per share	–	295,326
Final dividend proposed after the balance sheet date of 17 cents (2007: 52 cents) per share	50,205	153,570
	100,410	519,774

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

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

	2008 $'000	2007 $'000
Final dividend in respect of the financial year ended 31 December 2007, approved and paid during the year, of 52 cents (31 December 2006: 45 cents) per share	153,570	132,897

10. Basic (loss)/earnings per share

(a) The calculation of basic (loss)/earnings per share is based on the consolidated loss attributable to shareholders of the Company for the year ended 31 December 2008 of $172,600,000 (2007: a profit of $1,589,231,000) divided by 295,326,000 shares (2007: 295,326,000 shares) in issue during the year.

There were no outstanding potential shares throughout the years presented.

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

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

10. Basic (loss)/earnings per share (Continued)

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

The difference between the underlying profit attributable to shareholders of the Company and (loss)/profit attributable to shareholders of the Company as shown in the consolidated income statement for the year is reconciled as follows:

	2008		2007	
		Amount per share		Amount per share
	$'000	cents	$'000	cents
(Loss)/profit attributable to shareholders of the Company as shown in the consolidated income statement	(172,600)	(58.4)	1,589,231	538.1
Net valuation loss/(gain) on investment properties	494,995	167.6	(1,430,901)	(484.5)
(Decrease)/increase in deferred tax liabilities in relation to the net valuation (loss)/gain on investment properties	(90,434)	(30.6)	272,203	92.1
	231,961	78.6	430,533	145.7
Effect on deferred tax balances in relation to the net valuation gain on investment properties at 1 January resulting from a decrease in tax rate	(38,056)	(12.9)	–	–
Net valuation (loss)/gain on investment properties net of related deferred tax attributable to minority interests	(662)	(0.2)	1,411	0.5
Underlying profit attributable to shareholders of the Company	193,243	65.5	431,944	146.2

11. Defined contribution retirement plans

The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") and a number of MPF exempted defined contribution retirement plans ("MPF exempted schemes") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. Both the MPF scheme and the MPF exempted schemes are defined contribution retirement plans administered by independent trustees. The Group is required to make contributions to the MPF exempted schemes based on a percentage of the employees' basic monthly salaries which is dependent on their length of service within the Group. The Group's contributions to the MPF scheme vest immediately while the Group's contributions to the MPF exempted schemes vest according to the length of service within the Group. Forfeited contributions in the MPF exempted schemes are allocated to existing employees. The Group's total contribution for the year was $10,527,000 (2007: $9,942,000).

12. Fixed assets

(a) Group

	Land and buildings $'000	Other assets $'000	Sub-total $'000	Investment properties $'000	Total $'000
Cost or valuation:					
At 1 January 2008	837,019	424,412	1,261,431	6,538,367	7,799,798
Exchange adjustments	764	(132)	632	(457,769)	(457,137)
Additions	–	13,820	13,820	30,044	43,864
Disposals	–	(28,898)	(28,898)	–	(28,898)
Fair value adjustment	–	–	–	(494,995)	(494,995)
At 31 December 2008	837,783	409,202	1,246,985	5,615,647	6,862,632
Accumulated depreciation and impairment:					
At 1 January 2008	215,719	355,546	571,265	–	571,265
Exchange adjustments	764	(102)	662	–	662
Charge for the year	25,289	17,914	43,203	–	43,203
Written back on disposals	–	(28,886)	(28,886)	–	(28,886)
At 31 December 2008	241,772	344,472	586,244	–	586,244
Lease incentives:					
At 1 January 2008	–	–	–	58,672	58,672
Exchange adjustments	–	–	–	(11,015)	(11,015)
Additions	–	–	–	2,047	2,047
Amortisation for the year	–	–	–	(10,600)	(10,600)
At 31 December 2008	–	–	–	39,104	39,104
Net book value:					
At 31 December 2008	596,011	64,730	660,741	5,654,751	6,315,492

12. Fixed assets (Continued)

(a) Group (Continued)

	Land and buildings $'000	Other assets $'000	Sub-total $'000	Investment properties $'000	Total $'000
Cost or valuation:					
At 1 January 2007	836,146	460,280	1,296,426	4,918,342	6,214,768
Exchange adjustments	937	65	1,002	208,920	209,922
Additions	–	6,391	6,391	35,436	41,827
Disposals	(64)	(42,324)	(42,388)	(55,232)	(97,620)
Fair value adjustment	–	–	–	1,430,901	1,430,901
At 31 December 2007	837,019	424,412	1,261,431	6,538,367	7,799,798
Accumulated depreciation and impairment:					
At 1 January 2007	189,513	377,944	567,457	–	567,457
Exchange adjustments	937	39	976	–	976
Charge for the year	25,290	19,664	44,954	–	44,954
Written back on disposals	(21)	(42,134)	(42,155)	–	(42,155)
Impairment loss	–	33	33	–	33
At 31 December 2007	215,719	355,546	571,265	–	571,265
Lease incentives:					
At 1 January 2007	–	–	–	53,561	53,561
Exchange adjustments	–	–	–	6,166	6,166
Additions	–	–	–	8,434	8,434
Amortisation for the year	–	–	–	(9,489)	(9,489)
At 31 December 2007	–	–	–	58,672	58,672
Net book value:					
At 31 December 2007	621,300	68,866	690,166	6,597,039	7,287,205

12. Fixed assets (Continued)

(a) Group (Continued)

The analysis of cost or valuation of the fixed assets of the Group is as follows:

	At cost	At professional valuation in 2008	At directors' valuation in 1981	Total
	$'000	$'000	$'000 (note (b))	$'000
At 31 December 2008				
Land and buildings				
Leasehold land and buildings				
– held under long lease in Hong Kong	230,156	–	150,263	380,419
– held under medium term lease in Hong Kong	443,400	–	–	443,400
– held under medium term lease outside Hong Kong	13,964	–	–	13,964
Investment properties				
Long lease				
– in Hong Kong	–	3,385,700	–	3,385,700
– outside Hong Kong	–	87,975	–	87,975
Medium term lease in Hong Kong	–	522,685	–	522,685
Freehold outside Hong Kong	–	1,619,287	–	1,619,287
Other assets	409,202	–	–	409,202
	1,096,722	5,615,647	150,263	6,862,632

12. Fixed assets (Continued)

(a) Group (Continued)

The analysis of cost or valuation of the fixed assets of the Group is as follows: (continued)

	At cost $'000	At professional valuation in 2007 $'000	At directors' valuation in 1981 $'000 (note (b))	Total $'000
At 31 December 2007				
Land and buildings				
Leasehold land and buildings				
– held under long lease in Hong Kong	230,156	–	150,263	380,419
– held under medium term lease in Hong Kong	443,400	–	–	443,400
– held under medium term lease outside Hong Kong	13,200	–	–	13,200
Investment properties				
Long lease				
– in Hong Kong	–	3,688,300	–	3,688,300
– outside Hong Kong	–	94,568	–	94,568
Medium term lease in Hong Kong	–	652,712	–	652,712
Freehold outside Hong Kong	–	2,102,787	–	2,102,787
Other assets	424,412	–	–	424,412
	1,111,168	6,538,367	150,263	7,799,798

(b) In preparing these financial statements, advantage has been taken of the provisions set out in paragraph 80A of HKAS 16 "Property, plant and equipment" issued by the HKICPA, with the effect that the land and building which was revalued by the directors in 1981 has not been revalued to fair value at the balance sheet date. The carrying amount of the land and building of the Group as at 31 December 2008 is $100,549,000 (2007: $102,382,000).

The carrying amount of the land and building of the Group which was revalued in 1981 that would have been included in the financial statements had the asset been carried at cost less accumulated depreciation as at 31 December 2008 is $35,444,000 (2007: $36,154,000).

12. Fixed assets (Continued)

(c) Investment properties of the Group were revalued as at 31 December 2008 on a market value basis by independent firms of surveyors, who have among their staff professionals with recent experience in the locations and the categories of the properties being valued.

The investment properties of the Group situated in Hong Kong were revalued by DTZ Debenham Tie Leung Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors.

The investment properties of the Group situated outside Hong Kong were revalued either by Jones Lang LaSalle Advisory Services Pty Limited, Certified Practising Valuers, who have among their staff Members of Australian Property Institute, or Bolton & Baer, Ltd., General Real Estate Appraisers, who have among their staff Members of the Houston Chapter of the Appraisal Institute.

The net valuation loss of $494,995,000 (2007: a gain of $1,430,901,000) has been recognised in the consolidated income statement.

(d) Fixed assets leased out under operating leases

The Group leases out investment properties under operating leases. The leases typically run for an initial period of two months to ten years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The carrying amount of investment properties of the Group held for use in operating leases was $5,654,751,000 (2007: $6,597,039,000).

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

	2008	**2007**
	$'000	$'000
Within one year	223,971	221,735
After one year but within five years	367,465	481,509
After five years	76,720	115,053
	668,156	818,297

(e) Other assets comprise plant, equipment, fixtures and fittings and motor vehicles.

(f) During the year, lease incentives totalling $2,047,000 (2007: $8,434,000) were given to tenants of an investment property in Australia. The lease incentives are being amortised over the lease terms.

12. Fixed assets (Continued)

(g) On 31 July 2007, the Group disposed of an investment property located in the United States which gave rise to a gain before tax of $13,434,000.

On 15 November 2007, the Group disposed of land and a building located in Hong Kong which gave rise to a gain before tax of $2,619,000.

13. Goodwill

	Group
	$'000
Cost and carrying amount:	
At 1 January 2007, 31 December 2007, 1 January 2008 and 31 December 2008	1,178

Impairment test for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to country of operation and business segment as follows:

	2008	**2007**
	$'000	$'000
Property investment – the United States	1,178	1,178

The recoverable amount of the CGU is determined based on fair value less cost to sell. The fair value were assessed by a general real estate appraiser on a market value basis as at 31 December 2008. Management consider that no impairment was necessary.

14. Investments in subsidiaries

	Company	
	2008	**2007**
	$'000	$'000
Unlisted shares, at cost	2,801,990	2,801,990

Details of the principal subsidiaries are set out on pages 100 to 102.

15. Interest in associates

	Group 2008 $'000	Group 2007 $'000
Unlisted shares		
Share of net assets other than goodwill and intangible assets	179,687	244,440
Share of goodwill and intangible assets of an associate	475,164	461,380
	654,851	705,820
Loans to an associate (note (b))	14,631	–
	669,482	705,820

(a) Details of the principal associates are set out on page 103.

(b) The loans to an associate are unsecured, bear interest at market rates plus 1.25% per annum and comprise an amount of $4,959,000 repayable on 8 March 2012 and an amount of $9,672,000 repayable on 13 June 2012.

(c) **Summary financial information of associates**

	Assets $'000	Liabilities $'000	Equity $'000	Revenues $'000	Profit $'000
2008					
100 per cent	5,621,910	4,312,209	1,309,701	14,213,011	7,017
Group's effective interest	2,810,955	2,156,104	654,851	7,106,505	3,509
2007					
100 per cent	5,670,716	4,259,179	1,411,537	15,407,005	70,046
Group's effective interest	2,835,358	2,129,589	705,769	7,703,502	35,018

The Group had not recognised its share of accumulated losses of an associate of $51,000 as at 31 December 2007. The associate has been under deregistration during the current year.

(d) An associate of the Group in the USA operates an Employee Stock Ownership Plan and a Senior Stock Purchase Plan for its senior management and measures the related financial liabilities at fair value as at each balance sheet date. For the year ended 31 December 2008, a fair value adjustment of $22,248,000 (2007: $3,446,000) in respect of these plans has been credited to the consolidated income statement of the Group as part of the Group's share of profits of associates.

16. Available-for-sale securities

	Group 2008 $'000	Group 2007 $'000
Investment fund		
Listed outside Hong Kong	–	156,395
Equity securities		
Unlisted	17,489	16,789
Club debentures		
Unlisted	5,500	8,574
	22,989	181,758
Market value of listed securities	–	156,395

Included in the unlisted equity securities are amounts carried at cost of $11,568,000 (2007: $11,568,000) as at 31 December 2008. Management considers that the fair values of these securities cannot be measured reliably as there are no quoted prices available.

Included in the unlisted equity securities are amounts totalling $5,921,000 (2007: $5,221,000) which represent investments in 50% of each of the Class E ordinary shares and Class J participating shares of North Bay Reinsurance Ltd., SPC, a company incorporated in the Cayman Islands, disclosed pursuant to section 129 of Hong Kong Companies Ordinance.

During the year ended 31 December 2008, the Group's available-for-sale investment fund was determined to be impaired on the basis of a material decline in the fair value below cost and adverse changes in the market in which this investee operated; therefore the cost of the Group's investment in it may not be fully recovered. Impaired losses of $32,464,000 have been recognised in the consolidated income statement for this investment as at 31 December 2008 in accordance with the accounting policy set out in note 1(k)(i). The available-for-sale investment fund commenced liquidation during the year and its estimated recoverable amount of $124,105,000 has been included in trade and other receivables as disclosed in note 19 as at 31 December 2008.

17. Trading securities

	Group 2008 $'000	Group 2007 $'000
Debt securities		
– Listed outside Hong Kong	4,559	4,749
Equity securities		
Listed		
– in Hong Kong	99,630	138,856
– outside Hong Kong	40,919	68,692
	140,549	207,548
Investment funds		
– Listed outside Hong Kong	2,272	1,498
– Unlisted but quoted	29,039	38,898
	31,311	40,396
Derivative financial instruments	–	3,899
	176,419	256,592

18. Inventories

(a) Inventories in the consolidated balance sheet comprise:

	Group 2008 $'000	Group 2007 $'000
Merchandise held for sale	84,036	72,509
Merchandise held for sale in transit	1,030	1,874
	85,066	74,383

18. Inventories (Continued)

(b) The analysis of the amount of inventories recognised as an expense is as follows:

	Group 2008 $'000	Group 2007 $'000
Carrying amount of inventories sold	598,877	540,257
Write-down of inventories	235	20
	599,112	540,277

19. Debtors, deposits and prepayments

	Group		Company	
	2008	**2007**	**2008**	**2007**
	$'000	$'000	$'000	$'000
Trade and other debtors	138,238	17,715	158	250
Less: Allowance for bad and doubtful debts (note 19(b))	(21)	(11)	–	–
	138,217	17,704	158	250
Deposits and prepayments	27,494	36,772	242	206
	165,711	54,476	400	456

All debtors, deposits and prepayments of the Group, apart from certain rental deposits and prepayments totalling $10,582,000 (2007: $9,774,000), are expected to be recovered or recognised as expense within one year.

19. Debtors, deposits and prepayments (Continued)

(a) Ageing analysis

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

	Group		Company	
	2008	**2007**	**2008**	**2007**
	$'000	$'000	$'000	$'000
Current or less than one month past due	136,709	16,132	158	250
One to three months past due	698	1,092	–	–
More than three months but less than twelve months past due	201	469	–	–
More than twelve months past due	609	11	–	–
	138,217	17,704	158	250

The above trade and other debtors are neither individually nor collectively considered to be impaired.

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

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group and the Company do not hold any collateral over these balances.

(b) Impairment of trade and other debtors

Impairment losses in respect of trade and other debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other debtors directly.

19. Debtors, deposits and prepayments (Continued)

(b) Impairment of trade and other debtors (Continued)

The movement in the allowance for bad and doubtful debts during the year is as follows:

	Group	
	2008	**2007**
	$'000	$'000
At 1 January	11	25
Impairment loss recognised/(written back) (note 4(d))	10	(14)
At 31 December	21	11

20. Amounts due from/(to) subsidiaries, fellow subsidiaries and associates

The amounts due from/(to) subsidiaries, fellow subsidiaries and associates are unsecured, interest free and have no fixed repayment terms.

21. Cash and cash equivalents

	Group		Company	
	2008	**2007**	**2008**	**2007**
	$'000	$'000	$'000	$'000
Cash at bank and in hand	84,062	80,872	7,633	6,617
Bank deposits	1,034,079	1,096,423	149,522	157,168
	1,118,141	1,177,295	157,155	163,785

22. Creditors and accrued charges

	Group		Company	
	2008	**2007**	**2008**	**2007**
	$'000	$'000	$'000	$'000
Trade and other creditors	285,828	269,823	16,210	15,157
Accrued charges	31,319	41,077	1,628	1,434
Derivative financial instruments	–	971	–	–
	317,147	311,871	17,838	16,591

22. Creditors and accrued charges (Continued)

All creditors and accrued charges of the Group, apart from certain rental deposits received totalling $18,874,000 (2007: $16,237,000), are expected to be settled or recognised as an 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 balance sheet date:

	Group		Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Amounts not yet due	225,012	209,107	–	–
On demand or less than one month overdue	55,385	54,787	16,210	15,157
One to three months overdue	1,322	1,986	–	–
Three to twelve months overdue	780	652	–	–
More than twelve months overdue	3,329	3,291	–	–
	285,828	269,823	16,210	15,157

23. Secured bank loan

At 31 December 2008, the secured bank loan of the Group was repayable as follows:

	Group	
	2008	2007
	$'000	$'000
Within one year or on demand	8,549	–
After one year but within two years	34,196	10,993
After two years but within five years	641,172	868,431
	675,368	879,424
	683,917	879,424

The bank loan is denominated in Australian Dollars ("AUD") and bears interest at market rates plus 1% per annum. The Group is required to commence repayment of the loan principal on a quarterly basis at AUD1,600,000 per quarter commencing 23 December 2009 until maturity on 23 December 2011.

23. Secured bank loan (Continued)

At 31 December 2008, certain assets of the Group with the following net book values have been pledged to banks to secure banking facilities totalling $749,917,000 (2007: $1,045,424,000) granted to the Group:

	Group	
	2008	**2007**
	$'000	$'000
Land and buildings	100,549	102,382
Investment properties	5,003,391	5,797,337
	5,103,940	5,899,719

The facilities were utilised to the extent of $684,228,000 (2007: $879,735,000).

Under the banking facilities arrangement, a subsidiary undertakes to provide further mortgages over other properties or repay part of the secured loan should 60% of the value of the pledged investment properties fall to less than the outstanding loan balance.

24. Income tax in the balance sheet

(a) Current tax in the consolidated balance sheet represents:

	Group	
	2008	**2007**
	$'000	$'000
Provision for Hong Kong Profits Tax for the year	16,138	27,069
Provisional Profits Tax paid	(19,192)	(17,761)
	(3,054)	9,308
Overseas tax payable	683	22,990
	(2,371)	32,298
Represented by:		
Current tax recoverable	(3,100)	(371)
Current tax payable	729	32,669
	(2,371)	32,298

24. Income tax in the balance sheet (Continued)

(b) Deferred tax assets and liabilities recognised

The components of deferred tax assets and liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Depreciation allowances in excess of the related depreciation	Revaluation of investment properties	Revaluation of land and building	Provisions	Future benefit of tax losses	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax arising from:						
At 1 January 2008	18,314	920,420	29,310	17,302	(41,023)	944,323
(Credited)/charged to the consolidated income statement (note 5(a))	5,814	(128,490)	–	(3,441)	1,382	(124,735)
Credited to the land and building revaluation reserve	–	–	(1,675)	–	–	(1,675)
Credited to exchange reserve	(3,241)	(48,367)	–	(3,188)	–	(54,796)
At 31 December 2008	20,887	743,563	27,635	10,673	(39,641)	763,117
At 1 January 2007	15,728	628,263	29,310	15,599	(34,210)	654,690
Charged/(credited) to the consolidated income statement (note 5(a))	1,797	272,203	–	(204)	(6,813)	266,983
Charged to exchange reserve	789	19,954	–	1,907	–	22,650
At 31 December 2007	18,314	920,420	29,310	17,302	(41,023)	944,323

	2008	2007
	$'000	$'000
Deferred tax assets recognised in the consolidated balance sheet	(40,966)	(42,019)
Deferred tax liabilities recognised in the consolidated balance sheet	804,083	986,342
	763,117	944,323

24. Income tax in the balance sheet (Continued)

(c) Deferred tax assets not recognised

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2008	**2007**
	$'000	$'000
Deductible temporary differences	8,814	9,743
Future benefit of accumulated tax losses	45,997	64,328
	54,811	74,071

The Group has not recognised deferred tax assets in respect of the future benefit of accumulated tax losses and deductible temporary differences of certain subsidiaries as management of the Group considers that it is not possible as at 31 December 2008 to estimate, with any degree of certainty, the future taxable profits which may be earned by these subsidiaries and against which the accumulated tax losses may be offset in the foreseeable future. The tax losses do not expire under current tax legislation.

(d) Deferred tax liabilities not recognised

At 31 December 2008, temporary differences relating to the undistributed profits of subsidiaries and associates amounted to $1,374,011,000 (2007: $1,549,668,000). Deferred tax liabilities of $412,203,000 (2007: $464,900,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained earnings as the Company controls the dividend policy of these subsidiaries and associates and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

25. Capital and reserves

(a) Group

Details of the movements in capital and reserves of the Group are set out on pages 34 and 35.

Retained earnings attributable to the shareholders of the Company as at 31 December 2008 include the aggregate net valuation gain relating to investment properties after deferred tax of $3,062,944,000 (2007: $3,428,787,000).

25. Capital and reserves (Continued)

(b) Company

	Share capital $'000 (note (c))	Contributed surplus $'000 (note (d)(v))	Retained earnings $'000	Total $'000
At 1 January 2008	29,533	2,997,350	686,892	3,713,775
Dividends approved in respect of the previous year (note 9(b))	–	–	(153,570)	(153,570)
Profit for the year	–	–	116,176	116,176
Dividends declared and paid in respect of the current year (note 9(a))	–	–	(50,205)	(50,205)
At 31 December 2008	29,533	2,997,350	599,293	3,626,176
At 1 January 2007	29,533	2,997,350	782,625	3,809,508
Dividends approved in respect of the previous year (note 9(b))	–	–	(132,897)	(132,897)
Profit for the year	–	–	403,368	403,368
Dividends declared and paid in respect of the current year (note 9(a))	–	–	(366,204)	(366,204)
At 31 December 2007	29,533	2,997,350	686,892	3,713,775

(c) Share capital

	2008 $'000	2007 $'000
Authorised:		
400,000,000 shares of $0.1 each	40,000	40,000
Issued and fully paid:		
295,326,000 shares of $0.1 each	29,533	29,533

The holders of shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

25. Capital and reserves (Continued)

(d) Nature and purpose of reserves

(i) Land and building revaluation reserve

The revaluation reserve has been set up and is dealt with in accordance with the accounting policy adopted for land and buildings set out in note 1(i).

(ii) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date less any impairment losses recognised in the consolidated income statement and is dealt with in accordance with the accounting policy set out in note 1(f).

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 1(u).

(iv) Hedging reserve

The hedging reserve comprises the cumulative net change in the fair value of the effective portion of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges set out in note 1(g).

(v) Contributed surplus

Pursuant to the Scheme of Arrangement in 1991, the former holding company of the Group became a subsidiary of the Company. The excess value of the consolidated net assets of the subsidiaries acquired over the nominal value of the new shares of the Company issued under the Scheme of Arrangement was credited to the contributed surplus of the Company. The Group's contributed surplus represents the excess of the aggregate of the nominal value of the share capital and share premium of the former holding company over the nominal value of the new shares of the Company issued under the Scheme of Arrangement.

In addition to the retained earnings under the Companies Act of Bermuda, the Company's contributed surplus is available for distribution to shareholders. However, the directors have no current intention to distribute this surplus.

25. Capital and reserves (Continued)

(d) Nature and purpose of reserves (Continued)

(vi) General reserve fund

According to applied rules and regulations in the PRC, the Group's operating associates are required to transfer 10% of the profit after taxation, as determined in accordance with PRC GAAP, to a general reserve fund. The transfer to this reserve must be made before distribution of dividends to shareholders can be made.

(e) Distributability of reserves of the Company

At 31 December 2008, the aggregate amount of reserves available for distribution to shareholders of the Company was $3,596,643,000 (2007: $3,684,242,000). After the balance sheet date the directors proposed a final dividend of 17 cents per share (2007: 52 cents per share), amounting to $50,205,000 (2007: $153,570,000). This dividend has not been recognised as a liability at the balance sheet date.

(f) The Group's share of the post-acquisition accumulated reserves of associates

The Group's share of the post-acquisition accumulated reserves of associates is as follows:

	2008	**2007**
	$'000	$'000
Retained earnings	564,501	562,660
Exchange reserve	(2,736)	1,309
Hedging reserve	(75,115)	(30,033)
Land and building revaluation reserve	136	6,954
General reserve fund	66	–
	486,852	540,890

(g) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

At 31 December 2008, the Group had secured bank loan amounting to $683,917,000 (2007: $879,424,000) which is repayable as disclosed in note 23. The gearing ratio, representing the ratio of bank borrowings to the total share capital and reserves attributable to shareholders of the Group was 10.1% as at 31 December 2008 (2007: 11.6%). The Group had bank deposits and cash balances as at 31 December 2008 amounting to $1,118,141,000 (2007: $1,177,295,000).

25. Capital and reserves (Continued)

(g) Capital management (Continued)

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

26. Financial risk management and fair values

(a) Categories of financial instruments

	Group		Company	
	2008	**2007**	**2008**	**2007**
	$'000	$'000	$'000	$'000
Financial assets				
Financial assets at fair value through profit or loss				
– Trading securities	176,419	256,592	–	–
Available-for-sale securities	22,989	181,758	–	–
Loans and receivables				
– Loans to an associate	14,631	–	–	–
– Debtors and deposits	148,186	27,477	158	250
– Amounts due from fellow subsidiaries	1,774	6,870	–	–
– Amounts due from subsidiaries	–	–	684,890	764,728
– Amount due from an associate	–	1,621	–	–
– Cash at bank and bank deposits	1,106,440	1,164,220	157,145	163,774
	1,271,031	1,200,188	842,193	928,752
	1,470,439	1,638,538	842,193	928,752

26. Financial risk management and fair values (Continued)

(a) Categories of financial instruments (Continued)

	Group		Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Financial liabilities				
Financial liabilities at fair value through profit or loss				
– Derivative financial instruments	–	(971)	–	–
– Trade and other creditors	(285,828)	(269,823)	(16,210)	(15,157)
– Amounts due to fellow subsidiaries	(1,999)	(1,119)	–	–
– Amounts due to subsidiaries	–	–	(421)	(593)
– Amount due to an associate	(12,936)	(59)	–	–
– Secured bank loan	(683,917)	(879,424)	–	–
	(984,680)	(1,150,425)	(16,631)	(15,750)
	(984,680)	(1,151,396)	(16,631)	(15,750)

(b) Financial risk management

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. The Group is also exposed to price risk arising from its investments in other entities. The Group's exposure to these risks and the financial management policies and practices used by the Group to manage these risks are described below.

(i) Credit risk

The Group's credit risk is primarily attributable to cash at banks, bank deposits, trade and other debtors and investments. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash at bank and bank deposits are placed with licensed financial institutions. Bankruptcy or insolvency of these financial institutions may cause the Group's rights with respect to these assets be delayed or limited. The Group monitors the credit rating of these financial institutions on an on-going basis. If the credit rating of these financial institutions were to deteriorate significantly, the Group will move the cash holdings to other financial institutions.

26. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(i) Credit risk (Continued)

For trade and other debtors, credit checks are part of the normal operating process and stringent monitoring procedures are in place to deal with overdue debts. In addition, the Group reviews the recoverable amounts of trade and other debtors at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade and other debtors is set out in note 19.

Investments are normally only in liquid securities and investment funds (except where entered into for long term strategic purposes) and with counterparties that have a sound credit standing. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

Included in other receivables is an amount of $124,105,000 receivable from the trustee of an investment fund which was in liquidation as at 31 December 2008 as disclosed in note 16. Apart from this, the Group has no other significant concentrations of credit risk with exposure spread over a number of counterparties and customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance.

Except for the financial guarantees given by an associate of the Group as set out in note 28, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 28.

(ii) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board of directors when the borrowings exceed certain pre-determined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

26. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(ii) Liquidity risk (Continued)

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

Group

	2008				
	Contractual undiscounted cash flow				
	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	Total	Balance sheet carrying amount
	$'000	$'000	$'000	$'000	$'000
Trade and other creditors	266,972	6,448	12,408	285,828	285,828
Amounts due to fellow subsidiaries	1,999	–	–	1,999	1,999
Amount due to an associate	12,936	–	–	12,936	12,936
Secured bank loan	66,117	89,908	692,745	848,770	683,917
	348,024	96,356	705,153	1,149,533	984,680

	2007				
	Contractual undiscounted cash flow				
	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	Total	Balance sheet carrying amount
	$'000	$'000	$'000	$'000	$'000
Trade and other creditors	253,586	11,273	4,964	269,823	269,823
Derivative financial instruments	971	–	–	971	971
Amounts due to fellow subsidiaries	1,119	–	–	1,119	1,119
Amount due to an associate	59	–	–	59	59
Secured bank loan	64,623	75,595	988,826	1,129,044	879,424
	320,358	86,868	993,790	1,401,016	1,151,396

26. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(ii) Liquidity risk (Continued)

Company

	2008			2007		
	Contractual undiscounted cash flow			Contractual undiscounted cash flow		
	Within one year or on demand	Total	Balance sheet carrying amount	Within one year or on demand	Total	Balance sheet carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other creditors	16,210	16,210	16,210	15,157	15,157	15,157
Amounts due to subsidiaries	421	421	421	593	593	593
	16,631	16,631	16,631	15,750	15,750	15,750

(iii) Interest rate risk

The Group's interest rate risk arises primarily from bank deposits, loans to an associate and floating rate long-term borrowings.

For the floating rate borrowings, when appropriate and at times of interest rate uncertainty or volatility, hedging instruments including swaps may be used to assist in the Group's management of interest rate exposure. The effective interest rate of the Group's secured bank loan as at 31 December 2008 is 8.4% (2007: 7.4%).

At 31 December 2008, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's loss after taxation and increased/decreased retained earnings by approximately $2,544,000 (2007: increased/decreased the Group's profit after taxation and retained earnings by approximately $1,813,000). Other components of equity would not be affected (2007: $Nil) by the change in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's loss after taxation and retained earnings that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's loss after taxation and retained earnings is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis has been performed on the same basis for 2007.

26. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(iv) Foreign currency risk

The Group is exposed to foreign currency risk primarily through investments in securities, bank deposits and loans to an associate that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollars, Australian Dollars and Japanese Yen. The Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short term imbalances.

The following table details the Group's and the Company's exposure at the balance sheet date to foreign currency risk arising from investments in securities and bank deposits in a currency other than the functional currency of the operations to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

Group

	Exposure to foreign currencies					
	2008			2007		
	United States Dollars	Australian Dollars	Japanese Yen	United States Dollars	Australian Dollars	Japanese Yen
	$'000	$'000	$'000	$'000	$'000	$'000
Available-for-sale securities	5,921	–	–	161,616	–	–
Trading securities	49,249	11,885	9,603	70,681	25,059	16,122
Debtors and deposits	124,664	9	–	1,920	12	55
Loans to an associate	14,631	–	–	–	–	–
Amount due from an associate	–	–	–	1,621	–	–
Amounts due from fellow subsidiaries	16	1	–	7	5	376
Cash at bank and bank deposits	384,192	28,622	–	293,430	15,981	9,903
Trade and other creditors	(335)	–	–	(182)	–	–
Amount due to an associate	(12,936)	–	–	(59)	–	–
	565,402	40,517	9,603	529,034	41,057	26,456

26. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(iv) Foreign currency risk (Continued)

Company

	Exposure to foreign currencies					
	2008			2007		
	United States Dollars $'000	Australian Dollars $'000	Japanese Yen $'000	United States Dollars $'000	Australian Dollars $'000	Japanese Yen $'000
Debtors and deposits	153	–	–	–	–	–
Cash at bank and bank deposits	100,917	–	–	76,732	–	–
	101,070	–	–	76,732	–	–

The following table indicates the instantaneous change in the Group's loss after taxation and retained earnings that would have arisen if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

Group

	2008		2007	
	Increase/ (decrease) in foreign exchange rates %	Decrease/ (increase) in loss after taxation and increase/ (decrease) in retained earnings $'000	Increase/ (decrease) in foreign exchange rates %	Increase/ (decrease) in profit after taxation and retained earnings $'000
United States Dollars	0.5	2,827	0.5	2,645
	(0.5)	(2,827)	(0.5)	(2,645)
Australian Dollars	10.0	4,052	10.0	4,106
	(10.0)	(4,052)	(10.0)	(4,106)
Japanese Yen	10.0	960	10.0	2,646
	(10.0)	(960)	(10.0)	(2,646)

26. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(iv) Foreign currency risk (Continued)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on the loss after taxation and retained earnings of each entity of the Group measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis has been performed on the same basis for 2007.

(v) Price risk

The Group is exposed to price changes arising from trading securities (see note 17) and available-for-sale securities (see note 16). Except as disclosed in note 16, all of these investments are measured at fair value at each balance sheet date with reference to the quoted price. Management monitors this exposure and takes appropriate action when it is required.

Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to industry indicators, as well as the Group's liquidity needs. Listed investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations. The portfolio is diversified in terms of industry distribution, in accordance with the limits set by the Group.

All of the Group's unquoted investments are held for long term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

26. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(v) Price risk (Continued)

At 31 December 2008, it is estimated that an increase/decrease of 10% (2007: 10%) in the relevant price risk variable, with all other variables held constant, would have decreased/increased the Group's loss after taxation and increased/decreased retained earnings and other components of equity as follows:

Group

	2008		2007	
Increase/(decrease) in price variable	Decrease/ (increase) in loss after taxation and increase/ (decrease) in retained earnings $'000	Increase/ (decrease) in other components of equity $'000	Increase/ (decrease) in profit after taxation and retained earnings $'000	Increase/ (decrease) in other components of equity $'000
10%	15,998	1,142	23,149	17,019
(10%)	(15,998)	(1,142)	(23,149)	(17,019)

The sensitivity analysis indicates the instantaneous change in the Group's loss after taxation and retained earnings and other components of equity that would have arisen assuming that the changes in the relevant risk variables had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to price risk at the balance sheet date. It is also assumed that the fair values of the Group's investments would change in accordance with the historical correlation with the relevant risk variables, that none of the Group's available-for-sale securities would be considered impaired as a result of the decrease in the relevant risk variables, and that all other variables remain constant. The analysis has been performed on the same basis for 2007.

(vi) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2008 and 2007 except for those unlisted available-for-sale securities, the fair value of which cannot be reliably measured (see note 16).

The fair value of quoted securities is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

The fair value of interest-bearing bank borrowing is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

27. Commitments

(a) Capital commitments

Capital commitments of the Group outstanding as at 31 December 2008 not provided for in the financial statements were as follows:

	2008	**2007**
	$'000	$'000
Authorised and contracted for	2,188	4,772
Authorised but not contracted for	–	1,779
	2,188	6,551

(b) Commitments under operating leases

At 31 December 2008, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group	
	2008	**2007**
	$'000	$'000
Within one year	34,508	32,566
After one year but within five years	53,969	37,876
	88,477	70,442

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the leases upon expiry when all terms may be renegotiated. Certain leases contain a contingent rental element. The amount of contingent rentals incurred in 2008 is stated in note 4(d).

28. Financial guarantees issued

As at 31 December 2008, an associate of the Group has issued corporate guarantees in the sum of $68,373,000 to certain financial institutions in the PRC in respect of banking facilities granted to a jointly controlled entity of the associate, which expire within one year. As at the balance sheet date, the directors do not consider it probable that a claim will be made against the associate under these guarantees. The maximum liability of the associate as at 31 December 2008 under these guarantees issued was $50,350,000 (2007: $Nil), representing its share of the banking facilities utilised by the jointly controlled entity of the associate. As at 31 December 2008, the maximum liability shared by the Group was $25,175,000 (2007: $Nil).

29. Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 6 and certain of the highest paid employees as disclosed in note 7, is as follows:

	2008	**2007**
	$'000	$'000
Directors' fees	360	300
Salaries and other short-term employee benefits	21,288	18,450
Contributions to defined contribution retirement plans	695	621
	22,343	19,371

(b) Financing arrangements

A subsidiary of the Group has entered into loan agreements with an associate as disclosed in note 15. Related amounts are disclosed as follows:

	Amounts owed by an associate		**Related interest income**	
	2008	**2007**	**2008**	**2007**
	$'000	$'000	$'000	$'000
Loans to an associate	14,631	–	1,378	–

(c) Recurring transactions

Fellow subsidiaries represent subsidiaries of Wing On International Holdings Limited ("WOIH"), 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 $18,362,000 (2007: $18,354,000) during the year. The amount due from the fellow subsidiary as at 31 December 2008 amounted to $1,728,000 (2007: $1,528,000).

(ii) A subsidiary rents office premises to a fellow subsidiary. Rental and management fees receivable from this fellow subsidiary amounted to $3,597,000 (2007: $2,334,000) during the year. The amount due to the fellow subsidiary as at 31 December 2008 amounted to $1,106,000 (2007: $547,000).

29. Material related party transactions (Continued)

(c) Recurring transactions (Continued)

(iii) Fellow subsidiaries, engaging in securities trading and future broking, deal in securities and futures respectively for certain subsidiaries of the Group. Commission of $377,000 (2007: $540,000) was payable to these fellow subsidiaries during the year. Interest income of $30,000 (2007: $230,000) was receivable from these fellow subsidiaries during the year. The amounts due from these fellow subsidiaries as at 31 December 2008 amounted to $46,000 (2007: $5,342,000).

(iv) A subsidiary provides building and tenancy management services to a fellow subsidiary. Building and tenancy management fees receivable from this fellow subsidiary amounted to $912,000 (2007: $848,000) during the year. The net amount due to the fellow subsidiary as at 31 December 2008 amounted to $893,000 (2007: $572,000).

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

30. Immediate and ultimate controlling parties

At 31 December 2008, the directors consider the Company's immediate parent to be WOIH, which is incorporated in Bermuda, and the ultimate controlling party to be Kee Wai Investment Company (BVI) Limited ("KW(BVI)"), which is incorporated in the British Virgin Islands. Messrs. Karl C. Kwok, Lester Kwok, Bill Kwok and Mark Kwok, directors of the Company, together control approximately 78.95% of the voting rights in KW(BVI). KW(BVI) does not produce financial statements available for public use while WOIH produces financial statements available for public use.

31. Sources of estimation uncertainty

Notes 13 and 26 contain information about the assumptions and their risk factors relating to goodwill impairment and financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Recognition of deferred tax assets

As explained in note 24, the Group recognises deferred tax assets in respect of accumulated tax losses based on management's estimation of future taxable profits against which the accumulated tax losses may be offset in the foreseeable future for each individual subsidiary. The Group has assumed that, based on current economic circumstances, its operations may generate sufficient taxable profits to utilise certain accumulated tax losses in the foreseeable future. It is possible that certain assumptions adopted in the preparation of the profit forecasts for the Group's operations may not be indicative of future taxable profits. Any increase or decrease in the recognition of deferred tax assets would affect the Group's net asset value.

(Expressed in Hong Kong dollars unless otherwise indicated)

31. Sources of estimation uncertainty (Continued)

(b) Valuation of investment properties

As described in note 12(c), the investment properties were revalued by independent professional valuers on a market value basis as at 31 December 2008. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. Any increase or decrease in the valuations would affect the Group's results in future years.

(c) Depreciation

Property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets. The depreciation expense for future periods is adjusted if there are material changes from previous estimates.

(d) Impairment of available-for-sale securities

Investments in securities classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Judgement is required to determine whether a decline in the fair value of an investment is significant or prolonged. In making this judgement, the Group considers a number of factors including the historical data on market volatility, the price of the specific investment, industry and sector performance, and financial information regarding the issuers of the investment.

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

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

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

In addition, the following developments are expected to result in amended disclosures in the financial statements, including restatement of comparative amounts in the first period of adoption:

		Effective for accounting periods beginning on or after
HKFRS 8	Operating segments	1 January 2009
Revised HKAS 1	Presentation of financial statements	1 January 2009

PRINCIPAL SUBSIDIARIES AND ASSOCIATES

At 31 December 2008

The directors are of the opinion that a complete list of the particulars of all subsidiaries and associates would be of excessive length and, therefore, the following list contains only the particulars of subsidiaries and associates which principally affect the results or assets of the Group.

The complete list of all the subsidiaries and associates will be annexed to the Company's next annual return pursuant to the Hong Kong Companies Ordinance.

PRINCIPAL SUBSIDIARIES

			Proportion of ownership interest			
Name of company	**Place of incorporation/ operation**	**Particulars of issued and paid up capital**	**Group's effective holding**	**held by the Company**	**held by subsidiary**	**Principal activities**
333 Choice Properties Pty Ltd	Australia	2 ordinary shares of no par value	100	–	100	Trustee for an investment trust
Asmar Properties Limited	British Virgin Islands	1 share of US$1	100	100	–	Investment holding
Belair Properties Limited	British Virgin Islands	1 share of US$1	100	100	–	Investment holding and securities trading
Clever Choice Investments Limited	British Virgin Islands	1 share of US$1	100	100	–	Investment holding
Clever Choice Properties Pty Limited	Australia	2 ordinary shares of no par value and 1,800 redeemable preference shares of no par value	100	–	100	Investment holding
Cornerstone Assets Limited	British Virgin Islands	1 share of US$1	100	100	–	Investment holding
Fine Choice Investments Limited	British Virgin Islands	1 share of US$1	100	100	–	Investment holding
Fine Choice Properties Pty Limited	Australia	2 ordinary shares of no par value	100	–	100	Investment holding
Fortuna Investments, Inc. *	USA	1,000 shares of common stock of US$0.01 each	100	–	100	Investment holding

* Not audited by KPMG.

PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(Continued)

At 31 December 2008

PRINCIPAL SUBSIDIARIES (Continued)

			Proportion of ownership interest			
Name of company	**Place of incorporation/ operation**	**Particulars of issued and paid up capital**	**Group's effective holding**	**held by the Company**	**held by subsidiary**	**Principal activities**
Fortuna Yakitori Stall, Limited	Hong Kong	10,000 shares of HK$100 each	100	–	100	Securities trading
Keen Choice Investments Limited	British Virgin Islands	1 share of US$1	100	100	–	Investment holding
Keen Choice Properties Pty Limited	Australia	2 ordinary shares of no par value and 700 redeemable preference shares of no par value	100	–	100	Investment holding
Perfect Choice Investments Limited	British Virgin Islands	1 share of US$1	100	100	–	Investment holding
Perfect Choice Properties Pty Limited	Australia	2 ordinary shares of no par value	100	–	100	Investment holding
Somhill Pty. Ltd.	Australia	2 ordinary shares of no par value	100	–	100	Investment in an investment trust
The Wing On Company, Inc. *	USA	12,310 shares of common stock of no par value	88.22	–	88.22	Investment holding
The Wing On Company Limited	Hong Kong	296,100,000 shares of HK$2 each	100	–	100	Investment holding and property investment
The Wing On Department Stores (Bermuda) Limited	Bermuda	60,100,000 ordinary shares of HK$1 each	100	–	100	Investment holding
The Wing On Department Stores (Hong Kong) Limited	Hong Kong	2 shares of HK$100 each	100	–	100	Department stores

* Not audited by KPMG.

PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(Continued)

At 31 December 2008

PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective holding	held by the Company	held by subsidiary	Principal activities
The Wing On Property Management Company Limited	Hong Kong	5,000 shares of HK$10 each	100	–	100	Property management
The Wing On Services Limited	British Virgin Islands	1 share of HK$10	100	–	100	Ownership of trade marks
The Wing On Transport Company Limited	Hong Kong	2 shares of HK$10 each	100	–	100	Transport services
Tonnish Limited	Hong Kong	500 shares of HK$10 each	100	–	100	Property investment
Wing On Company (BVI) Limited	British Virgin Islands	100,000 shares of HK$0.10 each	100	100	–	Investment holding
Wing On Computer Systems Limited	Hong Kong	180,000 shares of HK$100 each	100	–	100	Computer services
WOCO Investment Corporation *	USA	4,300 shares of common stock of US$10 each	88.22	–	100	Property investment
Wonder Choice Investments Limited	British Virgin Islands	1 share of US$1	100	100	–	Investment holding
Wonder Choice Properties Pty Limited	Australia	2 ordinary shares of no par value and 1,300 redeemable preference shares of no par value	100	–	100	Investment holding

* Not audited by KPMG.

PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(Continued)

At 31 December 2008

PRINCIPAL ASSOCIATES

Name of company	Form of business structure	Place of incorporation/ operation	Class of share held	Proportion of ownership interest held by the Group	Principal activities
DCH North America Inc.	Incorporated	USA	Common stock	50	Motor vehicle dealer and property investment; general importer and exporter
DCH Auto Group (USA) Inc.	Incorporated	USA	Common stock	50	Investment holding
DCH Auto Group (USA) Limited	Incorporated	British Virgin Islands	'A' shares and 'B' shares	50	Investment holding
Jumbo Returns Limited	Incorporated	Hong Kong	Ordinary	50	Investment holding
Time Right Group Limited	Incorporated	Hong Kong	Ordinary	50	Investment holding
深圳深美昌汽車服務有限公司	Incorporated	PRC	Registered capital	50	Motor vehicle dealer