Wing On NETshop: www.wingonet.com

WING ON COMPANY INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

stock code: 289

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Annual Report 2010

WING ON

2010

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twentieth 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 Monday, 13 June 2011 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 2010.

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 2011

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

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

NOTICE OF ANNUAL GENERAL MEETING
(Continued)

Notes:

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

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

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

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

(5) The Register of Members will be closed from Friday, 3 June 2011 to Monday, 13 June 2011 (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 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 Thursday, 2 June 2011 (Hong Kong time).

(7) Concerning item 3 above, the retiring Directors to be re-elected at the meeting are Mr. Lester Kwok, Mr. Mark Kwok, Miss Maria Tam Wai Chu and Mr. Anthony Francis Martin Conway.

(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 2010 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 Director

Dr. Bill Kwok, J.P.

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

CORPORATE INFORMATION
(Continued)

AUDITOR

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

SECRETARY

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

REGISTERED OFFICE

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

PRINCIPAL OFFICE

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

SHARE REGISTRARS

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

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

Biography of Directors

Mr. Karl C. Kwok, Chairman and Member of the Remuneration Committee
He, aged 62, 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 and has been a director of the Company since October 1991. 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 60, 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 and has been a director of the Company since October 1991. 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 58, was educated at Stanford University and the University of Chicago where he obtained undergraduate degrees and a Ph.D. respectively. He joined the Wing On Group in 1985 and is responsible principally for financial investments. He has been a director of the Company since November 1992. He is a director of Wocom Holdings Limited, Wing On International Holdings Limited, Wing On Corporate Management (BVI) Limited and Kee Wai Investment Company (BVI) Limited. He is also a Non-executive Director of HSBC Private Bank (Suisse) SA and 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 serves on the Investigation Panel A of the Hong Kong Institute of Certified Public Accountants. He was appointed a member of the Committee on Real Estate Investment Trusts of the Securities and Futures Commission in April 2011. He has served as a director of the Hong Kong Securities Institute from 1997-2003 and 2005-2010 and as the Chairman from 1999-2001, a director of the Hong Kong Futures Exchange Limited from 1991-2000 and a Vice Chairman from 1997-2000, a member of the Financial Services Advisory Committee of the Hong Kong Trade Development Council from 1996-2002, the Government's Advisory Committee on Human Resources Development in the Financial Services Sector from 2000-2005, a director of the Investor Compensation Company Limited from 2003-2006, and the Tourism Strategy Group of the Tourism Commission from 2006-2008. He completed the terms as a Non-executive Director of HSBC Guyerzeller Bank AG and as a panel member of the Securities and Futures Appeals Tribunal in March 2009, the Takeovers and Mergers Panel and the Takeovers Appeal Committee of the Securities and Futures Commission in March 2010, and a member of the Bloomberg Asia Pacific Advisory Board from 2006-2010. He is a brother of the Chairman.

CORPORATE INFORMATION
(Continued)

Biography of Directors (Continued)

Mr. Mark Kwok, Executive Director
He, aged 56, 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 has been a director of the Company since November 1992. 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.

Miss Maria Tam Wai Chu, GBS, J.P., Independent Non-executive Director and Member of the Audit Committee
She, aged 65, 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 70, 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 70, 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 Goodbaby International Holdings Limited, 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 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 71, 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 which is 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 and member of the Audit Committee
He, aged 63, 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.

Biography of senior managers

Mr. Benny Chan

He, aged 52, 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 54, 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 54, 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

2010 RESULTS AND DIVIDEND

For the year ended 31 December 2010, the Group's turnover increased by 9.0% to HK$1,572.6 million (2009: HK$1,443.2 million). The increase was attributable mainly to the improvement in both the Group's department stores business turnover and the rental income from the Group's investment properties.

Profit attributable to shareholders for the year was HK$1,375.7 million (2009: HK$736.8 million), an increase of 86.7% due primarily to the significant increase in net valuation gain on investment properties as compared to last year. Excluding this non-cash item and related deferred tax thereon, the Group's underlying profit attributable to shareholders increased by 14.8% to HK$457.6 million (2009: HK$398.7 million). This was due mainly to the increase in the contributions from the Group's department stores operations and property investments.

Earnings per share was 465.9 HK cents per share in 2010 (2009: 249.5 HK cents per share). Excluding the net valuation gain on investment properties and related deferred tax thereon, underlying earnings per share for the year increased by 14.8% to 155.0 HK cents per share (2009: 135.0 HK cents per share).

In respect of 2010, the directors have recommended a final dividend of 59 HK cents (2009: 48 HK cents) per share payable to shareholders on the Register of Members on 13 June 2011 (Hong Kong time) which, together with the interim dividend of 22 HK cents (2009: 22 HK cents) per share paid on 20 October 2010 (Hong Kong time) makes a total payment of 81 HK cents (2009: 70 HK cents) per share for the whole year. Dividend warrants will be sent to shareholders on 22 June 2011 (Hong Kong time). The Register of Members will be closed from 3 June 2011 to 13 June 2011 (Hong Kong time), both dates inclusive, during which period no share transfer can be registered. 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 Thursday, 2 June 2011 (Hong Kong time).

LIQUIDITY AND FINANCIAL RESOURCES

Overall Financial Position

Shareholders' equity at 31 December 2010 was HK$9,177.0 million, an increase of 18.0% as compared to that at 31 December 2009. With cash and listed marketable securities at 31 December 2010 of about HK$1,822.0 million 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 2010, the Group's total borrowings amounted to HK$594.2 million, a decrease of about HK$108.4 million, due to partial repayments net of exchange differences, as compared to that at 31 December 2009. The partial repayments included an early repayment of HK$143.3 million made by the Group of its own volition. The Group's total borrowings of HK$594.2 million relate to a mortgage loan for Australian investment properties. The repayment of the borrowings will be due in December 2011. The management will renegotiate the repayment schedule nearer the time. As this outstanding loan is less than 30% of the security value of the Australian investment properties and taking into consideration the past timely and good repayment record, the Group does not anticipate any difficulties in extending this loan. Certain assets, comprising principally property interests with a book value of HK$2,454.4 million, have been pledged to banks as collateral security for banking facilities granted to the extent of HK$1,014.1 million. 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 2010, was 6.5% as compared with 9.0% at 31 December 2009.

Funding and Treasury Policies

The Group adopts a prudent funding and treasury policy. To minimise exposure to foreign exchange fluctuations, the Group's borrowings in Australia for its Melbourne investment properties are denominated in Australian dollars. Hence, the foreign exchange exposure is limited to the net investments in overseas subsidiaries of approximately HK$1,958.7 million at 31 December 2010 (at 31 December 2009: HK$1,747.1 million).

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

Capital Commitments and Contingent Liabilities

At 31 December 2010, the total amount of the Group's capital expenditure commitments was HK$5.7 million (at 31 December 2009: HK$1.5 million). The Company has issued corporate guarantees to a financial institution in respect of banking facilities granted to a wholly-owned subsidiary of an associate, which expire within one year. The associate has also issued a corporate guarantee to a financial institution in respect of a financial facility granted to a jointly controlled entity of the associate, which expires within one year. At 31 December 2010, the maximum contingent liability shared by the Group was HK$28.1 million (at 31 December 2009: HK$19.8 million).

BUSINESS REVIEW

Department Stores Operations

Aided by a much improved and buoyant economy, consumer confidence and spending were high in 2010. The Group's department stores business performed strongly during the year under review with its turnover increased by 8.3% to HK$1,228.0 million (2009: HK$1,133.4 million) while its operating profit significantly increased by 41.0% to HK$172.7 million (2009: HK$122.5 million). The improvement in profit contribution was the result of customers' greater demand for better quality and higher price range merchandise and the management's effort in organising promotional activities to boost sales while keeping expenses under control.

Property Investments

For the year ended 31 December 2010, the Group's property investment income increased by 10.9% to HK$324.2 million (2009: HK$292.4 million). Stimulated by the better economic conditions and limited supply, tenants' demand for quality office space in Hong Kong increased strongly during the year under review, thereby pushing up office rents. The Group achieved a 7.1% increase in rental income from its commercial investment properties in Hong Kong to HK$187.3 million (2009: HK$174.9 million) while maintaining an overall occupancy rate of over 95%. Income from the Group's commercial investment properties in Australia increased by 18.2% to HK$130.9 million (2009: HK$110.7 million). This was mainly due to the strong Australian dollar during 2010 as income is translated back to the Hong Kong dollar for reporting purposes. The overall occupancy rate of the commercial investment properties in Australia remained stable at above 95%.

Automobile Dealership Business

As the United States economy became more stabilised in the year under review, the business operation of the Group's automobile dealership associate in the United States steadily improved. For the year ended 31 December 2010, the Group's share of after tax profit of the associate was HK$13.9 million compared to an after tax loss of HK$13.7 million in 2009. Excluding the loss on fair value re-measurement of HK$19.4 million (2009: HK$28.0 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$33.3 million (2009: HK$14.3 million). Attracted by the potentially huge car market in the People's Republic of China ("the PRC"), this associate has in recent years acquired interests in two automobile dealerships in Guangdong Province and these ventures have produced profits in the year under review. This associate will further expand its automobile dealership business in the PRC when good opportunities arise.

Others

For the year ended 31 December 2010, the Group's investments in securities recorded a profit of HK$58.0 million (2009: HK$52.4 million). Benefiting from the appreciation in its holdings of Australian currency, the Group recorded a net foreign exchange gain of HK$10.9 million in 2010 (2009: HK$15.6 million). The Group also recognised a foreign exchange gain of HK$11.5 million upon the return of investments from subsidiaries in Australia.

STAFF

As at 31 December 2010, the Group had a total staff of 953 (2009: 947). The staff costs (excluding directors' remuneration) amounted to approximately HK$193.4 million (2009: HK$184.5 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 2011

Barring unforeseen circumstances, the Group expects consumer confidence and spending power in Hong Kong will remain positive in 2011. Such sentiment will be beneficial to the Group's retail business. However, rising operational costs due to inflation and a weak Hong Kong dollar will continue to be a concern for the Group's department store operations. The Group's investment properties in Hong Kong and Australia will continue to benefit from positive office demands. The Group's associate engaging in automobile dealership business is expected to continue to contribute profits to the Group.

On behalf of the Board, I would like to thank our management and staff for their efforts in 2010 and our shareholders for their continuing support.

Karl C. Kwok
Chairman

Hong Kong, 29 March 2011

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 2010.

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 2010 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 (2009: 22 HK cents) per share was paid on 20 October 2010 (Hong Kong time). The directors now recommend that a final dividend of 59 HK cents (2009: 48 HK cents) per share in respect of the year ended 31 December 2010 be payable to shareholders on the Register of Members on 13 June 2011 (Hong Kong time). Dividend warrants will be sent to shareholders on 22 June 2011 (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 34.

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 25.

CHARITABLE DONATIONS

Donations made by the Group during the year amounted to HK$10,000 (2009: HK$22,000).

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 26.

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. Philip Kwok, SBS, J.P. (Non-executive Director) (Retired on 9 June 2010)
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)

Mr. Lester Kwok, Mr. Mark Kwok, Miss Maria Tam Wai Chu and Mr. Anthony Francis Martin Conway shall retire from the Board at the forthcoming Annual General Meeting and, being eligible, have offered themselves for re-election. Mr. Lester Kwok, Mr. Mark Kwok, Miss Maria Tam Wai Chu and Mr. Anthony Francis Martin Conway will be proposed to be re-elected for a fixed term of three years until the 2014 Annual General Meeting.

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 24 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 2010, 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	0.109
Lester Kwok	489,140	–	–	–	489,140	0.166
Bill Kwok	798,388	295,000	255,000 (Note 1)	–	1,348,388	0.457
Mark Kwok	397,000	–	10,000 (Note 2)	–	407,000	0.138
Leung Wing Ning	10,000	–	–	–	10,000	0.003

Notes:

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

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

DIRECTORS' INTERESTS IN SHARES (Continued)

(b) Kee Wai Investment Company (BVI) Limited

Name of Director	Number of ordinary shares held 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	21.246
Lester Kwok	12,110	–	–	–	12,110	21.246
Bill Kwok	12,110	–	–	–	12,110	21.246
Mark Kwok	12,110	–	–	–	12,110	21.246

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

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

Name of Director	Number of ordinary shares held 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	0.017
Lester Kwok	216	–	–	–	216	0.012
Bill Kwok	216	–	–	–	216	0.012
Mark Kwok	216	–	–	–	216	0.012

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

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, according to the information available to the Company, the following companies were interested in 5% or more of the issued share capital of the Company as recorded in the register required to be kept under section 336 of the SFO:

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

PRE-EMPTIVE RIGHTS

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

AUDITOR

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

By Order of the Board
Karl C. Kwok
Chairman

Hong Kong, 29 March 2011

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 2010.

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 2010.

BOARD OF DIRECTORS

The Board currently comprises nine directors, including the Chairman, the Deputy Chairman, one executive director, one non-executive director 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).

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. Four Board meetings were held during the financial year ended 31 December 2010. The attendance of each director at the Board meetings during the financial year ended 31 December 2010 is set out in the table below:

Directors	**Meetings attended/held**
Executive Directors	
Mr. Karl C. Kwok (Chairman)	3/4
Mr. Lester Kwok (Deputy Chairman and Chief Executive Officer)	4/4
Mr. Mark Kwok	4/4
Non-executive Directors	
Dr. Bill Kwok	4/4
Dr. Philip Kwok (Retired on 9 June 2010)	1/1
Independent Non-executive Directors	
Miss Maria Tam Wai Chu	4/4
Mr. Ignatius Wan Chiu Wong	4/4
Mr. Iain Ferguson Bruce	3/4
Mr. Anthony Francis Martin Conway	3/4
Mr. Leung Wing Ning (Appointed on 1 January 2010)	4/4

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 pages 27 and 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 business 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 one non-executive director and five independent non-executive directors. All non-executive directors have been re-elected for a fixed term of not more than three years.

REMUNERATION OF DIRECTORS

The Remuneration Committee was formed on 30 June 2005 and comprises 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 2010, 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 2010. Three meetings were held in 2010. The attendance of committee members during 2010 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 2010 is set out in Note 8 to the financial statements.

At the forthcoming Annual General Meeting to be held on 13 June 2011, the Board will propose a director's fee of HK$150,000 for each director for the year 2011 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.

AUDITORS' REMUNERATION

During the financial year ended 31 December 2010, the fees charged for statutory audit services provided to the Company and its subsidiaries amounted to HK$2,757,000 (2009: HK$2,546,000), and in addition HK$2,701,000 (2009: HK$2,536,000) 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 (2009: HK$800,000) 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 three independent non-executive directors (including the Committee Chairman who possesses the necessary business and financial knowledge and experience to understand financial statements).

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 2010, 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 2011. Four meetings were held in 2010. The attendance of committee members during 2010 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 (Retired on 9 June 2010)	2/2
Mr. Leung Wing Ning (Appointed on 10 June 2010)	2/2

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 2010.

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

	2010	2009	2008	2007	2006
Income statement items (HK$ million)					
Turnover	**1,573**	1,443	1,408	1,295	1,149
Profit from operations after finance costs	**527**	446	213	432	340
Profit/(loss) before taxation	**1,650**	836	(278)	1,914	646
Income tax (expense)/benefit	**(273)**	(98)	106	(323)	(78)
Profit/(loss) attributable to shareholders	**1,376**	737	(173)	1,589	568
Statement of financial position items (HK$ million)					
Fixed assets	**8,568**	7,175	6,315	7,287	5,701
Other assets	**2,773**	2,614	2,285	2,502	2,446
Total assets	**11,341**	9,789	8,600	9,789	8,147
Current liabilities	**990**	414	341	346	327
Non-current liabilities	**1,156**	1,583	1,480	1,866	1,473
Total liabilities	**2,146**	1,997	1,821	2,212	1,800
Non-controlling interests	**18**	17	16	15	14
Total equity attributable to shareholders of the Company	**9,177**	7,775	6,763	7,562	6,333
Per share basis (HK$)					
Basic earnings/(loss) per share	**4.66**	2.50	(0.58)	5.38	1.92
Dividend per share	**0.81**	0.70	0.34	1.76	0.63

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	103,656*	88.22%	Long lease	Commercial
5.	333 Collins Street, Melbourne, Victoria, Australia	609,941*	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") and its subsidiaries (together "the Group") set out on pages 29 to 111, which comprise the consolidated and Company statements of financial position as at 31 December 2010, 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 information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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 and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

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

(Continued)

(Incorporated in Bermuda with limited liability)

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 2010 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

29 March 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

(Expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000
Turnover	4	1,572,597	1,443,180
Other revenue	5	37,288	34,942
Other net gain	5	71,629	65,095
Cost of department store sales	6(d)	(690,652)	(626,866)
Cost of property leasing activities	6(c)	(62,503)	(58,959)
Other operating expenses		(362,808)	(376,565)
Profit from operations		565,551	480,827
Finance costs	6(a)	(38,903)	(35,075)
		526,648	445,752
Net valuation gain on investment properties	14(c)	1,107,570	397,763
		1,634,218	843,515
Share of profits less losses of associates		15,924	(7,686)
Profit before taxation	6	1,650,142	835,829
Income tax	7	(273,364)	(98,056)
Profit for the year		1,376,778	737,773
Attributable to:			
Shareholders of the Company		1,375,656	736,817
Non-controlling interests		1,122	956
Profit for the year		1,376,778	737,773
Basic and diluted earnings per share	12(a)	465.9 cents	249.5 cents

The notes on pages 37 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 2010
(Expressed in Hong Kong dollars)

	2010		2009	
	$'000	$'000	$'000	$'000
Profit for the year		1,376,778		737,773
Other comprehensive income for the year (after tax and reclassification adjustments):				
Foreign currency translation adjustments:				
– exchange differences on translation of financial statements of overseas subsidiaries	232,937		358,927	
– share of exchange differences on translation of financial statements of overseas associates	3,159		441	
– release of the exchange reserve upon return on investments in overseas subsidiaries	(11,457)		–	
– release of the exchange reserve upon dissolution of an overseas subsidiary	–		(251)	
		224,639		359,117
Share of cash flow hedge of an associate:				
– net movement in the hedging reserve		5,420		29,454
Available-for-sale securities:				
– changes in fair value recognised during the year		2,709		1,787
		232,768		390,358
Total comprehensive income for the year		1,609,546		1,128,131
Attributable to:				
Shareholders of the Company		1,608,365		1,127,165
Non-controlling interests		1,181		966
Total comprehensive income for the year		1,609,546		1,128,131

The notes on pages 37 to 111 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010
(Expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000
Non-current assets			
Fixed assets	14(a)		
–Investment properties		7,976,716	6,548,149
–Other property, plant and equipment		591,706	626,493
		8,568,422	7,174,642
Goodwill	15	1,178	1,178
Interest in associates	17	711,276	686,738
Available-for-sale securities	18	27,485	24,776
Deferred tax assets	26(b)	25,922	54,165
		9,334,283	7,941,499
Current assets			
Trading securities	19	291,651	174,940
Inventories	20(a)	90,437	81,353
Debtors, deposits and prepayments	21	50,110	77,035
Loans to an associate	17(b)	3,264	1,239
Amounts due from fellow subsidiaries	22	1,801	1,793
Current tax recoverable	26(a)	95	–
Cash and cash equivalents	23	1,569,618	1,510,819
		2,006,976	1,847,179
Current liabilities			
Creditors and accrued charges	24	359,331	324,132
Amounts due to fellow subsidiaries	22	3,645	1,587
Secured bank loan	25	594,187	44,344
Amount due to an associate	22	12,935	13,133
Current tax payable	26(a)	19,986	30,563
		990,084	413,759
Net current assets		1,016,892	1,433,420
Total assets less current liabilities carried forward		10,351,175	9,374,919

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)
At 31 December 2010
(Expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000
Total assets less current liabilities brought forward		10,351,175	9,374,919
Non-current liabilities			
Secured bank loan	25	–	658,236
Deferred tax liabilities	26(b)	1,156,487	924,834
		1,156,487	1,583,070
NET ASSETS		9,194,688	7,791,849
Capital and reserves			
Share capital	27(d)	29,530	29,530
Reserves		9,147,447	7,745,789
Total equity attributable to shareholders of the Company		9,176,977	7,775,319
Non-controlling interests		17,711	16,530
TOTAL EQUITY		9,194,688	7,791,849

Approved and authorised for issue by the board of directors on 29 March 2011.

Karl C. Kwok
Director

Lester Kwok
Director

The notes on pages 37 to 111 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2010

(Expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000
Non-current assets			
Investments in subsidiaries	16	2,801,990	2,801,990
Current assets			
Debtors, deposits and prepayments	21	246	282
Amounts due from subsidiaries	22	740,467	576,968
Cash and cash equivalents	23	121,975	311,344
		862,688	888,594
Current liabilities			
Creditors and accrued charges	24	12,392	11,274
Amounts due to subsidiaries	22	4,219	1,717
		16,611	12,991
Net current assets		846,077	875,603
NET ASSETS		3,648,067	3,677,593
Capital and reserves	27(b)		
Share capital		29,530	29,530
Reserves		3,618,537	3,648,063
TOTAL EQUITY		3,648,067	3,677,593

Approved and authorised for issue by the board of directors on 29 March 2011.

Karl C. Kwok
Director

Lester Kwok
Director

The notes on pages 37 to 111 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

		Attributable to shareholders of the Company										
	Note	Share capital $'000 (note 27(d))	Land and building revaluation reserve $'000 (note 27(e)(i))	Investment revaluation reserve $'000 (note 27(e)(ii))	Exchange reserve $'000 (note 27(e)(iii))	Hedging reserve $'000 (note 27(e)(iv))	Contributed surplus $'000 (note 27(e)(v))	General reserve fund $'000 (note 27(e)(vi))	Retained earnings $'000 (note 27(a))	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2010		29,530	176,750	9,098	354,712	(45,661)	754,347	541	6,496,002	7,775,319	16,530	7,791,849
Profit for the year		–	–	–	–	–	–	–	1,375,656	1,375,656	1,122	1,376,778
Other comprehensive income	11(a)	–	–	2,709	224,580	5,420	–	–	–	232,709	59	232,768
Total comprehensive income for the year		–	–	2,709	224,580	5,420	–	–	1,375,656	1,608,365	1,181	1,609,546
Share of the general reserve fund of an associate: transfer to the general reserve fund		–	–	–	–	–	–	527	(527)	–	–	–
Dividends approved in respect of the previous year	27(c)(ii)	–	–	–	–	–	–	–	(141,742)	(141,742)	–	(141,742)
Dividends declared and paid in respect of the current year	27(c)(i)	–	–	–	–	–	–	–	(64,965)	(64,965)	–	(64,965)
		–	–	–	–	–	–	527	(207,234)	(206,707)	–	(206,707)
Balance at 31 December 2010		29,530	176,750	11,807	579,292	(40,241)	754,347	1,068	7,664,424	9,176,977	17,711	9,194,688
Balance 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
Profit for the year		–	–	–	–	–	–	–	736,817	736,817	956	737,773
Other comprehensive income	11(a)	–	–	1,787	359,107	29,454	–	–	–	390,348	10	390,358
Total comprehensive income 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	27(d)(ii)											
– par value paid		(3)	–	–	–	–	–	–	–	(3)	–	(3)
– premium paid		–	–	–	–	–	–	–	(234)	(234)	–	(234)
Dividends approved in respect of the previous year	27(c)(ii)	–	–	–	–	–	–	–	(50,200)	(50,200)	–	(50,200)
Dividends declared and paid in respect of the current year	27(c)(i)	–	–	–	–	–	–	–	(64,965)	(64,965)	–	(64,965)
Distribution to non-controlling shareholders upon dissolution of a subsidiary		–	–	–	–	–	–	–	–	–	(387)	(387)
		(3)	–	–	–	–	–	475	(115,874)	(115,402)	(387)	(115,789)
Balance 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

The notes on pages 37 to 111 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000
Operating activities			
Profit before taxation		1,650,142	835,829
Adjustments for:			
Net valuation gain on investment properties		(1,107,570)	(397,763)
Depreciation and amortisation		53,970	54,759
Impairment of trade and other debtors (written back)/ recognised		(139)	708
Impairment of available-for-sale securities written back		(4,799)	–
Impairment of fixed assets		–	24
Finance costs		38,903	35,075
Dividend income from investments in securities		(9,933)	(4,978)
Interest income from bank deposits		(23,905)	(19,850)
Interest income from loans to an associate		(244)	(349)
Interest income from trading securities		(260)	–
Release of the exchange reserve upon return on investments in overseas subsidiaries		(11,457)	–
Share of profits less losses of associates		(15,924)	7,686
Net loss/(gain) on disposal of other fixed assets		20	(725)
Net gain on dissolution of subsidiaries		–	(237)
Foreign exchange gain		(8,519)	(8,263)
Operating profit before changes in working capital		560,285	501,916
(Increase)/decrease in trading securities		(116,711)	1,479
(Increase)/decrease in inventories		(9,084)	3,713
(Increase)/decrease in debtors, deposits and prepayments		(3,795)	13,819
Increase in amounts due from fellow subsidiaries		(8)	(19)
Increase/(decrease) in creditors and accrued charges		28,377	(4,923)
Increase/(decrease) in amounts due to fellow subsidiaries		2,058	(412)
Increase in amount due to an associate		46	546
Cash generated from operations		461,168	516,119
Tax paid			
–Hong Kong Profits Tax paid		(40,791)	(9,120)
–Overseas tax paid		(19,757)	(4,647)
Net cash generated from operating activities		400,620	502,352

CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

For the year ended 31 December 2010

(Expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000
Investing activities			
Payment of lease incentives		(13,641)	(13,027)
Payment for purchases of fixed assets		(21,020)	(17,416)
Proceeds from disposal of other fixed assets		9	848
Proceeds from liquidation of an investment fund		29,532	92,879
New loans to an associate		(2,060)	(1,239)
Loan repaid by an associate		–	4,953
Interest income from bank deposits received		23,972	20,435
Dividends received from investments in securities		9,878	5,369
Net cash generated from investing activities		26,670	92,802
Financing activities			
Payment for the purchase of own shares	27(d)(ii)	–	(237)
Repayment of bank loan		(189,192)	(184,306)
Interest paid		(37,424)	(33,424)
Dividends paid to shareholders of the Company		(206,707)	(115,165)
Distribution to non-controlling shareholders upon dissolution of a subsidiary		–	(387)
Net cash used in financing activities		(433,323)	(333,519)
Net (decrease)/increase in cash and cash equivalents		(6,033)	261,635
Cash and cash equivalents at 1 January		1,510,819	1,118,141
Effect of foreign exchange rate changes		64,832	131,043
Cash and cash equivalents at 31 December	23	1,569,618	1,510,819

The notes on pages 37 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 2010 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 33.

1. Significant accounting policies (Continued)

(c) Subsidiaries and non-controlling 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.

Non-controlling interests (previously known as "minority interests") represent the equity in a subsidiary not attributable directly or indirectly to the Company, 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. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling 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 non-controlling interests and the shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in the consolidated income statement. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(d)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(k)).

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, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted 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)). Any acquisition-date excess over cost, 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 other 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. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in the consolidated income statement. Any interest retained in that former associate at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)).

1. Significant accounting policies (Continued)

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in the consolidated income statement as a gain on a bargain purchase.

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 (see note 1(k)).

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.

(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 the end of each reporting period 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.

1. Significant accounting policies (Continued)

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

– Investments in securities which do not fall into the above category are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in the consolidated other 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). When these investments are derecognised or impaired (see note 1(k)), 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 (see note 1(k)).

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

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period 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 other 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.

1. Significant accounting policies (Continued)

(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 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.

(i) Other property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(k)):

– land classified as being held under finance leases and buildings thereon; 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 end of each reporting period.

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.

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

(i) **Other property, plant and equipment** (Continued)

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

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

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

(j) **Leased assets**

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

(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.

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

(j) **Leased assets** (Continued)

(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.

(k) **Impairment of assets**

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

Investments in debt and equity securities 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 the end of each reporting period 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.

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)

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

– For investments in subsidiaries and 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 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.

– 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 financial 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.

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)

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 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 other comprehensive income.

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.

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

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

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period 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); 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).

– Recognition of impairment losses

An impairment loss is recognised in the consolidated income statement if 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.

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

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

(ii) Impairment of other assets (Continued)

– Recognition of impairment losses (Continued)

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 an impairment loss 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 (see notes 1(k)(i) and 1(k)(ii)).

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 other comprehensive income and not in the consolidated income statement.

1. Significant accounting policies (Continued)

(l) Inventories

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

Cost is determined on a weighted average basis and includes the direct costs of purchase. Net realisable value is determined by reference to the sales proceeds of items sold in the ordinary course of business subsequent to the end of the reporting period 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 (see note 1(k)), 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.

(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 bank 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.

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

(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 other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in the consolidated other 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 end of the reporting period, and any adjustment to tax payable in respect of previous years.

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

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.

1. Significant accounting policies (Continued)

(r) Income tax (Continued)

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 end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

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

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

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

  – the same taxable entity; or

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

1. Significant accounting policies (Continued)

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

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

(ii) Other provisions and contingent liabilities

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

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

1. Significant accounting policies (Continued)

(t) Revenue recognition

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.

(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.

1. Significant accounting policies (Continued)

(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 end of the reporting period. Exchange gains and losses are recognised in the consolidated income statement.

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

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in the consolidated other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

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 that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

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

(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.

(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 two revised HKFRSs, a number of amendments to HKFRSs and two 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 3 (revised), *Business combinations*

– HKAS 27 (revised), *Consolidated and separate financial statements*

– Amendments to HKAS 39, *Financial instruments: Recognition and measurement – eligible hedged items*

– Improvements to HKFRSs 2009

– HK Int 5, *Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause*

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

The adoption of improvements to HKFRSs 2009, HK Int 5 and the amendments to HKAS 39 does not have a significant impact on the Group's results of operations and financial position. The other developments resulted in changes in accounting policies but none of these changes in policies have a material impact on the current or comparative periods, for the following reasons:

– The impact of the majority of the revisions to HKFRS 3 and HKAS 27 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination or a disposal of a subsidiary) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

– The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as "minority interests") in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

3. Segment reporting

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

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

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

(a) Segment results, assets and liabilities

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

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

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 2010 and 2009 is set out below.

	Department stores		Property investment		Total	
	2010 $'000	**2009** $'000	**2010** $'000	**2009** $'000	**2010** $'000	**2009** $'000
Revenue from external customers	1,228,006	1,133,414	344,591	309,766	1,572,597	1,443,180
Inter-segment revenue	–	–	78,511	79,928	78,511	79,928
Reportable segment revenue	1,228,006	1,133,414	423,102	389,694	1,651,108	1,523,108
Reportable segment profit	172,727	122,487	324,223	292,383	496,950	414,870
Finance costs	–	–	38,903	35,075	38,903	35,075
Depreciation and amortisation for the year	9,363	9,836	44,334	44,471	53,697	54,307
Impairment of trade and other debtors (written back)/ recognised	6	(1)	(145)	709	(139)	708
Reportable segment assets	148,831	136,172	8,558,554	7,165,137	8,707,385	7,301,309
Additions to non-current segment assets during the year	6,513	7,090	28,832	23,694	35,345	30,784
Reportable segment liabilities	291,276	257,696	645,825	751,869	937,101	1,009,565

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

	2010 $'000	**2009** $'000
Profit		
Reportable segment profit derived from the Group's external customers	496,950	414,870
Share of profits less losses of associates	15,924	(7,686)
Other revenue	37,288	34,942
Other net gain	71,629	65,095
Finance costs	(38,903)	(35,075)
Net valuation gain on investment properties	1,107,570	397,763
Unallocated head office and corporate expenses	(40,316)	(34,080)
Consolidated profit before taxation	1,650,142	835,829

3. Segment reporting (Continued)

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

	2010 $'000	2009 $'000
Assets		
Reportable segment assets	8,707,385	7,301,309
Elimination of inter-segment receivables	(7,261)	(8,821)
	8,700,124	7,292,488
Goodwill	1,178	1,178
Interest in associates	711,276	686,738
Available-for-sale securities	27,485	24,776
Trading securities	291,651	174,940
Loans to an associate	3,264	1,239
Current tax recoverable	95	–
Deferred tax assets	25,922	54,165
Unallocated head office and corporate assets	1,580,264	1,553,154
Consolidated total assets	11,341,259	9,788,678

	2010 $'000	2009 $'000
Liabilities		
Reportable segment liabilities	937,101	1,009,565
Elimination of inter-segment payables	(7,261)	(8,821)
	929,840	1,000,744
Amounts due to fellow subsidiaries	3,645	1,587
Amount due to an associate	12,935	13,133
Current tax payable	19,986	30,563
Deferred tax liabilities	1,156,487	924,834
Unallocated head office and corporate liabilities	23,678	25,968
Consolidated total liabilities	2,146,571	1,996,829

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**	
	2010	**2009**	**2010**	**2009**
	$'000	$'000	$'000	$'000
Hong Kong (place of domicile)	1,421,724	1,315,539	6,014,083	4,977,813
Australia	134,129	111,039	2,454,648	2,106,629
United States of America	16,744	16,602	812,145	778,116
	150,873	127,641	3,266,793	2,884,745
	1,572,597	1,443,180	9,280,876	7,862,558

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:

	2010	**2009**
	$'000	$'000
Sale of goods	1,007,988	923,927
Net income from concession sales	220,018	209,487
Department stores	1,228,006	1,133,414
Property investment	344,591	309,766
	1,572,597	1,443,180

5. Other revenue and other net gain

	2010	2009
	$'000	$'000
Other revenue		
Interest income from bank deposits	23,905	19,850
Interest income from loans to an associate	244	349
Interest income from listed securities	260	–
Dividend income from listed securities	6,674	2,772
Dividend income from unlisted securities	3,259	2,206
Compensation received on early termination of leases	104	584
Forfeiture of unclaimed dividends	1,075	7,530
Others	1,767	1,651
	37,288	34,942

	2010	2009
	$'000	$'000
Other net gain		
Net gain on remeasurement to fair value of trading securities	24,132	29,215
Net realised gain on disposal of		
– trading securities	9,269	13,880
– derivative financial instruments	11,081	5,445
Release of the exchange reserve upon return on investments in overseas subsidiaries	11,457	–
Impairment loss on available-for-sale securities written back	4,799	–
Net foreign exchange gain	10,911	15,593
Net (loss)/gain on disposal of other fixed assets	(20)	725
Net gain on dissolution of subsidiaries (note)	–	237
	71,629	65,095

Note: The amount for the year ended 31 December 2009 included translational exchange gains of $251,000 transferred from the exchange reserve.

6. Profit before taxation

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

		2010	2009
		$'000	$'000
(a)	Finance costs:		
	Interest on bank loan repayable within five years	38,903	35,075
(b)	Staff costs (excluding directors' remuneration):		
	Contributions to defined contribution retirement plans	10,577	10,351
	Salaries, wages and other benefits	182,855	174,182
		193,432	184,533
(c)	Rentals received and receivable from investment properties:		
	Gross rentals	(344,591)	(309,766)
	Less: direct outgoings	62,503	58,959
		(282,088)	(250,807)
(d)	Other items:		
	Depreciation and amortisation		
	– owned assets	41,413	43,926
	– lease incentives	12,557	10,833
	Impairment losses (written back)/recognised		
	– available-for-sale securities	(4,799)	–
	– trade and other debtors (note 21(b))	(139)	708
	– fixed assets (note 14(a))	–	24
	Auditors' remuneration		
	– current year	2,714	2,530
	– prior year	43	16
	Operating lease charges		
	– minimum lease payments for hire of land and buildings	36,242	35,006
	– contingent rentals for hire of land and buildings	372	255
	Cost of inventories sold (note 20(b))	690,652	626,866

7. Income tax in the consolidated income statement

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

	2010 $'000	**2009** $'000
Current tax – Hong Kong Profits Tax		
Provision for the year	32,138	30,267
(Over)/under-provision in respect of prior year	(52)	5
	32,086	30,272
Current tax – Overseas		
Provision for the year	17,824	15,036
(Over)/under-provision in respect of prior year	(1,272)	64
	16,552	15,100
Deferred tax (note 26(b))		
Origination and reversal of temporary differences		
– changes in fair value of investment properties	188,883	59,543
– other temporary differences	35,843	(6,859)
	224,726	52,684
Total income tax expense	273,364	98,056

The provision for Hong Kong Profits Tax for 2010 is calculated at 16.5% (2009: 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 and accounting profit at the applicable tax rate:

	2010	**2009**
	$'000	$'000
Profit before taxation	1,650,142	835,829
Notional Hong Kong Profits Tax calculated at 16.5% (2009: 16.5%)	272,273	137,912
Tax effect of non-deductible expenses	3,791	1,450
Tax effect of non-taxable revenue	(7,325)	(5,490)
Tax effect of unused tax losses not recognised	672	680
Tax effect of temporary differences not recognised	(4)	(2)
Tax effect of previously unrecognised tax losses utilised this year	(1,943)	(2,295)
Tax effect of previously unrecognised temporary differences utilised this year	(1)	(2)
Tax effect of previously unrecognised tax losses recognised this year	–	(24,310)
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	7,235	(1,171)
Effect of overseas withholding tax	(10)	(17)
(Over)/under-provision in respect of prior year	(1,324)	69
Actual tax expense	273,364	98,056

8. Directors' remuneration

The remuneration of the directors is as follows:

	2010				
	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	140	4,023	1,408	12	5,583
Mr. Lester Kwok	140	3,634	1,298	12	5,084
Mr. Mark Kwok	140	2,321	831	199	3,491
	420	9,978	3,537	223	14,158
Non-executive directors					
Dr. Bill Kwok	140	–	–	–	140
Dr. Philip Kwok (note (a))	70	254	–	–	324
	210	254	–	–	464
Independent non-executive directors					
Miss Maria Tam Wai Chu	140	90	–	–	230
Mr. Ignatius Wan Chiu Wong	140	80	–	–	220
Mr. Iain Ferguson Bruce	140	120	–	–	260
Mr. Anthony Francis Martin Conway	140	110	–	–	250
Mr. Leung Wing Ning (note (b))	140	45	–	–	185
	700	445	–	–	1,145
	1,330	10,677	3,537	223	15,767

8. Directors' remuneration (Continued)

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

	2009				
	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	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. Philip Kwok (note (a))	120	544	–	–	664
Dr. Kwok Man Cho (note (c))	60	–	–	–	60
	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

Notes:

(a) Dr. Philip Kwok retired from the board of directors on 9 June 2010.

(b) Mr. Leung Wing Ning was appointed to the board of directors on 1 January 2010.

(c) Dr. Kwok Man Cho retired from the board of directors on 18 June 2009.

9. Individuals with highest emoluments

Of the five individuals with the highest emoluments in the Group, three (2009: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two (2009: two) individuals are as follows:

	2010	**2009**
	$'000	$'000
Salaries, allowances and benefits in kind	6,174	5,921
Contributions to defined contribution retirement plans	430	377
Discretionary bonuses	1,293	235
	7,897	6,533

The emoluments of the two (2009: two) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2010	**2009**
$		
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	–	–
5,000,001 – 5,500,000	1	–
	2	2

10. Profit attributable to shareholders of the Company

The consolidated profit attributable to shareholders of the Company includes a profit of $177,181,000 (2009: $166,819,000) 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

	2010			2009		
	Before-tax amount $'000	Tax expense $'000	Net-of tax amount $'000	Before-tax amount $'000	Tax expense $'000	Net-of tax amount $'000
Foreign currency translation adjustments:						
– exchange differences on translation of financial statements of overseas subsidiaries	232,937	–	232,937	358,927	–	358,927
– share of exchange differences on translation of financial statements of overseas associates	3,159	–	3,159	441	–	441
– release of the exchange reserve upon return on investments in overseas subsidiaries	(11,457)	–	(11,457)	–	–	–
– release of the exchange reserve upon dissolution of an overseas subsidiary	–	–	–	(251)	–	(251)
Share of cash flow hedge of an associate:						
– net movement in the hedging reserve (note (b))	9,418	(3,998)	5,420	48,725	(19,271)	29,454
Available-for-sale securities:						
– changes in fair value recognised during the year	2,709	–	2,709	1,787	–	1,787
Consolidated other comprehensive income for the year	236,766	(3,998)	232,768	409,629	(19,271)	390,358

11. Consolidated other comprehensive income (Continued)

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

	2010 $'000	**2009** $'000
Cash flow hedges:		
– effective portion of changes in fair value of hedging instruments recognised during the year	(23,540)	1,197
– reclassification adjustments for amounts transferred to the consolidated income statement: share of profits less losses of associates	32,958	47,528
– net deferred tax charged to other comprehensive income	(3,998)	(19,271)
Net movement in the hedging reserve during the year recognised in the consolidated other comprehensive income	5,420	29,454

12. Basic and diluted earnings per share

(a) The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of the Company for the year ended 31 December 2010 of $1,375,656,000 (2009: $736,817,000) divided by the weighted average of 295,295,000 shares (2009: 295,305,000 shares) in issue during the year, calculated as follows:

	2010 Number of shares '000	**2009 Number of shares** '000
Issued shares at 1 January	295,295	295,326
Effect of shares repurchased (note 27(d)(ii))	–	(21)
Weighted average number of shares at 31 December	295,295	295,305

There were no outstanding potential shares throughout the years presented.

12. Basic and diluted earnings per share (Continued)

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

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

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

	2010		**2009**	
		Amount per share		**Amount per share**
	$'000	cents	$'000	cents
Profit attributable to shareholders of the Company as shown in the consolidated income statement	1,375,656	465.9	736,817	249.5
Net valuation gain on investment properties	(1,107,570)	(375.1)	(397,763)	(134.7)
Increase in deferred tax liabilities in relation to the net valuation gain on investment properties	188,883	64.0	59,543	20.2
	456,969	154.8	398,597	135.0
Net valuation gain on investment properties net of related deferred tax attributable to non-controlling interests	607	0.2	92	–
Underlying profit attributable to shareholders of the Company	457,576	155.0	398,689	135.0

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 $10,800,000 (2009: $10,556,000).

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 2010	829,162	417,518	1,246,680	6,496,618	7,743,298
Exchange adjustments	224	86	310	298,762	299,072
Additions	–	6,621	6,621	15,085	21,706
Disposals	–	(1,198)	(1,198)	–	(1,198)
Fair value adjustment	–	–	–	1,107,570	1,107,570
At 31 December 2010	829,386	423,027	1,252,413	7,918,035	9,170,448
Accumulated depreciation and impairment:					
At 1 January 2010	258,440	361,747	620,187	–	620,187
Exchange adjustments	224	52	276	–	276
Charge for the year	25,289	16,124	41,413	–	41,413
Written back on disposals	–	(1,169)	(1,169)	–	(1,169)
At 31 December 2010	283,953	376,754	660,707	–	660,707
Lease incentives:					
At 1 January 2010	–	–	–	51,531	51,531
Exchange adjustments	–	–	–	6,066	6,066
Additions	–	–	–	13,641	13,641
Amortisation for the year	–	–	–	(12,557)	(12,557)
At 31 December 2010	–	–	–	58,681	58,681
Net book value:					
At 31 December 2010	545,433	46,273	591,706	7,976,716	8,568,422

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 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)

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

	At cost $'000	At professional valuation in 2010 $'000	At directors' valuation in 1981 $'000 (note (b))	Total $'000
At 31 December 2010				
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	5,567	–	–	5,567
Investment properties				
Long lease				
– in Hong Kong	–	4,751,900	–	4,751,900
– outside Hong Kong	–	99,692	–	99,692
Medium term lease in Hong Kong	–	670,736	–	670,736
Freehold outside Hong Kong	–	2,395,707	–	2,395,707
Other fixed assets	423,027	–	–	423,027
	1,102,150	7,918,035	150,263	9,170,448

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 $'000	At professional valuation in 2009 $'000	At directors' valuation in 1981 $'000 (note (b))	Total $'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

(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 end of the reporting period. The carrying amount of the relevant land and building of the Group as at 31 December 2010 is $96,882,000 (2009: $98,715,000).

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 2010 is $34,024,000 (2009: $34,734,000).

14. Fixed assets (Continued)

(c) Investment properties of the Group were revalued as at 31 December 2010 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 Members 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 $1,107,570,000 (2009: $397,763,000) 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 one year 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 $7,976,716,000 (2009: $6,548,149,000).

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

	2010	**2009**
	$'000	$'000
Within one year	247,184	253,504
After one year but within five years	508,206	454,098
After five years	182,445	167,008
	937,835	874,610

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

(f) During the year, lease incentives totalling $13,641,000 (2009: $13,027,000) 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 2009, 31 December 2009, 1 January 2010 and 31 December 2010	1,178

Impairment test for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating unit identified according to the country of operation and reportable segment as follows:

	2010	2009
	$'000	$'000
Property investment – the United States of America	1,178	1,178

The recoverable amount of the cash-generating unit 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 2010. Management considers that no impairment is necessary.

16. Investments in subsidiaries

	Company	
	2010	2009
	$'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 2010	Group 2009
	$'000	$'000
Unlisted shares		
Share of net assets other than goodwill and intangible assets	225,564	202,265
Share of goodwill and intangible assets of an associate	475,999	474,795
	701,563	677,060
Loans to an associate (note (b))	9,713	9,678
	711,276	686,738

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

(b) Loans to an associate

	Group 2010	Group 2009
	$'000	$'000
Within one year or on demand	3,264	1,239
After one year but within two years	9,713	–
After two years but within five years	–	9,678
	9,713	9,678
	12,977	10,917

The loans to an associate are unsecured and bear interest at market rates plus 1.25% per annum. As at 31 December 2010, the loans to an associate comprised an amount of $9,713,000 (2009: $9,678,000) repayable on 13 June 2012 and an amount of $3,264,000 (2009: $1,239,000) with no fixed repayment terms.

17. Interest in associates (Continued)

(c) Summary financial information of associates

	Assets $'000	Liabilities $'000	Equity $'000	Revenues $'000	Profit/(loss) $'000
2010					
100 per cent	5,616,315	4,213,189	1,403,126	13,708,622	31,848
Group's effective interest	2,808,157	2,106,594	701,563	6,854,311	15,924
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)

(d) An associate of the Group in the United States of America 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 at the end of each reporting period. For the year ended 31 December 2010, a fair value adjustment of $19,435,000 (2009: $27,953,000) 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 2010 $'000	Group 2009 $'000
Equity securities		
Unlisted		
– at fair value	6,803	5,308
– at cost	11,568	11,568
	18,371	16,876
Club debentures		
Unlisted, at fair value	9,114	7,900
	27,485	24,776

18. Available-for-sale securities (Continued)

Included in the unlisted equity securities are amounts carried at cost of $11,568,000 (2009: $11,568,000) as at 31 December 2010. Management considers that the fair values of these securities cannot be measured reliably as there are no quoted prices available.

Included in the unlisted equity securities are amounts totalling $6,803,000 (2009: $5,308,000) 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 that investee operated; therefore the cost of the Group's investment in it might 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 had commenced liquidation since 31 December 2008 and its estimated recoverable amount of $31,226,000 had been included in trade and other debtors as disclosed in note 21 as at 31 December 2009. The amount was fully recovered during the year. Upon settlement of all proceeds from liquidation of the investment fund, a write back of impairment loss on available-for-sale securities of $4,799,000 was recognised in the consolidated income statement for the year ended 31 December 2010.

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19. Trading securities

	Group	
	2010	**2009**
	$'000	$'000
Debt securities, at fair value		
Listed outside Hong Kong	20,974	3,709
Equity securities, at fair value		
Listed		
– in Hong Kong	165,524	73,901
– outside Hong Kong	64,995	63,215
	230,519	137,116
Investment funds, at fair value		
Listed outside Hong Kong	882	1,582
Unlisted but quoted	39,276	32,533
	40,158	34,115
	291,651	174,940

20. Inventories

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

	Group	
	2010	**2009**
	$'000	$'000
Merchandise held for sale	89,567	80,628
Merchandise held for sale in transit	870	725
	90,437	81,353

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

	Group	
	2010	**2009**
	$'000	$'000
Carrying amount of inventories sold	689,696	626,177
Write-down of inventories	956	689
	690,652	626,866

21. Debtors, deposits and prepayments

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	$'000	$'000	$'000
Trade and other debtors	20,690	48,117	3	59
Less: allowance for doubtful debts (note (b))	(348)	(819)	–	–
	20,342	47,298	3	59
Deposits and prepayments	29,768	29,737	243	223
	50,110	77,035	246	282

All debtors, deposits and prepayments of the Group, apart from certain rental deposits and prepayments totalling $12,531,000 (2009: $10,790,000), 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 end of the reporting period:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	$'000	$'000	$'000
Current or less than one month past due	19,761	46,722	3	59
One to three months past due	472	444	–	–
More than three months but less than twelve months past due	62	52	–	–
More than twelve months past due	47	80	–	–
	20,342	47,298	3	59

As at 31 December 2009, included in the trade and other debtors was an estimated recoverable amount of $31,226,000 in respect of an available-for-sale investment fund which has commenced liquidation since the year ended 31 December 2008. The amount was fully recovered during the year.

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 or the Company. 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.

21. Debtors, deposits and prepayments (Continued)

(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.

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

	Group	
	2010	**2009**
	$'000	$'000
At 1 January	819	21
Exchange adjustments	100	90
Impairment loss (written back)/recognised (note 6(d))	(139)	708
Bad debts written-off	(432)	–
At 31 December	348	819

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	
	2010	**2009**	**2010**	**2009**
	$'000	$'000	$'000	$'000
Cash at bank and in hand	87,530	114,910	6,759	8,453
Bank deposits	1,482,088	1,395,909	115,216	302,891
	1,569,618	1,510,819	121,975	311,344

24. Creditors and accrued charges

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	$'000	$'000	$'000
Trade and other creditors	322,859	289,529	10,299	9,460
Accrued charges	36,472	34,603	2,093	1,814
	359,331	324,132	12,392	11,274

24. Creditors and accrued charges (Continued)

All creditors and accrued charges of the Group, apart from certain rental deposits received and accrued charges totalling $11,772,000 (2009: $25,612,000), are expected to be settled or recognised as income within one year or are repayable on demand.

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

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	$'000	$'000	$'000
Amounts not yet due	270,734	238,131	–	–
On demand or less than one month overdue	48,392	48,647	10,299	9,460
One to three months overdue	1,433	502	–	–
Three to twelve months overdue	285	196	–	–
More than twelve months overdue	2,015	2,053	–	–
	322,859	289,529	10,299	9,460

25. Secured bank loan

At 31 December 2010, the secured bank loan of the Group was repayable as follows:

	Group	
	2010	**2009**
	$'000	$'000
Within one year or on demand	594,187	44,344
After one year but within two years	–	658,236
	594,187	702,580

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 2010, banking facilities of the Group amounting to $1,014,080,000 (2009: $886,886,000) were secured by mortgages over the investment properties with an aggregate value of $2,454,391,000 (2009: $2,106,355,000).

At 31 December 2010, the facilities were utilised to the extent of $594,187,000 (2009: $702,580,000).

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	
	2010	**2009**
	$'000	$'000
Provision for Hong Kong Profits Tax for the year	32,138	30,267
Provisional Profits Tax paid	(22,745)	(12,169)
	9,393	18,098
Overseas tax payable	10,498	12,465
	19,891	30,563
Represented by:		
Current tax recoverable	(95)	–
Current tax payable	19,986	30,563
	19,891	30,563

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	Revaluation of investment properties	Revaluation of land and building	Others (note)	Future benefit of tax losses	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax arising from:						
At 1 January 2010	22,432	850,741	27,635	13,572	(43,711)	870,669
Charged/(credited) to the consolidated income statement (note 7(a))	7,729	188,883	–	(216)	28,330	224,726
Charged to the exchange reserve	3,311	29,892	–	1,967	–	35,170
At 31 December 2010	33,472	1,069,516	27,635	15,323	(15,381)	1,130,565
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

Note: Others mainly relate to temporary differences arising from lease incentives.

	2010	2009
	$'000	$'000
Deferred tax assets recognised in the consolidated statement of financial position	(25,922)	(54,165)
Deferred tax liabilities recognised in the consolidated statement of financial position	1,156,487	924,834
	1,130,565	870,669

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

(c) Deferred tax assets not recognised

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

	Group	
	2010	**2009**
	$'000	$'000
Deductible temporary differences	37	42
Future benefit of accumulated tax losses	18,801	20,072
	18,838	20,114

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 2010 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 2010, temporary differences relating to the undistributed profits of subsidiaries and associates amounted to $1,881,375,000 (2009: $1,654,450,000). Deferred tax liabilities of $564,413,000 (2009: $496,335,000) 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 34.

Retained earnings attributable to the shareholders of the Company as at 31 December 2010 include the aggregate net valuation gain relating to investment properties after deferred tax of $4,319,152,000 (2009: $3,401,072,000).

27. Capital, reserves and dividends (Continued)

(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
Balance at 1 January 2010	29,530	2,997,350	650,713	3,677,593
Total comprehensive income for the year	–	–	177,181	177,181
Dividends approved in respect of the previous year (note (c)(ii))	–	–	(141,742)	(141,742)
Dividends declared and paid in respect of the current year (note (c)(i))	–	–	(64,965)	(64,965)
Balance at 31 December 2010	29,530	2,997,350	621,187	3,648,067
Balance at 1 January 2009	29,533	2,997,350	599,293	3,626,176
Total comprehensive income for the year	–	–	166,819	166,819
Purchase of own shares (note (d)):				
– par value paid	(3)	–	–	(3)
– premium paid	–	–	(234)	(234)
Dividends approved in respect of the previous year (note (c)(ii))	–	–	(50,200)	(50,200)
Dividends declared and paid in respect of the current year (note (c)(i))	–	–	(64,965)	(64,965)
Balance at 31 December 2009	29,530	2,997,350	650,713	3,677,593

27. Capital, reserves and dividends (Continued)

(c) Dividends

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

	2010 $'000	**2009** $'000
Interim dividend declared and paid of 22 cents (2009: 22 cents) per share	64,965	64,965
Final dividend proposed after the end of the reporting period of 59 cents (2009: 48 cents) per share	174,224	141,742
	239,189	206,707

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

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

	2010 $'000	**2009** $'000
Final dividend in respect of the financial year ended 31 December 2009 of 48 cents (31 December 2008: 17 cents) per share		
– approved during the year	141,742	50,205
– attributable to shares repurchased (note (c)(iii))	–	(5)
– paid during the year	141,742	50,200

(iii) In respect of the final dividend for the year ended 31 December 2008, there was a difference of $5,000 between the final dividend approved and disclosed in the 2008 annual report and amounts paid in 2009 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

	2010 Number of shares '000	2010 $'000	2009 Number of shares '000	2009 $'000
Authorised:				
Shares of $0.1 each	400,000	40,000	400,000	40,000
Issued and fully paid:				
At 1 January	295,295	29,530	295,326	29,533
Shares purchased	–	–	(31)	(3)
At 31 December	295,295	29,530	295,295	29,530

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 ended 31 December 2009, the Company purchased its own shares on The Stock Exchange of Hong Kong Limited 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.

27. Capital, reserves and dividends (Continued)

(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).

(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 end of the reporting period 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.

27. Capital, reserves and dividends (Continued)

(e) Nature and purpose of reserves (Continued)

(vi) General reserve fund

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

(f) Distributability of reserves of the Company

At 31 December 2010, the aggregate amount of reserves available for distribution to shareholders of the Company was $3,618,537,000 (2009: $3,648,063,000). After the end of the reporting period the directors proposed a final dividend of 59 cents (2009: 48 cents) per share, amounting to $174,224,000 (2009: $141,742,000) (note (c)). This dividend has not been recognised as a liability at the end of the reporting period.

(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:

	2010	**2009**
	$'000	$'000
Retained earnings	571,737	556,340
Exchange reserve	864	(2,295)
Hedging reserve	(40,241)	(45,661)
Land and building revaluation reserve	136	136
General reserve fund	1,068	541
	533,564	509,061

(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 2010, the Group had secured a bank loan of $594,187,000 (2009: $702,580,000) 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 6.5% (2009: 9.0%) as at 31 December 2010. The Group had bank deposits and cash balances as at 31 December 2010 amounting to $1,569,618,000 (2009: $1,510,819,000).

27. Capital, reserves and dividends (Continued)

(h) Capital management (Continued)

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

28. Financial risk management and fair values

(a) Categories of financial instruments

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	$'000	$'000	$'000
Financial assets				
Financial assets at fair value through profit or loss				
– Trading securities	291,651	174,940	–	–
Available-for-sale securities	27,485	24,776	–	–
Loans and receivables				
– Loans to an associate	12,977	10,917	–	–
– Debtors and deposits	31,795	57,053	3	59
– Amounts due from fellow subsidiaries	1,801	1,793	–	–
– Amounts due from subsidiaries	–	–	740,467	576,968
– Cash and cash equivalents	1,569,618	1,510,819	121,975	311,344
	1,616,191	1,580,582	862,445	888,371
	1,935,327	1,780,298	862,445	888,371
Financial liabilities				
Trade and other creditors	(322,859)	(289,529)	(10,299)	(9,460)
Amounts due to fellow subsidiaries	(3,645)	(1,587)	–	–
Amounts due to subsidiaries	–	–	(4,219)	(1,717)
Amount due to an associate	(12,935)	(13,133)	–	–
Secured bank loan	(594,187)	(702,580)	–	–
	(933,626)	(1,006,829)	(14,518)	(11,177)

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 bank, bank deposits, trade and other debtors and investments. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

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

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 the end of each reporting period 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 and 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.

28. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(i) Credit risk (Continued)

As at 31 December 2009, included in other debtors was an amount of $31,226,000 receivable from the trustee of an investment fund which was in liquidation. The amount was fully recovered in 2010. 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 consolidated 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 end of the reporting period is disclosed in note 30.

(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 tables show the remaining contractual maturities at the end of the reporting period 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 end of the reporting period) and the earliest date the Group and the Company can be required to pay:

28. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(ii) Liquidity risk (Continued)

Group

	2010				
	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	Carrying amount at 31 December
	$'000	$'000	$'000	$'000	$'000
Trade and other creditors	311,104	8,582	3,173	322,859	322,859
Amounts due to fellow subsidiaries	3,645	–	–	3,645	3,645
Amount due to an associate	12,935	–	–	12,935	12,935
Secured bank loan	628,693	–	–	628,693	594,187
	956,377	8,582	3,173	968,132	933,626
Financial guarantees issued:					
Maximum amount guaranteed (note 30)	28,068	–	–	28,068	–

	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	Carrying amount at 31 December
	$'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)

Company

	2010			2009		
	Contractual undiscounted cash flow			Contractual undiscounted cash flow		
	Within one year or on demand	Total	Carrying amount at 31 December	Within one year or on demand	Total	Carrying amount at 31 December
	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other creditors	10,299	10,299	10,299	9,460	9,460	9,460
Amounts due to subsidiaries	4,219	4,219	4,219	1,717	1,717	1,717
	14,518	14,518	14,518	11,177	11,177	11,177
Financial guarantees issued:						
Maximum amount guaranteed (note 30)	20,717	20,717	–	13,065	13,065	–

(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 2010 is 6.0% (2009: 4.5%).

At 31 December 2010, 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 $5,265,000 (2009: $4,403,000). Other components of the consolidated equity would not be affected (2009: $Nil) by the change in interest rates.

28. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(iii) Interest rate risk (Continued)

The sensitivity analysis above indicates the 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 end of the reporting period 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 end of the reporting period. 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 end of the reporting period, 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 2009.

(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, Japanese Yen and Renminbi. 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.

28. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(iv) Foreign currency risk (Continued)

The following tables detail the Group's and the Company's exposure at the end of the reporting period 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 end of the reporting period. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

Group

	Exposure to foreign currencies (expressed in Hong Kong dollars)							
	2010				2009			
	United States dollars	Australian dollars	Japanese Yen	Renminbi	United States dollars	Australian dollars	Japanese Yen	Renminbi
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Available-for-sale securities	6,803	–	–	–	5,308	–	–	–
Trading securities	70,373	34,975	12,253	344	63,070	19,655	11,465	–
Debtors and deposits	245	8	–	51	31,287	5	–	24
Loans to an associate	12,977	–	–	–	10,917	–	–	–
Amounts due from fellow subsidiaries	4	1	156	–	2	4	–	–
Cash and cash equivalents	622,449	34,725	–	51,248	518,164	27,716	–	473
Trade and other creditors	(156)	–	–	–	(289)	–	–	(11)
Amount due to an associate	(12,935)	–	–	–	(13,133)	–	–	–
	699,760	69,709	12,409	51,643	615,326	47,380	11,465	486

Company

	Exposure to United States dollars (expressed in Hong Kong dollars)	
	2010	**2009**
	$'000	$'000
Cash and cash equivalents	48,542	210,411

28. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(iv) Foreign currency risk (Continued)

The following table indicates the 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 end of the reporting period 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

	2010		2009	
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in profit after taxation and retained earnings**	**Increase/ (decrease) in foreign exchange rates**	**Increase/ (decrease) in profit after taxation and retained earnings**
	%	$'000	%	$'000
United States dollars	0.5	3,499	0.5	3,077
	(0.5)	(3,499)	(0.5)	(3,077)
Australian dollars	10.0	6,971	10.0	4,738
	(10.0)	(6,971)	(10.0)	(4,738)
Japanese Yen	10.0	1,241	10.0	1,147
	(10.0)	(1,241)	(10.0)	(1,147)
Renminbi	10.0	5,164	10.0	49
	(10.0)	(5,164)	(10.0)	(49)

Results of the analysis as presented in the above table represent an aggregation of the 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 end of the reporting period 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 end of the reporting period, 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 2009.

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 the end of each reporting period 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 2010, it is estimated that an increase/decrease of 10% (2009: 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 the consolidated equity as follows:

Group

	2010		**2009**	
	Increase/ (decrease) in profit after taxation and retained earnings	**Increase/ (decrease) in other components of the consolidated equity**	**Increase/ (decrease) in profit after taxation and retained earnings**	**Increase/ (decrease) in other components of the consolidated equity**
	$'000	$'000	$'000	$'000
Increase/(decrease) in price variable				
– 10%	26,434	1,592	16,275	1,321
– (10)%	(26,434)	(1,592)	(16,275)	(1,321)

28. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(v) Price risk (Continued)

The sensitivity analysis indicates the change in the Group's profit after taxation and retained earnings and other components of the consolidated equity that would arise assuming that the changes in the relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to price risk at the end of the reporting period. 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 2009.

(vi) Fair values

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period 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

	2010			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	$'000	$'000	$'000
Assets				
Unlisted available-for-sale securities	–	9,114	6,803	15,917
Trading securities	251,493	40,158	–	291,651
	251,493	49,272	6,803	307,568

	2009			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	$'000	$'000	$'000
Assets				
Unlisted available-for-sale securities	–	7,900	5,308	13,208
Trading securities	140,825	34,115	–	174,940
	140,825	42,015	5,308	188,148

During the years ended 31 December 2010 and 2009, there were no significant transfers between financial instruments in different levels.

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

	Group	
	2010	**2009**
	$'000	$'000
Unlisted available-for-sale securities		
At 1 January	5,308	5,921
Net unrealised gain/(loss) recognised in other comprehensive income during the year	1,495	(613)
At 31 December	6,803	5,308

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2010 and 2009 except for those unlisted available-for-sale securities, the fair value of which cannot be reliably measured (see note 18).

28. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(vi) Fair values (Continued)

The fair value of quoted securities is based on quoted market prices at the end of the reporting period without any deduction of 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 outstanding as at 31 December 2010 not provided for in the financial statements were as follows:

	Group	
	2010	**2009**
	$'000	$'000
Authorised and contracted for	5,654	1,457

(b) Commitments under operating leases

At 31 December 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group	
	2010	**2009**
	$'000	$'000
Within one year	37,117	34,457
After one year but within five years	44,642	19,673
	81,759	54,130

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 year to three years, with an option to renew the leases upon expiry when all terms may be renegotiated. Certain leases involve lease payments comprising a base amount plus an incremental contingent rental, which are determined based on a percentage of sales undertaken in the premises under the operating leases. The amount of contingent rentals incurred in 2010 is stated in note 6(d).

30. Financial guarantees issued

As at 31 December 2010, the Company had issued corporate guarantees in the sum of $21,014,000 (2009: $14,250,000) 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 2010 was $20,717,000 (2009: $13,065,000), representing its share of the banking facilities utilised by the wholly-owned subsidiary of the associate.

The associate has also issued a corporate guarantee in the sum of $48,299,000 (2009: $34,765,000) 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 2010 was $14,702,000 (2009: $13,448,000), representing its share of the financial facility utilised by the jointly controlled entity of the associate.

As at the end of the reporting period, 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 2010, the total maximum liability shared by the Group was $28,068,000 (2009: $19,789,000).

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:

	2010	**2009**
	$’000	$’000
Directors’ fees	420	360
Salaries and other short-term employee benefits	23,355	16,915
Contributions to defined contribution retirement plans	795	695
	24,570	17,970

(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**	
	2010	**2009**	**2010**	**2009**
	$’000	$’000	$’000	$’000
Loans to an associate	12,977	10,917	244	349

31. Material related party transactions (Continued)

(b) Financing arrangements (Continued)

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

(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 $20,756,000 (2009: $20,758,000) during the year. The amount due from the fellow subsidiary as at 31 December 2010 amounted to $1,728,000 (2009: $1,728,000).

(ii) A subsidiary rents office premises to a fellow subsidiary. Rental and management fees receivable from this fellow subsidiary amounted to $4,518,000 (2009: $4,527,000) during the year. The amount due to the fellow subsidiary as at 31 December 2010 amounted to $1,106,000 (2009: $1,106,000).

(iii) A fellow subsidiary, engaging in securities trading, deals in securities for certain subsidiaries of the Group. Commission of $750,000 (2009: $512,000) and interest income of $Nil (2009: $1,000) was payable to and receivable from this fellow subsidiary during the year. The net amount due to the fellow subsidiary as at 31 December 2010 amounted to $2,475,000 (2009: amount due from the fellow subsidiary of $65,000).

(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 (2009: $912,000) during the year. The amount due from the fellow subsidiary as at 31 December 2010 amounted to $9,000 (2009: amount due to the fellow subsidiary of $481,000).

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. Immediate and ultimate controlling parties

At 31 December 2010, 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% 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.

33. 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 2010. 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)

33. Sources of estimation uncertainty (Continued)

(d) Impairment of available-for-sale securities

Investments in securities classified as available-for-sale securities are reviewed at the end of each reporting period 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.

34. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2010

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and interpretations and one new standard which are not yet effective for the year ended 31 December 2010 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Revised HKAS 24, Related party disclosures	1 January 2011
HKFRS 9, Financial instruments	1 January 2013
Improvements to HKFRSs 2010	1 July 2010 or 1 January 2011
Amendments to HKAS 12, Income taxes	1 January 2012

The Group is in the process of making an assessment of what the impact of these amendments and interpretations, and new standard is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position except for the amendments to HKAS 12, Income taxes.

The amendments to HKAS 12 will be adopted in the Group's financial statements for the year ending 31 December 2012, when the Group will be required to make retrospective adjustments to the amounts reported in respect of the year ended 31 December 2010, to the extent that the tax consequences of recovering the carrying amount of the investment properties through sale would differ from the amounts recognised for the deferred taxation under the current accounting policy, in respect of those investment properties which are not held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time rather than through sale. The Group has not yet completed its assessment of the impact of this new accounting policy on its recognition of deferred taxation.

PRINCIPAL SUBSIDIARIES AND ASSOCIATES

At 31 December 2010

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 activity
333 Choice Properties Pty Ltd	Australia	2 ordinary shares of no par value	100	–	100	Trustee for an investment trust
Asmar Properties Limited	British Virgin Islands	1 share of US$1	100	100	–	Investment holding
Belair Properties Limited	British Virgin Islands	1 share of US$1	100	100	–	Investment holding and securities trading
Clever Choice Investments Limited	British Virgin Islands	1 share of US$1	100	100	–	Investment holding
Clever Choice Properties Pty Limited	Australia	2 ordinary shares of no par value and 1,800 redeemable preference shares of no par value	100	–	100	Investment holding
Cornerstone Assets Limited	British Virgin Islands	1 share of US$1	100	100	–	Investment holding
Fine Choice Investments Limited	British Virgin Islands	1 share of US$1	100	100	–	Investment holding
Fine Choice Properties Pty Limited	Australia	2 ordinary shares of no par value	100	–	100	Investment holding
Fortuna Yakitori Stall, Limited	Hong Kong	10,000 shares of HK$100 each	100	–	100	Securities trading

PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(Continued)

At 31 December 2010

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 activity
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
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

PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(Continued)

At 31 December 2010

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	Proportion of ownership interest: held by the Company	Proportion of ownership interest: held by subsidiary	Principal activity
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 2010

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 activity
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
Dongguan Meidong Automotive Service Co., Ltd.	Incorporated	PRC	Registered capital	25.5	Motor vehicle dealer
Jumbo Returns Limited	Incorporated	Hong Kong	Ordinary	50	Investment holding
Meichang Auto Group (Asia) Limited (formerly named "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