Wing On NETshop: www.wingonet.com

WING ON COMPANY INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

stock code: 289

永安

Annual Report 2009

WING ON

2009

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Nineteenth 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 Wednesday, 9 June 2010 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 2009.

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

NOTICE OF ANNUAL GENERAL MEETING
(Continued)

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, 28 April 2010

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.

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 Wednesday, 2 June 2010 to Wednesday, 9 June 2010 (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 Tuesday, 1 June 2010 (Hong Kong time).

(7) Concerning item 3 above, the retiring Directors to be re-elected at the meeting are Mr. Leung Wing Ning, Dr. Bill Kwok and Mr. Ignatius Wan Chiu Wong.

(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 2009 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, J.P.
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
Mr. Leung Wing Ning

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.

CORPORATE INFORMATION
(Continued)

Biography of Directors

Mr. Karl C. Kwok, Chairman and Member of the Remuneration Committee
He, aged 61, 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 and director of Hong Kong Sports Institute Limited. 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 J.P., Non-executive Director
He, aged 57, 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 Director 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. 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, a member of the Tourism Strategy Group of the Tourism Commission from 2006 to 2008 and the Takeovers and Mergers Panel and the Takeovers Appeal Committee of the Securities and Futures Commission from October 2005 to March 2010. He was a Non-executive Director of HSBC Guyerzeller Bank AG from August 2006 to 2009 and as a panel member of the Securities and Futures Appeals Tribunal from April 2007 to 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.

CORPORATE INFORMATION

(Continued)

Biography of Directors (Continued)

Mr. Mark Kwok, Executive Director

He, aged 55, 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. Philip Kwok, SBS, J.P., Non-executive Director and Member of the Audit Committee

He, aged 71, 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 64, 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 Operations Review Committee of the ICAC and a member of the Witness Protection Review Board of the ICAC effective from January 2010. 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 69, 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 69, 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, Sands China Ltd., 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 70, 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.

Mr. Leung Wing Ning, Independent Non-executive Director
He, aged 62, was educated at Stanford University, California and New York University, New York where he obtained a B.S. (Mechanical Engineering) and an M.B.A. degree respectively. He has over 30 years' experience in senior management positions in international trades and in banking and finance. He retired from Hang Sang Bank Limited in 2007. He is currently an Independent Non-executive Director of Winfoong International Limited which is listed on The Stock Exchange of Hong Kong Limited. He was appointed Independent Non-executive Director of the Company in January 2010.

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

CORPORATE INFORMATION
(Continued)

Biography of senior managers

Mr. Benny Chan
He, aged 51, 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 53, 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.

Ms. Bong Kui Mein, Maria
She, aged 53, 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

2009 RESULTS AND DIVIDEND

For the year ended 31 December 2009, the Group achieved a profit of HK$736.8 million for its shareholders as compared to a loss of HK$172.6 million recorded in 2008, while turnover increased by 2.5% to HK$1,443.2 million (2008: HK$1,407.6 million). The improvement in results was due mainly to a net valuation gain on investment properties and gains from investments in securities. Excluding the net valuation gain of HK$338.1 million (2008: a net loss of HK$365.8 million) on investment properties net of the related deferred tax, the underlying profit attributable to shareholders increased by 106.4% to HK$398.7 million (2008: HK$193.2 million).

Basic earnings per share was 249.5 HK cents per share in 2009 (2008: loss of 58.4 HK cents per share). Excluding the net valuation gain (as compared with a loss in 2008) on investment properties and the related deferred tax thereon, the underlying earnings per share for the year increased to 135.0 HK cents (2008: 65.5 HK cents).

In respect of 2009, the directors have recommended a final dividend of 48 HK cents (2008: 17 HK cents) per share payable to shareholders on the Register of Members on 9 June 2010 (Hong Kong time) which, together with the interim dividend of 22 HK cents (2008: 17 HK cents) per share paid on 21 October 2009 (Hong Kong time) makes a total payment of 70 HK cents (2008: 34 HK cents) per share for the whole year. Dividend warrants will be sent to shareholders on 22 June 2010 (Hong Kong time). The Register of Members will be closed from 2 June 2010 to 9 June 2010 (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 1 June 2010 (Hong Kong time).

LIQUIDITY AND FINANCIAL RESOURCES

Overall Financial Position

Shareholders' equity as at 31 December 2009 was HK$7.8 billion, an increase of 15.0% compared with 2008. With cash and listed marketable securities at 31 December 2009 of about HK$1.7 billion as well as available banking facilities, the Group has sufficient liquidity to meet its current commitments and working capital requirements.

Borrowings and Charges on Group Assets

At 31 December 2009, the Group's total borrowings amounted to HK$702.6 million, an increase of about HK$18.7 million, due to exchange differences net of partial repayments, as compared to that at 31 December 2008. The partial repayments included an early repayment of HK$173.2 million made by the Group of its own volition. The Group's total borrowings of HK$702.6 million relate to a mortgage loan for Australian investment properties. The repayment of about 89% of the borrowings will be due in December 2011. The management will renegotiate the repayment schedule nearer the time. Certain assets, comprising principally property interests with a book value of HK$2.1 billion, have been pledged to banks as collateral security for banking facilities granted to the extent of HK$0.9 billion. In view of the existing strong cash position, the Group does not anticipate any liquidity problems.

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

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 2009, was 9.0% as compared with 10.1% at 31 December 2008.

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$1.7 billion at 31 December 2009 (at 31 December 2008: HK$1.4 billion).

The Group's borrowings are on a floating rate basis. For overseas borrowings, when appropriate and at times of interest rate uncertainty or volatility, hedging instruments including swaps and forwards may be used to assist in the Group's management of interest rate exposure. The Group's cash and bank balances are mainly denominated in Hong Kong, United States, and Australian 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 2009, the total amount of the Group's capital expenditure commitments was HK$1,457,000 (at 31 December 2008: HK$2,188,000). The Company has issued corporate guarantees to a financial institution in Hong Kong in respect of banking facilities granted to a wholly-owned subsidiary of an associate of the Group, which expire within one year. The associate has also issued a corporate guarantee to a financial institution in the People's Republic of China in respect of a financial facility granted to a jointly controlled entity of the associate, which expires within one year. At 31 December 2009, the total maximum contingent liability shared by the Group was HK$19,789,000 (at 31 December 2008: HK$25,175,000).

BUSINESS REVIEW

Department Stores Operations

2009 was a challenging year for the Group's department store operations. With the adverse impact of the global economic downturn and human swine influenza, customer spending fell noticeably in the first half of 2009 resulting in a drop in our department store turnover when compared to the corresponding period of 2008. Due to the various fiscal and monetary rescue packages implemented by governments of various major economies and the easing of the human swine influenza impact, the economic environment as well as consumer sentiment gradually improved in the second half of 2009. The rallying stock market, surge in local property prices and steady increase in tourist arrivals also helped to stimulate retail sales. Benefiting from the improved retailing environment and coupled with the department stores' timely major promotional events, the Group's retail division was able to make more sales in the second half of 2009 and overall achieved a turnover of HK$1,133.4 million (2008: HK$1,100.9 million) for the full year; an increase of 3.0% over 2008. However, operating profits decreased by 13.8% to HK$122.5 million (2008: HK$142.1 million) due mainly to an increase in store premises rental costs, additional advertising expenses and deeper discounts offered to customers.

BUSINESS REVIEW (Continued)

Property Investments

Income from the Group's investment properties for the year ended 31 December 2009 increased by 3.5% to HK$292.4 million (2008: HK$282.6 million). During the year under review, the Group was able to obtain rental increases from tenancy renewals and rent reviews while maintaining a stable occupancy of over 95% for its commercial office properties in Hong Kong. The Group achieved an 8.5% increase in rental income from its commercial investment properties in Hong Kong to HK$174.9 million (2008: HK$161.2 million) in 2009. Income from the commercial office properties in Melbourne decreased by 7.0% to HK$110.7 million (2008: HK$119.0 million). Although the net rental income in Australian dollar terms achieved in 2009 approximated the amount achieved in 2008, a decrease was recorded when translating the amount from Australian dollars to Hong Kong dollars. The overall occupancy rate for the Group's investment properties in Melbourne was above 95%.

Automobile Dealership Business

During the year under review, the Group's automobile dealership associate in the United States continued to suffer from a decline in revenues as the economy in the United States, which was devastated by the credit crunch problems in 2008, remained fragile. With the adverse impact of economic uncertainty and tightened credit markets, sales of new vehicles plummeted in the year under review. Demand for cars industry-wide was sluggish during most parts of the year except for July and August during which demand surged temporarily, being stimulated by the "Cash for Clunkers" program launched by the United States Government. Despite the sluggish new car sales, our associate was able to sell more used cars and get more parts and service businesses. To offset the impact of the drop in sales, management implemented significant cost reduction measures in late 2008 to reduce personnel costs and other operating expenses. For the year ended 31 December 2009, the Group's share of after tax loss from the associate was HK$13.7 million, compared to an after tax profit of HK$2.8 million in 2008. Excluding the loss on fair value re-measurement of HK$28.0 million (2008: a gain of HK$22.2 million) in respect of the associate's Employee Stock Ownership Plan and Senior Stock Purchase Plan, the Group's share of after tax profit from the associate was HK$14.3 million, compared to a share of after tax loss of HK$19.4 million in 2008.

Others

Benefiting from the gradual recovery in global stock markets, the Group recorded net realised and unrealised gains on trading securities of HK$13.9 million (2008: net loss of HK$3.2 million) and HK$29.2 million (2008: net loss of HK$153.7 million) respectively during the year under review. The Group also recorded a net foreign exchange gain of HK$15.6 million in 2009 (2008: net loss of HK$6.1 million).

STAFF

As at 31 December 2009, the Group had a total staff of 947 (2008: 962). The staff costs (excluding directors' remuneration) amounted to approximately HK$184.5 million (2008: HK$187.2 million). 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 2010

The global economy appears to have passed the lowest ebb in the global economic downturn and economic recovery is expected to continue in 2010. Locally, business and consumer confidence is expected to improve further as economic conditions become more positive. This will bring benefit to the Group's department stores business and property investments. The Group will maintain its efforts to strengthen its department stores performance. The Group's investment properties in Hong Kong and overseas are expected to continue to contribute stable income. The operating environment of our Group's automobile dealership associate in the United States will continue to be difficult in 2010 as the car market in the United States has yet to recover.

On behalf of the Board, I would like to thank our management and staff for their efforts in 2009 and our shareholders for their continuing support.

Karl C. Kwok
Chairman

Hong Kong, 8 April 2010

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2009.

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 segment and geographic information respectively are set out in Note 3 to the financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2009 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 29 to 111.

An interim dividend of 22 HK cents (2008: 17 HK cents) per share was paid on 21 October 2009 (Hong Kong time). The directors now recommend that a final dividend of 48 HK cents (2008: 17 HK cents) per share in respect of the year ended 31 December 2009 be payable to shareholders on the Register of Members on 9 June 2010 (Hong Kong time). Dividend warrants will be sent to shareholders on 22 June 2010 (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 page 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 26.

CHARITABLE DONATIONS

Donations made by the Group during the year amounted to HK$22,000 (2008: HK$259,880).

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out on pages 108 to 110.

FIXED ASSETS

Movements in fixed assets during the year are set out in Note 14 to the financial statements.

INVESTMENT PROPERTIES

Details of the Group's investment properties are set out on page 27.

REPORT OF THE DIRECTORS
(Continued)

BORROWINGS

The maturity profile of borrowings, banking facilities and assets pledged are set out in Note 25 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 13 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, J.P. (Non-executive Director)
Mr. Mark Kwok (Executive Director)
Dr. Kwok Man Cho (Non-executive Director) (Retired on 18 June 2009)
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. Leung Wing Ning (Independent Non-executive Director) (Appointed on 1 January 2010)

In accordance with Bye-Law 102B, Mr. Leung Wing Ning shall retire from the Board at the forthcoming Annual General Meeting and, being eligible, has offered himself for re-election.

Dr. Bill Kwok and Mr. Ignatius Wan Chiu Wong shall retire from the Board at the forthcoming Annual General Meeting and, being eligible, have offered themselves for re-election. Mr. Leung Wing Ning, Dr. Bill Kwok and Mr. Ignatius Wan Chiu Wong will be proposed to be re-elected for a fixed term of three years until the 2013 Annual General Meeting.

Dr. Philip Kwok, 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 8, 9 and 6(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 page 25 and in Note 31 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 the 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 2009, 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
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	12,110	–	–	–	12,110	21.25
Lester Kwok	12,110	–	–	–	12,110	21.25
Bill Kwok	12,110	–	–	–	12,110	21.25
Mark Kwok	12,110	–	–	–	12,110	21.25

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

(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
Philip Kwok	5,000	–	–	–	5,000	0.22

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
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 2009, 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	61.14
(ii)	Wing On Corporate Management (BVI) Limited	180,545,138	61.14
(iii)	Kee Wai Investment Company (BVI) Limited	180,545,138	61.14

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

Details of the purchase of own shares by the Company during the year are set out in Note 27(d)(ii) to the financial statements. The purchases were made for the purpose of enhancing the net asset value per share and earnings per share of the Company.

Save as disclosed in Note 27(d)(ii) to the financial statements, 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, 8 April 2010

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 2009.

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 2009.

BOARD OF DIRECTORS

The Board currently comprises ten directors, including the Chairman, the Deputy Chairman, one executive director, two non-executive directors and five 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 (deputy chairman and chief executive officer), 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. Five Board meetings were held during the financial year ended 31 December 2009. The attendance of each director at the Board meetings during the financial year ended 31 December 2009 is set out in the table below:

Directors	Meetings attended/held
Executive Directors	
Mr. Karl C. Kwok (Chairman)	5/5
Mr. Lester Kwok (Deputy Chairman and Chief Executive Officer)	5/5
Mr. Mark Kwok	5/5
Non-executive Directors	
Dr. Bill Kwok	5/5
Dr. Kwok Man Cho (Retired on 18 June 2009)	2/2
Dr. Philip Kwok	5/5
Independent Non-executive Directors	
Miss Maria Tam Wai Chu	5/5
Mr. Ignatius Wan Chiu Wong	5/5
Mr. Iain Ferguson Bruce	5/5
Mr. Anthony Francis Martin Conway	5/5
Mr. Leung Wing Ning (Appointed on 1 January 2010)	– /–

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 28 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 two non-executive directors and five independent non-executive directors. Mr. Leung Wing Ning, an independent non-executive director was appointed on 1 January 2010 and according to the Company's Bye Laws, he is subject to retirement and re-election at the annual general meeting to be held in 2010. All other 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 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 2009, 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 2009. Three meetings were held in 2009. The attendance of committee members during 2009 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 2009 is set out in Note 8 to the financial statements.

At the forthcoming Annual General Meeting to be held on 9 June 2010, the Board will propose a director's fee of HK$140,000 for each director for the year 2010 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 2009, Mr. Leung Wing Ning was appointed as an independent non-executive director with effect from 1 January 2010.

AUDITORS' REMUNERATION

During the financial year ended 31 December 2009, the fees charged for statutory audit services provided to the Company and its subsidiaries amounted to HK$2,546,000 (2008: HK$2,575,000), and in addition HK$2,536,000 (2008: HK$2,547,000) 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$800,000 (2008: HK$878,000) 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 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.

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 2009, 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 2010. Four meetings were held in 2009. The attendance of committee members during 2009 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 Provisions C.2.1 and C.2.2 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 including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. 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 2009.

CONTINUING CONNECTED TRANSACTIONS

The following is a summary of transactions entered into by the Company in 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 15 April 2008, The Wing On Company Limited ("WOCO") 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 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 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 for the Company.

(2) On 12 December 2008, The Wing On Department Stores (Hong Kong) Limited ("WODS") entered into a 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 fixed term of three years from 1 January 2009 to 31 December 2011 with WOCO and The Wing On Properties and Securities Company Limited ("WOPS") at a monthly rental of HK$3,920,000 (exclusive of rates, air-conditioning charges, management fees and all other outgoings). The maximum aggregate annual rental payable to WOPS would be HK$16,760,352. The Premises are 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

	2009	2008	2007	2006	2005
Income statement items (HK$ million)					
Turnover	**1,443**	1,408	1,295	1,149	1,070
Profit from operations after finance costs	**446**	213	432	340	347
Profit/(loss) before taxation	**836**	(278)	1,914	646	1,149
Income tax (expense)/benefit	**(98)**	106	(323)	(78)	(154)
Profit/(loss) attributable to shareholders	**737**	(173)	1,589	568	994
Statement of financial position items (HK$ million)					
Fixed assets	**7,175**	6,315	7,287	5,701	5,341
Other assets	**2,614**	2,285	2,502	2,446	2,190
Total assets	**9,789**	8,600	9,789	8,147	7,531
Current liabilities	**414**	341	346	327	1,005
Non-current liabilities	**1,583**	1,480	1,866	1,473	623
Total liabilities	**1,997**	1,821	2,212	1,800	1,628
Minority interests	**17**	16	15	14	14
Total equity attributable to shareholders of the Company	**7,775**	6,763	7,562	6,333	5,889
Per share basis (HK$)					
Basic earnings/(loss) per share	**2.50**	(0.58)	5.38	1.92	3.37
Dividend per share	**0.70**	0.34	1.76	0.63	0.70

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	102,472*	88.22%	Long lease	Commercial
5.	333 Collins Street, Melbourne, Victoria, Australia	609,632*	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 29 to 111, which comprise the consolidated and Company statement of financial position as at 31 December 2009, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 2009 and of the Group's profit 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

8 April 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Turnover	4	1,443,180	1,407,644
Other revenue	5	34,942	65,262
Other net gain/(loss)	5	65,095	(164,296)
Cost of department store sales	6(d)	(626,866)	(599,112)
Cost of property leasing activities	6(c)	(58,959)	(63,135)
Other operating expenses		(376,565)	(361,849)
Profit from operations		480,827	284,514
Finance costs	6(a)	(35,075)	(71,291)
		445,752	213,223
Net valuation gain/(loss) on investment properties	14(c)	397,763	(494,995)
		843,515	(281,772)
Share of profits less losses of associates		(7,686)	3,509
Profit/(loss) before taxation	6	835,829	(278,263)
Income tax (expense)/benefit	7	(98,056)	106,027
Profit/(loss) for the year		737,773	(172,236)
Attributable to:			
Shareholders of the Company		736,817	(172,600)
Minority interests		956	364
Profit/(loss) for the year		737,773	(172,236)
Basic and diluted earnings/(loss) per share	12(a)	249.5 cents	(58.4) cents

The notes on pages 38 to 111 form part of these financial statements. Details of dividends payable to shareholders of the Company are set out in note 27(c).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	2009		2008	
	$'000	$'000	$'000	$'000
Profit/(loss) for the year		737,773		(172,236)
Other comprehensive income/(loss) for the year (after tax and reclassification adjustments):				
Foreign currency translation adjustments:				
– exchange differences on translation of financial statements of overseas subsidiaries	358,927		(346,503)	
– share of exchange differences on translation of financial statements of overseas associates	441		(4,045)	
– release of the exchange reserve upon dissolution of an overseas subsidiary	(251)		–	
– release of the exchange reserve upon return on investments in overseas subsidiaries	–		(19,911)	
		359,117		(370,459)
Share of cash flow hedge of an associate:				
– net movement in the hedging reserve		29,454		(45,082)
Land and building revaluation:				
– effect on deferred tax balances related to the land and building revaluation reserve at 1 January resulting from a decrease in tax rate	–		1,675	
– share of the land and building revaluation reserve of an associate: release of valuation surplus upon disposal of a property	–		(6,818)	
		–		(5,143)
Available-for-sale securities:				
– changes in fair value recognised during the year	1,787		(19,151)	
– transfer to the consolidated income statement on impairment	–		17,249	
		1,787		(1,902)
		390,358		(422,586)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Continued)
For the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	2009	2008
	$'000	$'000
Total comprehensive income/(loss) for the year	1,128,131	(594,822)
Attributable to:		
Shareholders of the Company	1,127,165	(595,091)
Minority interests	966	269
Total comprehensive income/(loss) for the year	1,128,131	(594,822)

The notes on pages 38 to 111 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

(Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Non-current assets			
Fixed assets	14(a)		
– Investment properties		6,548,149	5,654,751
– Other property, plant and equipment		626,493	660,741
		7,174,642	6,315,492
Goodwill	15	1,178	1,178
Interest in associates	17	686,738	669,482
Available-for-sale securities	18	24,776	22,989
Deferred tax assets	26(b)	54,165	40,966
		7,941,499	7,050,107
Current assets			
Trading securities	19	174,940	176,419
Inventories	20(a)	81,353	85,066
Debtors, deposits and prepayments	21	77,035	165,711
Loans to an associate	17(b)	1,239	–
Amounts due from fellow subsidiaries	22	1,793	1,774
Current tax recoverable	26(a)	–	3,100
Cash and cash equivalents	23	1,510,819	1,118,141
		1,847,179	1,550,211
Current liabilities			
Creditors and accrued charges	24	324,132	317,147
Amounts due to fellow subsidiaries	22	1,587	1,999
Secured bank loan	25	44,344	8,549
Amount due to an associate	22	13,133	12,936
Current tax payable	26(a)	30,563	729
		413,759	341,360
Net current assets		1,433,420	1,208,851
Total assets less current liabilities carried forward		9,374,919	8,258,958

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)
At 31 December 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Total assets less current liabilities brought forward		9,374,919	8,258,958
Non-current liabilities			
Secured bank loan	25	658,236	675,368
Deferred tax liabilities	26(b)	924,834	804,083
		1,583,070	1,479,451
Net assets		7,791,849	6,779,507
Capital and reserves			
Share capital	27(d)	29,530	29,533
Reserves		7,745,789	6,734,023
Total equity attributable to shareholders of the Company		7,775,319	6,763,556
Minority interests		16,530	15,951
Total equity		7,791,849	6,779,507

Approved and authorised for issue by the board of directors on 8 April 2010.

Karl C. Kwok	**Lester Kwok**
Director	Director

The notes on pages 38 to 111 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2009

(Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Non-current assets			
Investments in subsidiaries	16	2,801,990	2,801,990
Current assets			
Debtors, deposits and prepayments	21	282	400
Amounts due from subsidiaries	22	576,968	684,890
Cash and cash equivalents	23	311,344	157,155
		888,594	842,445
Current liabilities			
Creditors and accrued charges	24	11,274	17,838
Amounts due to subsidiaries	22	1,717	421
		12,991	18,259
Net current assets		875,603	824,186
Net assets		3,677,593	3,626,176
Capital and reserves	27(b)		
Share capital		29,530	29,533
Reserves		3,648,063	3,596,643
Total equity		3,677,593	3,626,176

Approved and authorised for issue by the board of directors on 8 April 2010.

Karl C. Kwok
Director

Lester Kwok
Director

The notes on pages 38 to 111 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Attributable to shareholders of the Company										
	Share capital	**Land and building revaluation reserve**	**Investment revaluation reserve**	**Exchange reserve**	**Hedging reserve**	**Contributed surplus**	**General reserve fund**	**Retained earnings**	**Total**	**Minority interests**	**Total equity**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
	(note 27(d))	(note 27(e)(i))	(note 27(e)(ii))	(note 27(e)(iii))	(note 27(e)(iv))	(note 27(e)(v))	(note 27(e)(vi))	(note 27(a))			
At 1 January 2009	29,533	176,750	7,311	(4,395)	(75,115)	754,347	66	5,875,059	6,763,556	15,951	6,779,507
Total comprehensive income/ (loss) for the year	–	–	1,787	359,107	29,454	–	–	736,817	1,127,165	966	1,128,131
Share of the general reserve fund of an associate: transfer to the general reserve fund	–	–	–	–	–	–	475	(475)	–	–	–
Purchase of own shares (note 27(d)(ii))											
– par value paid	(3)	–	–	–	–	–	–	–	(3)	–	(3)
– premium paid	–	–	–	–	–	–	–	(234)	(234)	–	(234)
Dividends approved in respect of the previous year (note 27(c)(ii))	–	–	–	–	–	–	–	(50,200)	(50,200)	–	(50,200)
Dividends declared and paid in respect of the current year (note 27(c)(i))	–	–	–	–	–	–	–	(64,965)	(64,965)	–	(64,965)
Distribution to minority shareholders upon dissolution of a subsidiary	–	–	–	–	–	–	–	–	–	(387)	(387)
At 31 December 2009	29,530	176,750	9,098	354,712	(45,661)	754,347	541	6,496,002	7,775,319	16,530	7,791,849
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
Total comprehensive income/ (loss) for the year	–	(5,143)	(1,902)	(370,364)	(45,082)	–	–	(172,600)	(595,091)	269	(594,822)
Share of the general reserve fund of an associate: transfer to the general reserve fund	–	–	–	–	–	–	66	(66)	–	–	–
Dividends approved in respect of the previous year (note 27(c)(ii))	–	–	–	–	–	–	–	(153,570)	(153,570)	–	(153,570)
Dividends declared and paid in respect of the current year (note 27(c)(i))	–	–	–	–	–	–	–	(50,205)	(50,205)	–	(50,205)
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

The notes on pages 38 to 111 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Operating activities			
Profit/(loss) before taxation		835,829	(278,263)
Adjustments for:			
– Net valuation (gain)/loss on investment properties		(397,763)	494,995
– Depreciation and amortisation		54,759	53,803
– Impairment of trade and other debtors		708	10
– Impairment of fixed assets		24	–
– Impairment of available-for-sale securities		–	32,464
– Finance costs		35,075	71,291
– Dividend income from investments in securities		(4,978)	(8,735)
– Interest income from bank deposits		(19,850)	(50,732)
– Interest income from loans to an associate		(349)	(1,378)
– Release of the exchange reserve upon return on investments in overseas subsidiaries		–	(19,911)
– Share of profits less losses of associates		7,686	(3,509)
– Net gain on disposal of other fixed assets		(725)	(40)
– Net gain on dissolution of subsidiaries		(237)	(437)
– Foreign exchange (gain)/loss		(8,263)	16,060
Operating profit before changes in working capital		501,916	305,618
Decrease/(increase) in inventories		3,713	(10,683)
Decrease in trading securities		1,479	80,173
Decrease in debtors, deposits and prepayments		106,698	6,391
(Increase)/decrease in amounts due from fellow subsidiaries		(19)	5,096
Decrease in amount due from an associate		–	1,621
(Decrease)/increase in creditors and accrued charges		(4,923)	12,222
(Decrease)/increase in amounts due to fellow subsidiaries		(412)	880
Increase in amount due to an associate		546	14,255
Cash generated from operations		608,998	415,573
Tax paid			
– Hong Kong Profits Tax paid		(9,120)	(28,450)
– Overseas tax paid		(4,647)	(24,718)
Net cash generated from operating activities		595,231	362,405

CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)
For the year ended 31 December 2009
(Expressed in Hong Kong dollars)

	Note	2009 $'000	2008 $'000
Investing activities			
Payment of lease incentives		(13,027)	(2,047)
Payment for purchases of fixed assets		(17,416)	(50,397)
Proceeds from disposal of other fixed assets		848	52
Dividends received from investments in securities		5,369	8,715
Dividends received from an associate		–	1,602
Interest income from bank deposits received		20,435	52,109
Capital injection to an associate		–	(3,069)
New loans to an associate		(1,239)	(14,631)
Loan repayment from an associate		4,953	–
Net cash used in investing activities		(77)	(7,666)
Financing activities			
Payment for the purchase of own shares	27(d)(ii)	(237)	–
Repayment of bank loan		(184,306)	–
Interest paid		(33,424)	(65,835)
Dividends paid to shareholders of the Company		(115,165)	(203,775)
Distribution to minority shareholders upon dissolution of a subsidiary		(387)	–
Net cash used in financing activities		(333,519)	(269,610)
Net increase in cash and cash equivalents		261,635	85,129
Cash and cash equivalents at 1 January		1,118,141	1,177,295
Effect of foreign exchange rate changes		131,043	(144,283)
Cash and cash equivalents at 31 December	23	1,510,819	1,118,141

The notes on pages 38 to 111 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 certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2009 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 34.

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 statement of financial position 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 and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income 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 statement of financial position, an investment in a subsidiary is stated at cost less impairment losses.

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

(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. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment (see note 1(k)). The Group's share of the post-acquisition, post-tax results of the associate and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the associate's other comprehensive income is recognised in the consolidated statement of comprehensive income.

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.

(e) Goodwill

Goodwill represents the excess of the cost of a business combination 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 each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment.

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 is recognised immediately in the consolidated income statement.

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

1. Significant accounting policies (Continued)

(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 fair value, 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 financial year end 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 financial year end date the fair value is remeasured, with any resultant gain or loss being recognised in the consolidated statement of comprehensive income and accumulated separately in equity in the investment revaluation reserve. Dividend 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 is reclassified from equity to the consolidated income statement.

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 statement of financial position at cost less impairment losses.

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

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

(g) **Derivative financial instruments**

Derivative financial instruments are recognised initially at fair value. At each financial year end 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 instrument is 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 gains or losses on remeasurement of the effective portion of the derivative financial instruments to fair value are recognised in the consolidated statement of comprehensive income and accumulated separately in equity in the hedging reserve. Any gain or loss on remeasurement of the ineffective portion is recognised immediately in the consolidated income statement.

The associated gain or loss is reclassified from equity to 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 it 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 is reclassified from equity to the consolidated income statement immediately.

(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 statement of financial position 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 statement of financial position 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 financial year end 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 and not to the consolidated income statement.

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.

1. Significant accounting policies (Continued)

(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.

(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 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 financial year end 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 security below its cost.

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

– For interests in associates recognised using the equity method (see note 1(d)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with the accounting policy set out in note 1(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with the accounting policy set out in note 1(k)(ii).

– 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 carried at cost 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, 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 current market rate of return for a similar financial asset.

An impairment loss for trade and other receivables carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of the 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 the investment revaluation reserve is reclassified to 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 in the consolidated statement of comprehensive income.

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)

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 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.

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 financial year end 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

– 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 the 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.

1. Significant accounting policies (Continued)

(k) Impairment of assets (Continued)

(iii) Interim financial reporting and impairment (Continued)

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. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in the consolidated statement of comprehensive income and not in the consolidated income statement.

(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 financial year end 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 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 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.

1. Significant accounting policies (Continued)

(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.

(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 statement of cash flows.

(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 in the consolidated statement of comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in the consolidated statement of comprehensive income or directly in equity, respectively.

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

1. Significant accounting policies (Continued)

(r) Income tax (Continued)

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.

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 financial year end date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each financial year end 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.

1. Significant accounting policies (Continued)

(r) Income tax (Continued)

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.

(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.

1. Significant accounting policies (Continued)

(s) Financial guarantees issued, provisions and contingent liabilities (Continued)

(i) Financial guarantees issued (Continued)

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.

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. 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.

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

(t) **Revenue recognition** (Continued)

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

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 financial year end 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.

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

(u) **Translation of foreign currencies** (Continued)

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. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the financial year end date. The resulting exchange differences are recognised in the consolidated statement of comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign enterprise, the cumulative amount of the exchange differences relating to the foreign enterprise is reclassified from equity to the consolidated income statement when the profit or loss on disposal is recognised.

(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;

(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.

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

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2. **Changes in accounting policies**

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

– HKFRS 8 "Operating segments"

– HKAS 1 (revised) "Presentation of financial statements"

– Improvements to HKFRSs

– Amendments to HKAS 27 "Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate"

– Amendments to HKFRS 7 "Financial instruments: Disclosures – improving disclosures about financial instruments"

– HKAS 23 (revised) "Borrowing costs"

– HK(IFRIC) 13 "Customer loyalty programmes"

2. Changes in accounting policies (Continued)

The adoption of improvements to HKFRSs, the issue of Interpretation HK(IFRIC) 13 and the amendments to HKAS 27 and HKAS 23 (revised) do not have a significant impact on the financial statements of the Group. The impact of the remainder of these developments is as follows:

– HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management (see note 3). Corresponding amounts have been presented on a basis consistent with the revised segment information.

– As a result of the adoption of HKAS 1 (revised), details of changes in equity during the year arising from transactions with shareholders in their capacity as such have been presented separately from all other income and expense in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the year, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

– As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures in note 28(b)(vi) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

3. Segment reporting

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

– Department stores: this segment operates department stores in Hong Kong.

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

(a) Segment results, assets and liabilities

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

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

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

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

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

3. Segment reporting (Continued)

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2009 and 2008 is set out below.

	Department stores		Property investment		Total	
	2009	2008	2009	2008	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue from external customers	1,133,414	1,100,859	309,766	306,785	1,443,180	1,407,644
Inter-segment revenue	–	–	79,928	76,333	79,928	76,333
Reportable segment revenue	1,133,414	1,100,859	389,694	383,118	1,523,108	1,483,977
Reportable segment profit	122,487	142,077	292,383	282,595	414,870	424,672
Finance costs	–	–	35,075	71,291	35,075	71,291
Depreciation and amortisation for the year	9,836	8,106	44,471	45,165	54,307	53,271
Impairment of trade and other debtors	(1)	10	709	–	708	10
Reportable segment assets	136,172	138,986	7,165,137	6,301,403	7,301,309	6,440,389
Additions to non-current segment assets during the year	7,090	9,665	23,694	35,596	30,784	45,261
Reportable segment liabilities	257,696	248,527	751,869	730,550	1,009,565	979,077

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

	2009	2008
	$'000	$'000
Profit/(loss)		
Reportable segment profit derived from the Group's external customers	414,870	424,672
Share of profits less losses of associates	(7,686)	3,509
Other revenue	34,942	65,262
Other net gain/(loss)	65,095	(164,296)
Finance costs	(35,075)	(71,291)
Net valuation gain/(loss) on investment properties	397,763	(494,995)
Unallocated head office and corporate expenses	(34,080)	(41,124)
Consolidated profit/(loss) before taxation	835,829	(278,263)

3. Segment reporting (Continued)

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

	2009 $'000	2008 $'000
Assets		
Reportable segment assets	7,301,309	6,440,389
Elimination of inter-segment receivables	(8,821)	(8,799)
	7,292,488	6,431,590
Goodwill	1,178	1,178
Interest in associates	686,738	669,482
Available-for-sale securities	24,776	22,989
Trading securities	174,940	176,419
Loans to an associate	1,239	–
Current tax recoverable	–	3,100
Deferred tax assets	54,165	40,966
Unallocated head office and corporate assets	1,553,154	1,254,594
Consolidated total assets	9,788,678	8,600,318
Liabilities		
Reportable segment liabilities	1,009,565	979,077
Elimination of inter-segment payables	(8,821)	(8,799)
	1,000,744	970,278
Amounts due to fellow subsidiaries	1,587	1,999
Amount due to an associate	13,133	12,936
Current tax payable	30,563	729
Deferred tax liabilities	924,834	804,083
Unallocated head office and corporate liabilities	25,968	30,786
Consolidated total liabilities	1,996,829	1,820,811

3. Segment reporting (Continued)

(c) Geographic information

The following table sets out information about the geographic location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets, goodwill and interest in associates ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of fixed assets, the location of the operation to which they are allocated in the case of goodwill, and the location of operations in the case of interest in associates.

	Revenue from external customers		Specified non-current assets	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Hong Kong (place of domicile)	1,315,539	1,272,330	4,977,813	4,569,030
United States of America	16,602	13,321	778,116	758,635
Australia	111,039	121,993	2,106,629	1,658,487
	127,641	135,314	2,884,745	2,417,122
	1,443,180	1,407,644	7,862,558	6,986,152

4. Turnover

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.

	2009	**2008**
	$'000	$'000
Sale of goods	923,927	884,173
Net income from concession sales	209,487	216,686
Department stores	1,133,414	1,100,859
Property investment	309,766	306,785
	1,443,180	1,407,644

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

	2009 $'000	2008 $'000
Other revenue		
Interest income from bank deposits	19,850	50,732
Interest income from loans to an associate	349	1,378
Dividend income from listed securities	2,772	5,881
Dividend income from unlisted securities	2,206	2,854
Compensation received on early termination of leases	584	1,801
Forfeiture of unclaimed dividends	7,530	–
Others	1,651	2,616
	34,942	65,262
Other net gain/(loss)		
Net gain/(loss) on remeasurement to fair value of trading securities	29,215	(153,739)
Net realised gain/(loss) on disposal of:		
– trading securities	13,880	(3,195)
– derivative financial instruments	5,445	10,862
Net foreign exchange gain/(loss)	15,593	(6,148)
Net gain on disposal of other fixed assets	725	40
Net gain on dissolution of subsidiaries (note (a))	237	437
Release of the exchange reserve upon return on investments in overseas subsidiaries	–	19,911
Impairment of available-for-sale securities (note (b))	–	(32,464)
	65,095	(164,296)

Notes:

(a) The amount for the year ended 31 December 2009 included $251,000 transferred from the exchange reserve.

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

6. Profit/(loss) before taxation

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

		2009	2008
		$'000	$'000
(a)	Finance costs:		
	Interest on bank loan repayable within five years	35,075	71,291
(b)	Staff costs (excluding directors' remuneration):		
	Contributions to defined contribution retirement plans	10,351	10,322
	Salaries, wages and other benefits	174,182	176,850
		184,533	187,172
(c)	Rentals received and receivable from investment properties:		
	Gross rentals	(309,766)	(306,785)
	Less: direct outgoings	58,959	63,135
		(250,807)	(243,650)
(d)	Other items:		
	Depreciation and amortisation		
	– owned assets	43,926	43,203
	– lease incentives	10,833	10,600
	Impairment losses recognised		
	– available-for-sale securities (note 5)	–	32,464
	– trade and other debtors (note 21(b))	708	10
	– fixed assets (note 14(a))	24	–
	Auditors' remuneration		
	– current year	2,530	2,558
	– prior year	16	17
	Operating lease charges		
	– minimum lease payments for hire of land and buildings	35,006	31,490
	– contingent rentals for hire of land and buildings	255	321
	Cost of inventories sold (note 20(b))	626,866	599,112

7. Income tax in the consolidated income statement

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

	2009	2008
	$'000	$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	30,267	16,138
Under/(over)-provision in respect of the prior year	5	(50)
	30,272	16,088
Current tax – Overseas		
Provision for the year	15,036	8,429
Under/(over)-provision in respect of the prior year	64	(5,809)
	15,100	2,620
Deferred tax (note 26(b))		
Origination and reversal of temporary differences		
– changes in fair value of investment properties	59,543	(90,434)
– other temporary differences	(6,859)	2,002
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
	52,684	(124,735)
Total income tax expense/(benefit)	98,056	(106,027)

The provision for Hong Kong Profits Tax for 2009 is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged similarly at the appropriate current rates of taxation ruling in the relevant countries.

7. **Income tax in the consolidated income statement** (Continued)

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

	2009	**2008**
	$'000	$'000
Profit/(loss) before taxation	835,829	(278,263)
Notional Hong Kong Profits Tax calculated at 16.5% (2008: 16.5%)	137,912	(45,913)
Tax effect of non-deductible expenses	1,450	18,800
Tax effect of non-taxable revenue	(5,490)	(7,841)
Tax effect of temporary differences not recognised	(2)	(372)
Tax effect of unused tax losses not recognised	680	9,613
Tax effect of previously unrecognised tax losses utilised this year	(2,295)	–
Tax effect of previously unrecognised temporary differences utilised this year	(2)	–
Tax effect of previously unrecognised tax losses recognised this year	(24,310)	(24,268)
Tax effect of previously unrecognised temporary differences recognised this year	(8,768)	–
Effect of different tax rates of subsidiaries and associates operating in other jurisdictions	(1,171)	(13,876)
Effect of overseas withholding tax	(17)	(8)
Effect on deferred tax balances at 1 January resulting from a decrease in tax rate	–	(36,303)
Under/(over)-provision in respect of prior years	69	(5,859)
Actual tax expense/(benefit)	98,056	(106,027)

8. Directors' remuneration

The remuneration of the directors is as follows:

	2009				
	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	256	12	4,032
Mr Lester Kwok	120	3,304	236	12	3,672
Mr Mark Kwok	120	2,114	151	181	2,566
	360	9,062	643	205	10,270
Non-executive directors					
Dr Bill Kwok	120	–	–	–	120
Dr Kwok Man Cho (note)	60	–	–	–	60
Dr Philip Kwok	120	544	–	–	664
	300	544	–	–	844
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
	1,140	9,926	643	205	11,914

Note: Dr Kwok Man Cho retired from the board of directors on 18 June 2009.

8. **Directors' remuneration** (Continued)

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

	2008				
	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	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

9. Individuals with highest emoluments

Of the five individuals with the highest emoluments in the Group, three (2008: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two (2008: two) individuals are as follows:

	2009	2008
	$'000	$'000
Salaries, allowances and benefits in kind	5,921	5,880
Contributions to defined contribution retirement plans	377	376
Discretionary bonuses	235	1,175
	6,533	7,431

The emoluments of the two (2008: two) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2009	2008
$		
2,500,001 – 3,000,000	1	1
3,000,001 – 3,500,000	–	–
3,500,001 – 4,000,000	1	–
4,000,001 – 4,500,000	–	–
4,500,001 – 5,000,000	–	1
	2	2

10. Profit/(loss) attributable to shareholders of the Company

The consolidated profit/(loss) attributable to shareholders of the Company includes a profit of $166,819,000 (2008: $116,176,000) which has been dealt with in the financial statements of the Company.

Details of dividends paid and payable to shareholders of the Company are set out in note 27(c).

11. Consolidated other comprehensive income

(a) Tax effects relating to each component of consolidated other comprehensive income

	2009			2008		
	Before-tax amount $'000	Tax expense $'000	Net-of tax amount $'000	Before-tax amount $'000	Tax benefit $'000	Net-of tax amount $'000
Foreign currency translation adjustments:						
– exchange differences on translation of financial statements of overseas subsidiaries	358,927	–	358,927	(346,503)	–	(346,503)
– share of exchange differences on translation of financial statements of overseas associates	441	–	441	(4,045)	–	(4,045)
– release of the exchange reserve upon dissolution of an overseas subsidiary	(251)	–	(251)	–	–	–
– release of the exchange reserve upon return on investments in overseas subsidiaries	–	–	–	(19,911)	–	(19,911)
Share of cash flow hedge of an associate:						
– net movement in the hedging reserve (note (b))	48,725	(19,271)	29,454	(73,490)	28,408	(45,082)
Land and building revaluation:						
– effect on deferred tax balances related to the land and building revaluation reserve at 1 January resulting from a decrease in tax rate	–	–	–	–	1,675	1,675
– share of the land and building revaluation reserve of an associate: release of valuation surplus upon disposal of a property	–	–	–	(11,279)	4,461	(6,818)
Available-for-sale securities:						
– changes in fair value recognised during the year	1,787	–	1,787	(19,151)	–	(19,151)
– transfer to the consolidated income statement on impairment	–	–	–	17,249	–	17,249
Consolidated other comprehensive income/(loss) for the year	409,629	(19,271)	390,358	(457,130)	34,544	(422,586)

11. Consolidated other comprehensive income (Continued)

(b) Reclassification adjustments relating to components of consolidated other comprehensive income

	2009 $'000	**2008** $'000
Cash flow hedges:		
– effective portion of changes in fair value of hedging instruments recognised during the year	1,197	(94,348)
– reclassification adjustments for amounts transferred to the consolidated income statement: share of profits less losses of associates	47,528	20,858
– net deferred tax (charged)/credited to other comprehensive income	(19,271)	28,408
Net movement in the hedging reserve during the year recognised in the consolidated other comprehensive income	29,454	(45,082)

12. Basic and diluted earnings/(loss) per share

(a) The calculation of basic earnings/(loss) per share is based on the consolidated profit attributable to shareholders of the Company for the year ended 31 December 2009 of $736,817,000 (2008: a loss of $172,600,000) divided by the weighted average of 295,305,000 shares (2008: 295,326,000 shares) in issue during the year, calculated as follows:

	2009 **Number of shares** '000	**2008** **Number of shares** '000
Issued shares at 1 January	295,326	295,326
Effect of shares repurchased (note 27(d)(ii))	(21)	–
Weighted average number of shares at 31 December	295,305	295,326

There were no outstanding potential shares throughout the years presented.

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

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

12. Basic and diluted earnings/(loss) per share (Continued)

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

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

	2009		**2008**	
		Amount per share		**Amount per share**
	$'000	cents	$'000	cents
Profit/(loss) attributable to shareholders of the Company as shown in the consolidated income statement	736,817	249.5	(172,600)	(58.4)
Net valuation (gain)/loss on investment properties	(397,763)	(134.7)	494,995	167.6
Increase/(decrease) in deferred tax liabilities in relation to the net valuation gain/(loss) on investment properties	59,543	20.2	(90,434)	(30.6)
	398,597	135.0	231,961	78.6
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 gain/(loss) on investment properties net of related deferred tax attributable to minority interests	92	–	(662)	(0.2)
Underlying profit attributable to shareholders of the Company	398,689	135.0	193,243	65.5

13. 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 $10,556,000 (2008: $10,527,000).

14. Fixed assets

(a) Group

	Land and buildings $'000	Other fixed assets $'000	Sub-total $'000	Investment properties $'000	Total $'000
Cost or valuation:					
At 1 January 2009	837,783	409,202	1,246,985	5,615,647	6,862,632
Exchange adjustments	20	136	156	474,713	474,869
Additions	–	9,803	9,803	8,495	18,298
Disposals	(8,641)	(1,623)	(10,264)	–	(10,264)
Fair value adjustment	–	–	–	397,763	397,763
At 31 December 2009	829,162	417,518	1,246,680	6,496,618	7,743,298
Accumulated depreciation and impairment:					
At 1 January 2009	241,772	344,472	586,244	–	586,244
Exchange adjustments	20	114	134	–	134
Charge for the year	25,289	18,637	43,926	–	43,926
Written back on disposals	(8,641)	(1,500)	(10,141)	–	(10,141)
Impairment loss	–	24	24	–	24
At 31 December 2009	258,440	361,747	620,187	–	620,187
Lease incentives:					
At 1 January 2009	–	–	–	39,104	39,104
Exchange adjustments	–	–	–	10,233	10,233
Additions	–	–	–	13,027	13,027
Amortisation for the year	–	–	–	(10,833)	(10,833)
At 31 December 2009	–	–	–	51,531	51,531
Net book value:					
At 31 December 2009	570,722	55,771	626,493	6,548,149	7,174,642

14. Fixed assets (Continued)

(a) Group (Continued)

	Land and buildings $'000	Other fixed 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

14. 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 2009**	**At directors' valuation in 1981**	**Total**
	$'000	$'000	$'000 (note (b))	$'000
At 31 December 2009				
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	5,343	–	–	5,343
Investment properties				
Long lease				
– in Hong Kong	–	3,789,000	–	3,789,000
– outside Hong Kong	–	90,200	–	90,200
Medium term lease in Hong Kong	–	562,594	–	562,594
Freehold outside Hong Kong	–	2,054,824	–	2,054,824
Other fixed assets	417,518	–	–	417,518
	1,096,417	6,496,618	150,263	7,743,298

14. 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	**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 fixed assets	409,202	–	–	409,202
	1,096,722	5,615,647	150,263	6,862,632

(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 financial year end date. The carrying amount of the relevant land and building of the Group as at 31 December 2009 is $98,715,000 (2008: $100,549,000).

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 assets been carried at cost less accumulated depreciation as at 31 December 2009 is $34,734,000 (2008: $35,444,000).

14. Fixed assets (Continued)

(c) Investment properties of the Group were revalued as at 31 December 2009 on a market value basis by firms of independent 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 gain of $397,763,000 (2008: a net loss of $494,995,000) 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 six 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 $6,548,149,000 (2008: $5,654,751,000).

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

	2009	**2008**
	$'000	$'000
Within one year	253,504	223,971
After one year but within five years	454,098	367,465
After five years	167,008	76,720
	874,610	668,156

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

(f) During the year, lease incentives totalling $13,027,000 (2008: $2,047,000) were given to tenants of an investment property in Australia. The lease incentives are being amortised over the lease terms.

15. Goodwill

	Group
	$'000
Cost and carrying amount:	
At 1 January 2008, 31 December 2008, 1 January 2009 and 31 December 2009	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 reportable segment as follows:

	2009	2008
	$'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 was assessed by a general real estate appraiser on a market value basis as at 31 December 2009. Management consider that no impairment is necessary.

16. Investments in subsidiaries

	Company	
	2009	2008
	$'000	$'000
Unlisted shares, at cost	2,801,990	2,801,990

Details of the principal subsidiaries are set out on pages 108 to 110.

17. Interest in associates

	Group 2009 $'000	Group 2008 $'000
Unlisted shares		
Share of net assets other than goodwill and intangible assets	202,265	179,687
Share of goodwill and intangible assets of an associate	474,795	475,164
	677,060	654,851
Loans to an associate (note (b))	9,678	14,631
	686,738	669,482

(a) Details of the principal associates are set out on page 111.

(b) Loans to an associate

	Group 2009 $'000	Group 2008 $'000
Within one year or on demand	1,239	–
After one year but within two years	–	–
After two years but within five years	9,678	14,631
	9,678	14,631
	10,917	14,631

The loans to an associate are unsecured, bear interest at market rates plus 1.25% per annum. As at 31 December 2009, the loans to an associate comprised an amount of $9,678,000 repayable on 13 June 2012 and an amount of $1,239,000 with no fixed repayment terms. As at 31 December 2008, the loans to an associate comprised an amount of $4,959,000 repayable on 8 March 2012 and an amount of $9,672,000 repayable on 13 June 2012.

17. Interest in associates (Continued)

(c) Summary financial information of associates

	Assets	Liabilities	Equity	Revenues	(Loss)/ profit
	$'000	$'000	$'000	$'000	$'000
2009					
100 per cent	4,950,420	3,596,300	1,354,120	12,137,410	(15,372)
Group's effective interest	2,475,210	1,798,150	677,060	6,068,705	(7,686)
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

(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 financial year end date. For the year ended 31 December 2009, a fair value adjustment of $27,953,000 (2008: a credit of $22,248,000) in respect of these plans has been charged to the consolidated income statement of the Group as part of the Group's share of profits less losses of associates.

18. Available-for-sale securities

	Group	
	2009	**2008**
	$'000	$'000
Equity securities		
Unlisted		
– at fair value	5,308	5,921
– at cost	11,568	11,568
	16,876	17,489
Club debentures		
Unlisted, at fair value	7,900	5,500
	24,776	22,989

Included in the unlisted equity securities are amounts carried at cost of $11,568,000 (2008: $11,568,000) as at 31 December 2009. Management considers that the fair values of these securities cannot be measured reliably as there are no quoted prices available.

18. Available-for-sale securities (Continued)

Included in the unlisted equity securities are amounts totalling $5,308,000 (2008: $5,921,000) 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 were 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 has commenced liquidation since the year ended 31 December 2008 and its estimated recoverable amount of $31,226,000 (2008: $124,105,000) has been included in trade and other debtors as disclosed in note 21 as at 31 December 2009. Of the amount outstanding at 31 December 2008, $92,879,000 was recovered by the Group during the year.

19. Trading securities

	Group	
	2009	**2008**
	$'000	$'000
Debt securities, at fair value		
Listed outside Hong Kong	3,709	4,559
Equity securities, at fair value		
Listed		
– in Hong Kong	73,901	99,630
– outside Hong Kong	63,215	40,919
	137,116	140,549
Investment funds, at fair value		
Listed outside Hong Kong	1,582	2,272
Unlisted but quoted	32,533	29,039
	34,115	31,311
	174,940	176,419

20. Inventories

(a) Inventories in the consolidated statement of financial position comprise:

	Group	
	2009	**2008**
	$'000	$'000
Merchandise held for sale	80,628	84,036
Merchandise held for sale in transit	725	1,030
	81,353	85,066

(b) The analysis of the amount of inventories recognised as an expense and included in the consolidated income statement is as follows:

	Group	
	2009	**2008**
	$'000	$'000
Carrying amount of inventories sold	626,177	598,877
Write-down of inventories	689	235
	626,866	599,112

21. Debtors, deposits and prepayments

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Trade and other debtors	48,117	138,238	59	158
Less: Allowance for doubtful debts (note (b))	(819)	(21)	–	–
	47,298	138,217	59	158
Deposits and prepayments	29,737	27,494	223	242
	77,035	165,711	282	400

All debtors, deposits and prepayments of the Group, apart from certain rental deposits and prepayments totalling $10,790,000 (2008: $10,582,000), are expected to be recovered or recognised as an expense within one year.

21. Debtors, deposits and prepayments (Continued)

(a) Ageing analysis

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

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Current or less than one month past due	46,722	136,709	59	158
One to three months past due	444	698	–	–
More than three months but less than twelve months past due	52	201	–	–
More than twelve months past due	80	609	–	–
	47,298	138,217	59	158

Included in the trade and other debtors is an estimated recoverable amount of $31,226,000 (2008: $124,105,000) in respect of an available-for-sale investment fund which has commenced liquidation since the year ended 31 December 2008 as disclosed in note 18.

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.

21. Debtors, deposits and prepayments (Continued)

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

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

	Group	
	2009	**2008**
	$'000	$'000
At 1 January	21	11
Impairment loss recognised (note 6(d))	708	10
Exchange adjustments	90	–
At 31 December	819	21

22. Amounts due from/(to) subsidiaries, fellow subsidiaries and an associate

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

23. Cash and cash equivalents

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Cash at banks and in hand	114,910	84,062	8,453	7,633
Bank deposits	1,395,909	1,034,079	302,891	149,522
	1,510,819	1,118,141	311,344	157,155

24. Creditors and accrued charges

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Trade and other creditors	289,529	285,828	9,460	16,210
Accrued charges	34,603	31,319	1,814	1,628
	324,132	317,147	11,274	17,838

24. Creditors and accrued charges (Continued)

All creditors and accrued charges of the Group, apart from certain rental deposits received totalling $25,612,000 (2008: $18,874,000), are expected to be settled or recognised as income within one year or are repayable on demand.

Included in creditors and accrued charges are trade and other creditors with the following ageing analysis as of the financial year end date:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Amounts not yet due	238,131	225,012	–	–
On demand or less than one month overdue	48,647	55,385	9,460	16,210
One to three months overdue	502	1,322	–	–
Three to twelve months overdue	196	780	–	–
More than twelve months overdue	2,053	3,329	–	–
	289,529	285,828	9,460	16,210

25. Secured bank loan

At 31 December 2009, the secured bank loan of the Group was repayable as follows:

	Group	
	2009	**2008**
	$'000	$'000
Within one year or on demand	44,344	8,549
After one year but within two years	658,236	34,196
After two years but within five years	–	641,172
	658,236	675,368
	702,580	683,917

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.

25. Secured bank loan (Continued)

At 31 December 2009, certain assets of the Group with the following net book values have been pledged to banks to secure banking facilities totalling $886,886,000 (2008: $749,917,000) granted to the Group:

	Group	
	2009	**2008**
	$'000	$'000
Land and building	–	100,549
Investment properties	2,106,355	5,003,391
	2,106,355	5,103,940

The facilities were utilised to the extent of $702,580,000 (2008: $684,228,000).

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.

26. Income tax in the statement of financial position

(a) Current tax in the consolidated statement of financial position represents:

	Group	
	2009	**2008**
	$'000	$'000
Provision for Hong Kong Profits Tax for the year	30,267	16,138
Provisional Profits Tax paid	(12,169)	(19,192)
	18,098	(3,054)
Overseas tax payable	12,465	683
	30,563	(2,371)
Represented by:		
Current tax recoverable	–	(3,100)
Current tax payable	30,563	729
	30,563	(2,371)

26. Income tax in the statement of financial position (Continued)

(b) Deferred tax assets and liabilities recognised

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation allowances in excess of the related depreciation $'000	Revaluation of investment properties $'000	Revaluation of land and building $'000	Provisions $'000	Future benefit of tax losses $'000	Total $'000
Deferred tax arising from:						
At 1 January 2009	20,887	743,563	27,635	10,673	(39,641)	763,117
Charged/(credited) to the consolidated income statement (note 7(a))	(2,519)	59,543	–	(270)	(4,070)	52,684
Charged to the exchange reserve	4,064	47,635	–	3,169	–	54,868
At 31 December 2009	22,432	850,741	27,635	13,572	(43,711)	870,669
At 1 January 2008	18,314	920,420	29,310	17,302	(41,023)	944,323
(Credited)/charged to the consolidated income statement (note 7(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 the 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

26. Income tax in the statement of financial position (Continued)

(b) Deferred tax assets and liabilities recognised (Continued)

	2009 $'000	2008 $'000
Deferred tax assets recognised in the consolidated statement of financial position	(54,165)	(40,966)
Deferred tax liabilities recognised in the consolidated statement of financial position	924,834	804,083
	870,669	763,117

(c) Deferred tax assets not recognised

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

	Group	
	2009 $'000	2008 $'000
Deductible temporary differences	42	8,814
Future benefit of accumulated tax losses	20,072	45,997
	20,114	54,811

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 2009 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 2009, temporary differences relating to the undistributed profits of subsidiaries and associates amounted to $1,654,450,000 (2008: $1,374,011,000). Deferred tax liabilities of $496,335,000 (2008: $412,203,000) 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.

27. Capital, reserves and dividends

(a) Group

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity on page 35.

Retained earnings attributable to the shareholders of the Company as at 31 December 2009 include the aggregate net valuation gain relating to investment properties after deferred tax of $3,401,072,000 (2008: $3,062,944,000).

(b) Company

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital $'000 (note (d))	Contributed surplus $'000 (note (e)(v))	Retained earnings $'000	Total $'000
At 1 January 2009	29,533	2,997,350	599,293	3,626,176
Dividends approved in respect of the previous year (note (c)(ii))	–	–	(50,200)	(50,200)
Purchase of own shares:				
– par value paid (note (d)(i))	(3)	–	–	(3)
– premium paid (note (d)(ii))	–	–	(234)	(234)
Total comprehensive income for the year	–	–	166,819	166,819
Dividends declared and paid in respect of the current year (note (c)(i))	–	–	(64,965)	(64,965)
At 31 December 2009	29,530	2,997,350	650,713	3,677,593
At 1 January 2008	29,533	2,997,350	686,892	3,713,775
Dividends approved in respect of the previous year (note (c)(ii))	–	–	(153,570)	(153,570)
Total comprehensive income for the year	–	–	116,176	116,176
Dividends declared and paid in respect of the current year (note (c)(i))	–	–	(50,205)	(50,205)
At 31 December 2008	29,533	2,997,350	599,293	3,626,176

27. Capital, reserves and dividends (Continued)

(c) Dividends

(i) Dividends payable to shareholders of the Company attributable to the year:

	2009 $'000	2008 $'000
Interim dividend declared and paid of 22 cents (2008: 17 cents) per share	64,965	50,205
Final dividend proposed after the financial year end date of 48 cents (2008: 17 cents) per share	141,742	50,205
	206,707	100,410

The final dividend proposed after the financial year end date has not been recognised as a liability at the financial year end date.

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

	2009 $'000	2008 $'000
Final dividend in respect of the financial year ended 31 December 2008 of 17 cents (31 December 2007: 52 cents) per share		
– approved during the year	50,205	153,570
– attributable to shares repurchased (note (c)(iii))	(5)	–
– paid during the year	50,200	153,570

(iii) In respect of the final dividend for the year ended 31 December 2008, there is a difference of $5,000 between the final dividend approved and disclosed in the 2008 annual report and amounts paid during the year which represents dividends attributable to shares repurchased before the closing date of the register of members.

27. Capital, reserves and dividends (Continued)

(d) Share capital

(i) Authorised and issued share capital

	2009 Number of shares '000	2009 $'000	2008 Number of shares '000	2008 $'000
Authorised:				
Shares of $0.1 each	400,000	40,000	400,000	40,000
Issued and fully paid:				
At 1 January	295,326	29,533	295,326	29,533
Shares purchased	(31)	(3)	–	–
At 31 December	295,295	29,530	295,326	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.

(ii) Purchase of own shares

During the year, the Company purchased its own shares on the Stock Exchange as follows:

Month/year	Number of shares purchased	Highest price paid per share $	Lowest price paid per share $	Aggregate price paid $'000
May 2009	31,000	7.70	7.57	237

Pursuant to section 42A of the Bermuda Companies Act 1981, the above purchased shares were cancelled upon purchase and, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The premium paid on the purchase of the shares of $234,000 was charged against retained earnings.

(e) 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).

27. Capital, reserves and dividends (Continued)

(e) Nature and purpose of reserves

(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 financial year end 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 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.

(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 the PRC GAAP, to a general reserve fund. The transfer to this reserve must be made before distribution of dividends to shareholders can be made.

27. Capital, reserves and dividends (Continued)

(f) Distributability of reserves of the Company

At 31 December 2009, the aggregate amount of reserves available for distribution to shareholders of the Company was $3,648,063,000 (2008: $3,596,643,000). After the financial year end date the directors proposed a final dividend of 48 cents (2008: 17 cents) per share, amounting to $141,742,000 (2008: $50,205,000) (note (c)). This dividend has not been recognised as a liability at the financial year end date.

(g) 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:

	2009	**2008**
	$'000	$'000
Retained earnings	556,340	564,501
Exchange reserve	(2,295)	(2,736)
Hedging reserve	(45,661)	(75,115)
Land and building revaluation reserve	136	136
General reserve fund	541	66
	509,061	486,852

(h) 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 2009, the Group had secured a bank loan of $702,580,000 (2008: $683,917,000) which is repayable as disclosed in note 25. The gearing ratio, representing the ratio of bank borrowings to the total share capital and reserves attributable to shareholders of the Company was 9.0% (2008: 10.1%) as at 31 December 2009. The Group had bank deposits and cash balances as at 31 December 2009 amounting to $1,510,819,000 (2008: $1,118,141,000).

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.

28. Financial risk management and fair values

(a) Categories of financial instruments

	Group		Company	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Financial assets				
Financial assets at fair value through profit or loss				
– Trading securities	174,940	176,419	–	–
Available-for-sale securities	24,776	22,989	–	–
Loans and receivables				
– Loans to an associate	10,917	14,631	–	–
– Debtors and deposits	57,053	148,186	59	158
– Amounts due from fellow subsidiaries	1,793	1,774	–	–
– Amounts due from subsidiaries	–	–	576,968	684,890
– Cash at banks and bank deposits	1,498,558	1,106,440	311,333	157,145
	1,568,321	1,271,031	888,360	842,193
	1,768,037	1,470,439	888,360	842,193
Financial liabilities				
Trade and other creditors	(289,529)	(285,828)	(9,460)	(16,210)
Amounts due to fellow subsidiaries	(1,587)	(1,999)	–	–
Amounts due to subsidiaries	–	–	(1,717)	(421)
Amount due to an associate	(13,133)	(12,936)	–	–
Secured bank loan	(702,580)	(683,917)	–	–
	(1,006,829)	(984,680)	(11,177)	(16,631)

28. Financial risk management and fair values (Continued)

(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 risk 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 banks 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.

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 financial year end 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 21.

Investments are normally only in liquid securities, derivative financial instruments quoted on a recognised stock exchange 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 debtors is an amount of $31,226,000 (2008: $124,105,000) receivable from the trustee of an investment fund which was in liquidation as at 31 December 2009 as disclosed in note 18. 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 statement of financial position after deducting any impairment allowance.

Except for the financial guarantees given by the Company and an associate of the Group as set out in note 30, 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 financial year end date is disclosed in note 30.

28. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(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.

The following table shows the remaining contractual maturities at the financial year end 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 financial year end date) and the earliest date the Group and the Company can be required to pay:

Group

	2009				
	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	Statement of financial position carrying amount
	$'000	$'000	$'000	$'000	$'000
Trade and other creditors	266,995	17,048	5,486	289,529	289,529
Amounts due to fellow subsidiaries	1,587	–	–	1,587	1,587
Amount due to an associate	13,133	–	–	13,133	13,133
Secured bank loan	75,510	686,054	–	761,564	702,580
	357,225	703,102	5,486	1,065,813	1,006,829
Financial guarantees issued:					
Maximum amount guaranteed (note 30)	19,789	–	–	19,789	–

28. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(ii) Liquidity risk (Continued)

Group (Continued)

	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	Statement of financial position 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
Financial guarantees issued:					
Maximum amount guaranteed (note 30)	25,175	–	–	25,175	–

Company

	2009			2008		
	Contractual undiscounted cash flow			Contractual undiscounted cash flow		
	Within one year or on demand	Total	Statement of financial position carrying amount	Within one year or on demand	Total	Statement of financial position carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other creditors	9,460	9,460	9,460	16,210	16,210	16,210
Amounts due to subsidiaries	1,717	1,717	1,717	421	421	421
	11,177	11,177	11,177	16,631	16,631	16,631
Financial guarantees issued:						
Maximum amount guaranteed (note 30)	13,065	13,065	–	–	–	–

28. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(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 2009 is 4.5% (2008: 8.4%).

At 31 December 2009, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after taxation and retained earnings by approximately $4,403,000 (2008: decreased/increased the Group's loss after taxation and increased/decreased the Group's retained earnings by approximately $2,544,000). Other components of equity would not be affected (2008: $Nil) by the change in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after taxation and retained earnings that would arise assuming that the change in interest rates had occurred at the financial year end 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 financial year end date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative financial instruments held by the Group at the financial year end date, the impact on the Group's profit 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 2008.

(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 financial year end date to foreign currency risk arising from recognised assets or liabilities denominated 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 financial year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

28. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(iv) Foreign currency risk (Continued)

Group

	Exposure to foreign currencies (expressed in Hong Kong dollars)					
	2009			**2008**		
	United States Dollars	**Australian Dollars**	**Japanese Yen**	**United States Dollars**	**Australian Dollars**	**Japanese Yen**
	'000	'000	'000	'000	'000	'000
Available-for-sale securities	5,308	–	–	5,921	–	–
Trading securities	63,070	19,655	11,465	49,249	11,885	9,603
Debtors and deposits	31,287	5	–	124,664	9	–
Loans to an associate	10,917	–	–	14,631	–	–
Amounts due from fellow subsidiaries	2	4	–	16	1	–
Cash at banks and bank deposits	518,164	27,716	–	384,192	28,622	–
Trade and other creditors	(289)	–	–	(335)	–	–
Amount due to an associate	(13,133)	–	–	(12,936)	–	–
	615,326	47,380	11,465	565,402	40,517	9,603

Company

	Exposure to foreign currencies (expressed in Hong Kong dollars)					
	2009			**2008**		
	United States Dollars	**Australian Dollars**	**Japanese Yen**	**United States Dollars**	**Australian Dollars**	**Japanese Yen**
	'000	'000	'000	'000	'000	'000
Debtors and deposits	–	–	–	153	–	–
Cash at banks and bank deposits	210,411	–	–	100,917	–	–
	210,411	–	–	101,070	–	–

28. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(iv) Foreign currency risk (Continued)

The following table indicates the instantaneous change in the Group's profit after taxation and retained earnings that would arise if foreign exchange rates to which the Group has significant exposure at the financial year end 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

	2009		**2008**	
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in profit after taxation and retained earnings**	**Increase/ (decrease) in foreign exchange rates**	**Decrease/ (increase) in loss after taxation and increase/ (decrease) in retained earnings**
	%	$'000	%	$'000
United States Dollars	0.5	3,077	0.5	2,827
	(0.5)	(3,077)	(0.5)	(2,827)
Australian Dollars	10.0	4,738	10.0	4,052
	(10.0)	(4,738)	(10.0)	(4,052)
Japanese Yen	10.0	1,147	10.0	960
	(10.0)	(1,147)	(10.0)	(960)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on the profit 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 financial year end 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 financial year end 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 2008.

28. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(v) Price risk

The Group is exposed to price changes arising from trading securities (see note 19), derivative financial instruments and available-for-sale securities (see note 18). Except the unlisted equity securities carried at cost as disclosed in note 18, all of these investments are measured at fair value at each financial year end 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 and derivative financial instruments are based on daily monitoring of the performance of individual securities compared to industry indicators, as well as the Group's liquidity needs.

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.

At 31 December 2009, it is estimated that an increase/decrease of 10% (2008: 10%) in the relevant price risk variable, with all other variables held constant, would have increased/decreased the Group's profit after taxation and retained earnings and other components of equity as follows:

Group

	2009		**2008**	
	Increase/ (decrease) in profit after taxation and retained earnings	**Increase/ (decrease) in other components of equity**	**Decrease/ (increase) in loss after taxation and increase/ (decrease) in retained earnings**	**Increase/ (decrease) in other components of equity**
	$'000	$'000	$'000	$'000
Increase/(decrease) in price variable				
– 10%	16,275	1,321	15,998	1,142
– (10%)	(16,275)	(1,321)	(15,998)	(1,142)

28. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(v) Price risk (Continued)

The sensitivity analysis indicates the instantaneous change in the Group's profit after taxation and retained earnings and other components of equity that would arise assuming that the changes in the relevant risk variables had occurred at the financial year end date and had been applied to re-measure those financial instruments held by the Group which expose the Group to price risk at the financial year end 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 2008.

(vi) Fair values

The following table presents the carrying value of financial instruments measured at fair value at the financial year end date across the three levels of fair value hierarchy defined in HKFRS 7 "Financial instruments: Disclosures", with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments;

– Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data; and

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

28. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(vi) Fair values (Continued)

Group

	2009			
	Level 1 $'000	**Level 2** $'000	**Level 3** $'000	**Total** $'000
Assets				
Unlisted available-for-sale equity securities	7,900	–	5,308	13,208
Trading securities	140,825	34,115	–	174,940
	148,725	34,115	5,308	188,148

During the year there were no significant transfers between financial instruments in Level 1 and Level 2.

The movement during the year in the balance of Level 3 fair value measurements is as follows:

	Group 2009 $'000
Unlisted available-for-sale equity securities	
At 1 January 2009	5,921
Net unrealised loss recognised in other comprehensive income during the year	(613)
At 31 December 2009	5,308

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2009 and 2008 except for those unlisted available-for-sale securities, the fair value of which cannot be reliably measured (see note 18).

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

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

29. Commitments

(a) Capital commitments

Capital commitments of the Group outstanding as at 31 December 2009 not provided for in the financial statements were as follows:

	Group	
	2009	**2008**
	$'000	$'000
Authorised and contracted for	1,457	2,188

(b) Commitments under operating leases

At 31 December 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group	
	2009	**2008**
	$'000	$'000
Within one year	34,457	34,508
After one year but within five years	19,673	53,969
	54,130	88,477

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 2009 is stated in note 6(d).

30. Financial guarantees issued

As at 31 December 2009, the Company has issued corporate guarantees in the sum of $14,250,000 (2008: $Nil) to a financial institution in Hong Kong in respect of banking facilities granted to a wholly-owned subsidiary of an associate, which expire within one year. The maximum liability of the Company as at 31 December 2009 was $13,065,000 (2008: $Nil), representing its share of the banking facilities utilised by the wholly-owned subsidiary of the associate.

30. Financial guarantees issued (Continued)

The associate has also issued a corporate guarantee in the sum of $34,765,000 (2008: $68,373,000) to a financial institution in the PRC in respect of a financial facility granted to a jointly controlled entity of the associate, which expires within one year. The maximum liability of the associate as at 31 December 2009 was $13,448,000 (2008: $50,350,000), representing its share of the financial facility utilised by the jointly controlled entity of the associate.

As at the financial year end date, the directors do not consider it probable that a claim will be made against the Company or the associate under these guarantees. As at 31 December 2009, the total maximum liability shared by the Group was $19,789,000 (2008: $25,175,000).

31. 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 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	Group	
	2009	**2008**
	$'000	$'000
Directors' fees	360	360
Salaries and other short-term employee benefits	16,915	21,288
Contributions to defined contribution retirement plans	695	695
	17,970	22,343

(b) Financing arrangements

A subsidiary of the Group has entered into loan agreements with an associate as disclosed in note 17. Related amounts are disclosed as follows:

	Amounts owed by an associate		**Related interest income**	
	2009	**2008**	**2009**	**2008**
	$'000	$'000	$'000	$'000
Loans to an associate	10,917	14,631	349	1,378

Details of new loans and loans repaid during the year are disclosed in the consolidated statement of cash flows.

31. Material related party transactions (Continued)

(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 $20,758,000 (2008: $18,362,000) during the year. The amount due from the fellow subsidiary as at 31 December 2009 amounted to $1,728,000 (2008: $1,728,000).

(ii) A subsidiary rents office premises to a fellow subsidiary. Rental and management fees receivable from this fellow subsidiary amounted to $4,527,000 (2008: $3,597,000) during the year. The amount due to the fellow subsidiary as at 31 December 2009 amounted to $1,106,000 (2008: $1,106,000).

(iii) Fellow subsidiaries, engaging in securities trading and futures broking, deal in securities and futures respectively for certain subsidiaries of the Group. Commission of $512,000 (2008: $377,000) was payable to these fellow subsidiaries during the year. Interest income of $1,000 (2008: $30,000) was receivable from these fellow subsidiaries during the year. The amounts due from these fellow subsidiaries as at 31 December 2009 amounted to $65,000 (2008: $46,000).

(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 (2008: $912,000) during the year. The net amount due to the fellow subsidiary as at 31 December 2009 amounted to $481,000 (2008: $893,000).

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.

32. Comparative figures

As a result of the application of HKAS 1 (revised) "Presentation of financial statements" and HKFRS 8 "Operating segments", certain comparative figures have been adjusted to conform to the current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

33. Immediate and ultimate controlling parties

At 31 December 2009, 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 85.0% 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.

34. Sources of estimation uncertainty

Notes 15 and 28 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 26, 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.

(b) Valuation of investment properties

As described in note 14(c), the investment properties were revalued by independent professional valuers on a market value basis as at 31 December 2009. 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

34. Sources of estimation uncertainty (Continued)

(d) Impairment of available-for-sale securities

Investments in securities classified as available-for-sale securities are reviewed at each financial year end 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.

35. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2009

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 2009 and which have not been adopted in these financial statements:

	Effective for accounting periods beginning on or after
HKFRS 3 (Revised) "Business combinations"	1 July 2009
Amendments to HKAS 27 "Consolidated and separate financial statements"	1 July 2009
Amendments to HKAS 39 "Financial instruments: Recognition and measurement – Eligible hedged items"	1 July 2009
HK(IFRIC) 17 "Distributions of non-cash assets to owners"	1 July 2009
Improvements to HKFRSs 2009	1 July 2009 or 1 January 2010

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.

PRINCIPAL SUBSIDIARIES AND ASSOCIATES

At 31 December 2009

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

PRINCIPAL SUBSIDIARIES AND ASSOCIATES
(Continued)
At 31 December 2009

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
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	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 2009

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 2009

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
東莞美東汽車服務有限公司	Incorporated	PRC	Registered capital	25.5	Motor vehicle dealer