



**WING ON COMPANY INTERNATIONAL LIMITED**

**永安國際有限公司**

(Incorporated in Bermuda with limited liability)

(Stock code: 289)

**INTERIM REPORT**

**2014**

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

The Board of Directors as now constituted is listed below:

### Executive Directors

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

### Non-executive Director

Dr. Bill Kwok, J.P.

### Independent Non-executive Directors

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

# CORPORATE INFORMATION

(Continued)

## AUDITOR

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

## SECRETARY

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

## REGISTERED OFFICE

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

## PRINCIPAL OFFICE

7th Floor, Wing On Centre,  
211 Des Voeux Road Central,  
Hong Kong.  
Website: [www.wingonet.com](http://www.wingonet.com)

## SHARE REGISTRARS

Tricor Progressive Limited  
Level 22, Hopewell Centre,  
183 Queen's Road East,  
Hong Kong.

MUFG Fund Services (Bermuda) Limited  
The Belvedere Building,  
69 Pitts Bay Road,  
Pembroke HM08,  
Bermuda.

# CHAIRMAN'S STATEMENT

## INTERIM RESULTS AND DIVIDEND

For the six months ended 30 June 2014, the Group's turnover was HK\$971.9 million (2013: HK\$950.0 million), an increase of 2.3% attributable mainly to the increase in the Group's department stores business turnover.

Profit attributable to shareholders for the first half of 2014 was HK\$382.1 million (2013: HK\$870.6 million), a decrease of 56.1% due primarily to the decrease in valuation gains on investment properties as compared to the same period last year. Excluding this non-cash item and related deferred tax thereon, the Group's underlying profit attributable to shareholders increased by 27.1% to HK\$337.2 million (2013: HK\$265.3 million). This was due mainly to the improved profit contributions from the Group's department stores business, securities investments and automobile dealership associate.

Earnings per share decreased by 56.1% to 129.4 HK cents (2013: 294.8 HK cents) per share. Excluding the valuation gains on investment properties net of related deferred tax thereon, underlying earnings per share for the period increased by 27.1% to 114.2 HK cents (2013: 89.8 HK cents) per share.

The directors have decided to pay an interim dividend of 39 HK cents (2013: 31 HK cents) per share, absorbing a total amount of HK\$115,165,000 (2013: HK\$91,541,000). The interim dividend will be paid on 17 October 2014 (Hong Kong time) to shareholders whose names appear on the Register of Members of the Company on 10 October 2014 (Hong Kong time). The Register of Members will be closed from 7 October 2014 to 10 October 2014 (Hong Kong time), both dates inclusive, during which period no share transfer will be accepted.

To qualify for the interim dividend, share transfers to be dealt with must be lodged with the Company's Share Registrars, Tricor Progressive Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:00 p.m. on Monday, 6 October 2014 (Hong Kong time).

## LIQUIDITY AND FINANCIAL RESOURCES

### Overall Financial Position

Shareholders' equity at 30 June 2014 was HK\$14,039.5 million, an increase of 2.0% as compared to that at 31 December 2013. With cash and listed marketable securities at 30 June 2014 of about HK\$2,362.9 million as well as available banking facilities, the Group has sufficient liquidity to meet its current commitments and working capital requirements.

# CHAIRMAN'S STATEMENT

(Continued)

## LIQUIDITY AND FINANCIAL RESOURCES (continued)

### Borrowings and Charges on Group Assets

At 30 June 2014, the Group's total borrowings amounted to HK\$394.5 million, a decrease of about HK\$0.8 million as compared to that at 31 December 2013 due to the partial repayments net of exchange differences. The Group's total borrowings of HK\$394.5 million relate to a mortgage loan for Australian investment properties. The bulk of the borrowings will be due in December 2014. The management will renegotiate the repayment schedule nearer the time. Certain assets, comprising principally property interests with a book value of HK\$2,548.6 million, have been pledged to banks as collateral security for banking facilities granted to the extent of HK\$511.5 million. In view of the existing strong cash position, the Group does not anticipate any liquidity problems.

### Gearing Ratio

The gearing ratio, which is computed from the total borrowings of the Group divided by shareholders' equity of the Group at 30 June 2014, was 2.8% as compared with 2.9% at 31 December 2013.

### Funding and Treasury Policies

The Group adopts a prudent funding and treasury policy. To minimise exposure to foreign exchange fluctuations, the Group's borrowings in Australia for its Melbourne investment properties are denominated in Australian dollars. Hence, the foreign exchange exposure is limited to the net investments in overseas subsidiaries of approximately HK\$2,197.2 million at 30 June 2014 (at 31 December 2013: HK\$2,085.9 million).

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

### Capital Commitments and Contingent Liabilities

At 30 June 2014, the total amount of the Group's capital expenditure commitments was HK\$14.0 million (at 31 December 2013: HK\$34.0 million). As at 30 June 2014, the Group had no contingent liability (at 31 December 2013: HK\$ nil).

# CHAIRMAN'S STATEMENT

(Continued)

## HALF YEAR BUSINESS REVIEW

### Department Store Operations

Hong Kong retail market experienced a notable slowdown in the first half of 2014 as consumer spending declined. Notwithstanding the weakening retail market, the Group's department store business remained generally stable during the six months ended 30 June 2014 and achieved an increase in turnover by 2.7% to HK\$752.0 million (2013: HK\$731.9 million) while its operating profit increased by 8.9% to HK\$111.8 million (2013: HK\$102.7 million).

### Property Investments

For the six months ended 30 June 2014, the Group's property investment income increased by 1.2% to HK\$218.3 million (2013: HK\$215.8 million). The Group was able to maintain a stable occupancy rate of over 95% for its commercial office properties in Hong Kong during the period under review and achieved a 5.2% increase in rental income to HK\$138.8 million (2013: HK\$132.0 million). Income from the Group's commercial investment properties in Melbourne, Australia decreased by 6.5% to HK\$74.2 million (2013: HK\$79.4 million) despite an increase of 2.6% in rental income due to the weak Australian dollar in the period under review as compared to the same period last year when income is translated back to the Hong Kong dollar for reporting purposes. The overall occupancy rate of the Group's investment properties in Melbourne at 30 June 2014 was above 95%.

### Automobile Dealership Business

In the first half of 2014, the business operations of the Group's automobile dealership associate remained stable. Both turnover and gross profit margin were comparable to those achieved in the corresponding period last year. During the period under review, the Group recorded a share of profit after tax of HK\$10.4 million on the associate's sale of a dealership, whereas a share of loss after tax of HK\$11.5 million on the associate's disposal of certain investment properties was recorded in the same period last year. Overall, the Group's share of profit after tax from the associate for the six months ended 30 June 2014 increased by 143.1% to HK\$47.9 million (2013: HK\$19.7 million).

On 15 June 2014, the associate entered into an agreement with an independent third party to dispose of its entire interest in its subsidiary, DCH Auto Group (USA) Inc., which is engaged in automobile dealership business in the United States. Upon the completion of the disposal which is anticipated to be on 1 October 2014, the associate will have no remaining interest in DCH Auto Group (USA) Inc., or any automobile dealership operations in the United States. The completion of the sale is subject to the satisfaction of certain conditions and may or may not proceed. Details of the disposal were published in the announcement made by the Company on 15 June 2014. If and when completed, the Group anticipates there will be a material gain from the disposal in the second half of 2014. The amount of gain to be recognised will only be finalised upon completion.

# CHAIRMAN'S STATEMENT

(Continued)

## HALF YEAR BUSINESS REVIEW (continued)

### Others

The Group's investments in securities recorded a gain of HK\$18.8 million (2013: a loss of HK\$7.0 million) during the period under review. The Group recorded a net foreign exchange loss of HK\$1.1 million (2013: HK\$1.7 million) from its foreign currency deposits. During the first half of 2014, the Group recognised a foreign exchange gain of HK\$11.9 million (2013: HK\$10.1 million) upon the return of investments from subsidiaries in Australia.

### STAFF

As at 30 June 2014, the Group had a total staff of 845 (at 30 June 2013: 814). The Group's remuneration policies, bonus schemes, Mandatory Provident Fund Schemes, etc., have not changed materially from the information disclosed in the 2013 Annual Report.

### OUTLOOK FOR THE REMAINDER OF 2014

Barring unforeseen circumstances, the outlook for the Hong Kong retail sector for the second half of 2014 will remain challenging due to the decline in consumer spending. Notwithstanding this challenge, the Group expects its department stores business to perform satisfactorily in the second half of the year. The Group's commercial investment properties will continue to provide stable income for the Group. These two core businesses will continue to be the mainstay in contributions to the Group's profits. The gain from the disposal of the Group's interest in its automobile dealership associate in the United States, if and when completed in the second half of 2014, will generate additional profit for the Group.

**Karl C. Kwok**  
Chairman

Hong Kong, 28 August 2014



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

(Incorporated in Bermuda with limited liability)

## **INTRODUCTION**

We have reviewed the interim financial report set out on pages 8 to 32 which comprises the consolidated statement of financial position of Wing On Company International Limited (the “Company”) as at 30 June 2014 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors are responsible for the preparation and presentation of the interim financial report in accordance with HKAS 34.

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

## **SCOPE OF REVIEW**

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

## **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2014 is not prepared, in all material respects, in accordance with HKAS 34, Interim financial reporting.

## **KPMG**

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

28 August 2014

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2014 \$'000	2013 \$'000
<b>Turnover</b>	3(a)	971,916	950,042
Other revenue	4	27,686	20,111
Other net gain/(loss)	4	22,138	(4,271)
Cost of department store sales	5(d)	(417,591)	(411,938)
Cost of property leasing activities	5(c)	(34,913)	(33,460)
Other operating expenses		<u>(213,903)</u>	<u>(208,965)</u>
<b>Profit from operations</b>		355,333	311,519
Finance costs	5(a)	<u>(7,882)</u>	<u>(10,721)</u>
Valuation gains on investment properties	8(a)	347,451 <u>46,448</u>	300,798 <u>613,830</u>
Share of profit of an associate		393,899 <u>47,939</u>	914,628 <u>19,684</u>
<b>Profit before taxation</b>	5	441,838	934,312
Income tax	6	<u>(59,280)</u>	<u>(63,276)</u>
<b>Profit for the period</b>		<u>382,558</u>	<u>871,036</u>
<b>Attributable to:</b>			
Shareholders of the Company		382,097	870,635
Non-controlling interests		<u>461</u>	<u>401</u>
<b>Profit for the period</b>		<u>382,558</u>	<u>871,036</u>
<b>Basic and diluted earnings per share</b>	7(a)	<u>129.4 cents</u>	<u>294.8 cents</u>

The notes on pages 16 to 32 form part of this interim financial report. Details of dividends payable to shareholders of the Company are set out in note 13.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June			
		2014		2013	
		\$'000	\$'000	\$'000	\$'000
<b>Profit for the period</b>			382,558		871,036
			-----		-----
<b>Other comprehensive income for the period (after tax and reclassification adjustments):</b>					
Item that will not be reclassified to profit or loss:					
– Share of land and building revaluation reserve of an associate			–		1,318
Items that may be reclassified subsequently to profit or loss:					
– Foreign currency translation adjustments:					
– exchange differences on translation of financial statements of overseas subsidiaries			110,021		(260,919)
– share of exchange differences on translation of financial statements of an overseas associate			(1,308)		1,136
– release of the exchange reserve upon refund of investments in overseas subsidiaries	4		<u>(11,915)</u>		<u>(10,100)</u>
			96,798		(269,883)
– Share of cash flow hedge of an associate: net movement in the hedging reserve			2,227		4,477
– Available-for-sale securities: changes in fair value recognised during the period			<u>(450)</u>		<u>–</u>
<b>Other comprehensive income for the period</b>			<u>98,575</u>		<u>(264,088)</u>
<b>Total comprehensive income for the period</b>			<u>481,133</u>		<u>606,948</u>
<b>Attributable to:</b>					
Shareholders of the Company			480,687		606,530
Non-controlling interests			<u>446</u>		<u>418</u>
<b>Total comprehensive income for the period</b>			<u>481,133</u>		<u>606,948</u>

The notes on pages 16 to 32 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014 – unaudited  
(Expressed in Hong Kong dollars)

		At 30 June 2014 \$'000	At 31 December 2013 \$'000
<b>Non-current assets</b>			
Fixed assets	8		
– Investment properties		11,186,238	11,006,024
– Other property, plant and equipment		482,189	496,168
		11,668,427	11,502,192
Goodwill		–	1,178
Interest in an associate	9	976,899	928,041
Available-for-sale securities		21,618	22,068
Deferred tax assets		7,050	8,284
		12,673,994	12,461,763
<b>Current assets</b>			
Trading securities		329,991	339,766
Inventories		103,045	114,296
Debtors, deposits and prepayments	10	82,301	54,079
Loans to an associate	9	19,348	19,361
Amounts due from fellow subsidiaries		25,451	4,767
Current tax recoverable		21	70
Cash and cash equivalents	11	2,083,591	2,054,702
		2,643,748	2,587,041
<b>Current liabilities</b>			
Creditors and accrued charges	12	374,312	420,427
Secured bank loan		394,521	395,309
Amounts due to fellow subsidiaries		2,714	2,909
Current tax payable		53,866	35,827
		825,413	854,472
<b>Net current assets</b>		1,818,335	1,732,569
<b>Total assets less current liabilities carried forward</b>		14,492,329	14,194,332

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014 – unaudited  
(Continued)  
(Expressed in Hong Kong dollars)

	At <b>30 June</b> <b>2014</b> \$'000	At <b>31 December</b> <b>2013</b> \$'000
<b>Total assets less current liabilities brought forward</b>	14,492,329	14,194,332
<b>Non-current liabilities</b>		
Deferred tax liabilities	<u>431,712</u>	<u>411,094</u>
<b>NET ASSETS</b>	<u>14,060,617</u>	<u>13,783,238</u>
<b>Capital and reserves</b>		
Share capital	29,530	29,530
Reserves	<u>14,009,947</u>	<u>13,733,014</u>
<b>Total equity attributable to shareholders of the Company</b>	14,039,477	13,762,544
<b>Non-controlling interests</b>	<u>21,140</u>	<u>20,694</u>
<b>TOTAL EQUITY</b>	<u>14,060,617</u>	<u>13,783,238</u>

The notes on pages 16 to 32 form part of this interim financial report.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014 – unaudited

(Expressed in Hong Kong dollars)

		Attributable to shareholders of the Company										
		Share capital	Land and building revaluation reserve	Investment revaluation reserve	Exchange reserve	Hedging reserve	Contributed surplus	General reserve fund	Retained earnings (Note)	Total	Non-controlling interests	Total equity
Note		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 January 2014</b>		29,530	274,692	10,290	250,468	(9,338)	754,347	612	12,451,943	13,762,544	20,694	13,783,238
<b>Changes in equity for the six months ended 30 June 2014:</b>												
	Profit for the period	-	-	-	-	-	-	-	382,097	382,097	461	382,558
	Other comprehensive income for the period	-	-	(450)	96,813	2,227	-	-	-	98,590	(15)	98,575
	Total comprehensive income for the period	-	-	(450)	96,813	2,227	-	-	382,097	480,687	446	481,133
	Dividends approved in respect of the previous year	13(b) -	-	-	-	-	-	-	(203,754)	(203,754)	-	(203,754)
		-	-	(450)	96,813	2,227	-	-	178,343	276,933	446	277,379
	<b>Balance at 30 June 2014</b>	<u>29,530</u>	<u>274,692</u>	<u>9,840</u>	<u>347,281</u>	<u>(7,111)</u>	<u>754,347</u>	<u>612</u>	<u>12,630,286</u>	<u>14,039,477</u>	<u>21,140</u>	<u>14,060,617</u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014 – unaudited

(Continued)

(Expressed in Hong Kong dollars)

		Attributable to shareholders of the Company										
		Share capital	Land and building revaluation reserve	Investment revaluation reserve	Exchange reserve	Hedging reserve	Contributed surplus	General reserve fund	Retained earnings (Note)	Total	Non-controlling interests	Total equity
Note		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	<b>Balance at 1 January 2013</b>	29,530	271,419	11,350	573,794	(16,094)	754,347	283	11,449,523	13,074,152	19,161	13,093,313
	<b>Changes in equity for the six months ended 30 June 2013:</b>											
	Profit for the period	-	-	-	-	-	-	-	870,635	870,635	401	871,036
	Other comprehensive income for the period	-	1,318	-	(269,900)	4,477	-	-	-	(264,105)	17	(264,088)
	Total comprehensive income for the period	-	1,318	-	(269,900)	4,477	-	-	870,635	606,530	418	606,948
	Dividends approved in respect of the previous year	-	-	-	-	-	-	-	(218,518)	(218,518)	-	(218,518)
		-	1,318	-	(269,900)	4,477	-	-	652,117	388,012	418	388,430
	<b>Balance at 30 June 2013</b>	<u>29,530</u>	<u>272,737</u>	<u>11,350</u>	<u>303,894</u>	<u>(11,617)</u>	<u>754,347</u>	<u>283</u>	<u>12,101,640</u>	<u>13,462,164</u>	<u>19,579</u>	<u>13,481,743</u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014 – unaudited

(Continued)

(Expressed in Hong Kong dollars)

		Attributable to shareholders of the Company										
		Share capital	Land and building revaluation reserve	Investment revaluation reserve	Exchange reserve	Hedging reserve	Contributed surplus	General reserve fund	Retained earnings (Note)	Total	Non-controlling interests	Total equity
Note		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	<b>Balance at 1 July 2013</b>	29,530	272,737	11,350	303,894	(11,617)	754,347	283	12,101,640	13,462,164	19,579	13,481,743
	<b>Changes in equity for the six months ended 31 December 2013:</b>											
	Profit for the period	-	-	-	-	-	-	-	442,173	442,173	1,121	443,294
	Other comprehensive income for the period	-	1,955	(1,060)	(53,426)	2,279	-	-	-	(50,252)	(6)	(50,258)
	Total comprehensive income for the period	-	1,955	(1,060)	(53,426)	2,279	-	-	442,173	391,921	1,115	393,036
	Share of the general reserve fund of an associate: transfer to the general reserve fund	-	-	-	-	-	-	329	(329)	-	-	-
	Dividends declared and paid in respect of the current year 13(a)	-	-	-	-	-	-	-	(91,541)	(91,541)	-	(91,541)
		-	1,955	(1,060)	(53,426)	2,279	-	329	350,303	300,380	1,115	301,495
	<b>Balance at 31 December 2013</b>	<u>29,530</u>	<u>274,692</u>	<u>10,290</u>	<u>250,468</u>	<u>(9,338)</u>	<u>754,347</u>	<u>612</u>	<u>12,451,943</u>	<u>13,762,544</u>	<u>20,694</u>	<u>13,783,238</u>

Note: Retained earnings attributable to the shareholders of the Company as at 30 June 2014 include the aggregate net valuation gain relating to investment properties after deferred tax of \$8,314,608,000 (at 31 December 2013: \$8,269,672,000).

The notes on pages 16 to 32 form part of this interim financial report.



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014 – unaudited

(Expressed in Hong Kong dollars)

		<b>Six months ended 30 June</b>	
		<b>2014</b>	<b>2013</b>
	Note	\$'000	\$'000
<b>Cash generated from operations</b>		274,726	314,012
Tax paid		<u>(38,476)</u>	<u>(32,410)</u>
<b>Net cash generated from operating activities</b>		<u>236,250</u>	<u>281,602</u>
<b>Net cash generated from investing activities</b>		<u>13,564</u>	<u>9,290</u>
<b>Financing activities</b>			
Dividends paid to shareholders of the Company		(203,754)	(218,518)
Other cash flows arising from financing activities		<u>(30,565)</u>	<u>(35,622)</u>
<b>Net cash used in financing activities</b>		<u>(234,319)</u>	<u>(254,140)</u>
<b>Net increase in cash and cash equivalents</b>		15,495	36,752
<b>Cash and cash equivalents at 1 January</b>		2,054,702	1,939,075
<b>Effect of foreign exchange rate changes</b>		<u>13,394</u>	<u>(41,736)</u>
<b>Cash and cash equivalents at 30 June</b>	11	<u>2,083,591</u>	<u>1,934,091</u>

The notes on pages 16 to 32 form part of this interim financial report.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise stated)

## 1. Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 28 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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

The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2013 are available from the Stock Exchange’s website. The auditors have expressed an unqualified opinion on those financial statements in their independent auditor’s report dated 28 March 2014.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

## 2. Changes in accounting policies

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

- Amendments to HKAS 32, Offsetting financial assets and financial liabilities
- Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

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

### (a) Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

### (b) Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash-generating unit whose recoverable amount is based on fair value less costs of disposal. These amendments do not have an impact on the Group's interim financial report.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

## 3. Turnover and segment reporting

### (a) Turnover

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

The Group's turnover comprises the invoiced value of goods sold to customers less returns, net income from concession sales and income from property investment and is analysed by principal activities as follows:

	Six months ended 30 June	
	2014	2013
	\$'000	\$'000
Sale of goods	611,604	599,706
Net income from concession sales	<u>140,368</u>	<u>132,150</u>
Department stores	751,972	731,856
Property investment (note 5(c))	<u>219,944</u>	<u>218,186</u>
	<u><u>971,916</u></u>	<u><u>950,042</u></u>

### (b) Segment reporting

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

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

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

## 3. Turnover and segment reporting (continued)

### (b) Segment reporting (continued)

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

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

- Segment assets include all tangible, intangible assets and current assets with the exception of goodwill, interest in an associate, investments in financial assets, current tax recoverable, deferred tax assets and other corporate assets. Segment liabilities include trade and other creditors, accrued charges and bank borrowings managed directly by the segments.
- Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

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

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

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

	Department stores		Property investment		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	751,972	731,856	219,944	218,186	971,916	950,042
Inter-segment revenue	–	–	50,425	48,609	50,425	48,609
<b>Reportable segment revenue</b>	<u>751,972</u>	<u>731,856</u>	<u>270,369</u>	<u>266,795</u>	<u>1,022,341</u>	<u>998,651</u>
<b>Reportable segment profit</b>	<u>111,802</u>	<u>102,747</u>	<u>218,268</u>	<u>215,836</u>	<u>330,070</u>	<u>318,583</u>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

## 3. Turnover and segment reporting (continued)

### (b) Segment reporting (continued)

#### (i) Segment results, assets and liabilities (continued)

	Department stores		Property investment		Total	
	At	At	At	At	At	At
	30 June	31 December	30 June	31 December	30 June	31 December
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reportable segment assets	171,905	173,175	11,678,176	11,500,349	11,850,081	11,673,524
Additions to non-current segment assets during the period/year	3,725	7,945	5,395	27,648	9,120	35,593
Reportable segment liabilities	<u>280,563</u>	<u>329,798</u>	<u>458,852</u>	<u>458,103</u>	<u>739,415</u>	<u>787,901</u>

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

	Six months ended 30 June	
	2014	2013
	\$'000	\$'000
<b>Profit</b>		
Reportable segment profit derived from the Group's external customers	330,070	318,583
Other revenue	27,686	20,111
Other net gain/(loss)	22,138	(4,271)
Finance costs	(7,882)	(10,721)
Valuation gains on investment properties	46,448	613,830
Share of profit of an associate	47,939	19,684
Unallocated head office and corporate expenses	<u>(24,561)</u>	<u>(22,904)</u>
Consolidated profit before taxation	<u>441,838</u>	<u>934,312</u>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

## 3. Turnover and segment reporting (continued)

### (b) Segment reporting (continued)

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

	<b>At 30 June 2014 \$'000</b>	<b>At 31 December 2013 \$'000</b>
<b>Assets</b>		
Reportable segment assets	11,850,081	11,673,524
Elimination of inter-segment receivables	(4,101)	(4,644)
	11,845,980	11,668,880
Goodwill	–	1,178
Interest in an associate	976,899	928,041
Available-for-sale securities	21,618	22,068
Deferred tax assets	7,050	8,284
Trading securities	329,991	339,766
Loans to an associate	19,348	19,361
Current tax recoverable	21	70
Unallocated head office and corporate assets	2,116,835	2,061,156
	15,317,742	15,048,804
<b>Liabilities</b>		
Reportable segment liabilities	739,415	787,901
Elimination of inter-segment payables	(4,101)	(4,644)
	735,314	783,257
Current tax payable	53,866	35,827
Deferred tax liabilities	431,712	411,094
Unallocated head office and corporate liabilities	36,233	35,388
	1,257,125	1,265,566

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

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

	Six months ended 30 June	
	2014	2013
	\$'000	\$'000
<b>Other revenue</b>		
Interest income from		
– bank deposits	15,588	12,209
– trading securities	548	578
Dividend income from		
– listed securities	6,810	4,864
– unlisted securities	430	465
Forfeiture of unclaimed dividends	3,454	1,212
Others	856	783
	<u>27,686</u>	<u>20,111</u>
<b>Other net gain/(loss)</b>		
Net gain/(loss) on remeasurement to fair value of		
– trading securities	5,782	(9,508)
– derivative financial instruments	111	–
Net realised gain/(loss) on disposal of		
– trading securities	4,458	1,002
– derivative financial instruments	954	(4,220)
Release of the exchange reserve upon refund of investments in overseas subsidiaries	11,915	10,100
Net foreign exchange loss	(1,089)	(1,662)
Net gain on disposal of other fixed assets	7	17
	<u>22,138</u>	<u>(4,271)</u>



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

## 5. Profit before taxation

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

	Six months ended 30 June	
	2014	2013
	\$'000	\$'000
<b>(a) Finance costs</b>		
Interest on bank loan repayable within five years	<u>7,882</u>	<u>10,721</u>
<b>(b) Staff costs (excluding directors' remuneration)</b>		
Contributions to defined contribution retirement plans	6,139	5,992
Salaries, wages and other benefits	<u>105,437</u>	<u>101,401</u>
	<u>111,576</u>	<u>107,393</u>
<b>(c) Rentals received and receivable from investment properties</b>		
Gross rentals (note 3(a))	(219,944)	(218,186)
Less: direct outgoings	<u>34,913</u>	<u>33,460</u>
	<u>(185,031)</u>	<u>(184,726)</u>
<b>(d) Other items</b>		
Depreciation and amortisation		
– owned assets	17,777	18,547
– lease incentives	6,678	7,254
Goodwill written off	1,178	–
Impairment losses on trade and other debtors recognised	4	9
Operating lease charges		
– minimum lease payments for hire of land and buildings	21,978	21,381
– contingent rentals for hire of land and buildings	713	816
Cost of inventories sold	<u>417,591</u>	<u>411,938</u>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

## 6. Income tax in the consolidated statement of profit or loss

	Six months ended 30 June	
	2014	2013
	\$'000	\$'000
<b>Current tax – Hong Kong Profits Tax</b>		
Provision for the period	39,930	36,071
<b>Current tax – Overseas</b>		
Provision for the period	16,033	15,726
<b>Deferred tax</b>		
Origination and reversal of temporary differences		
– changes in fair value of investment properties	1,512	8,533
– other temporary differences	1,805	2,946
	3,317	11,479
<b>Total income tax expense</b>	<b>59,280</b>	<b>63,276</b>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the six months ended 30 June 2014. Taxation for overseas subsidiaries is charged similarly at the appropriate current rates of taxation ruling in the relevant countries.

## 7. Basic and diluted earnings per share

- (a) The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of the Company for the six months ended 30 June 2014 of \$382,097,000 (six months ended 30 June 2013: \$870,635,000) divided by 295,295,000 shares (2013: 295,295,000 shares) in issue during the interim period.

There were no outstanding potential shares throughout the periods presented.

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

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

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

## 7. Basic and diluted earnings per share (continued)

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

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

	Six months ended 30 June			
	2014		2013	
	\$'000	Amount per share cents	\$'000	Amount per share cents
Profit attributable to shareholders of the Company as shown in the consolidated statement of profit or loss	382,097	129.4	870,635	294.8
Adjustments:				
– valuation gains on investment properties	(46,448)	(15.7)	(613,830)	(207.9)
– increase in deferred tax liabilities in relation to the valuation gains on investment properties	1,512	0.5	8,533	2.9
	<u>1,512</u>	<u>0.5</u>	<u>8,533</u>	<u>2.9</u>
Underlying profit attributable to shareholders of the Company	<u>337,161</u>	<u>114.2</u>	<u>265,338</u>	<u>89.8</u>

## 8. Fixed assets

- (a) Investment properties were revalued as at 30 June 2014 by the directors using relevant market indices to update the professional valuations that were carried out as at 31 December 2013. As a result of the update, valuation gains of \$46,448,000 (six months ended 30 June 2013: \$613,830,000) and deferred tax of \$1,512,000 (six months ended 30 June 2013: \$8,533,000) thereon have been included in the consolidated statement of profit or loss.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

## 8. Fixed assets (continued)

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

	At 30 June 2014 \$'000	At 31 December 2013 \$'000
Within one year	295,788	330,926
After one year but within five years	494,559	527,611
After five years	29,746	34,272
	<u>820,093</u>	<u>892,809</u>

## 9. Interest in an associate

	At 30 June 2014 \$'000	At 31 December 2013 \$'000
<b>Unlisted shares</b>		
Share of net assets other than goodwill and intangible assets	555,593	612,304
Share of goodwill and intangible assets of an associate	412,306	315,737
	<u>976,899</u>	<u>928,041</u>

The loans to an associate of \$19,348,000 (at 31 December 2013: \$19,361,000) are unsecured, interest-free and have no fixed repayment terms.

On 15 June 2014, the associate of the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire interest in one of its subsidiaries ("the disposal group"). The associate will have no remaining interest in the disposal group after the transaction. The sale and purchase is expected to be completed on 1 October 2014. The directors anticipate there will be a material gain on disposal in the second half of 2014. The amount of gain to be recognised will only be finalised upon completion.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

## 10. Debtors, deposits and prepayments

	<b>At 30 June 2014 \$'000</b>	<b>At 31 December 2013 \$'000</b>
Trade and other debtors	26,364	25,888
Less: allowance for doubtful debts	<u>(25)</u>	<u>(21)</u>
	26,339	25,867
Deposits and prepayments	<u>55,962</u>	<u>28,212</u>
	<u><u>82,301</u></u>	<u><u>54,079</u></u>

All debtors, deposits and prepayments of the Group, apart from certain rental deposits and prepayments totalling \$18,546,000 (at 31 December 2013: \$20,081,000), are expected to be recovered or recognised as an expense within one year.

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

	<b>At 30 June 2014 \$'000</b>	<b>At 31 December 2013 \$'000</b>
Current or less than one month past due	25,405	24,956
One to three months past due	679	611
More than three months but less than twelve months past due	144	207
More than twelve months past due	<u>111</u>	<u>93</u>
	<u><u>26,339</u></u>	<u><u>25,867</u></u>

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

## 11. Cash and cash equivalents

	<b>At 30 June 2014 \$'000</b>	<b>At 31 December 2013 \$'000</b>
Cash at bank and in hand	183,054	94,697
Bank deposits	<u>1,900,537</u>	<u>1,960,005</u>
	<u><u>2,083,591</u></u>	<u><u>2,054,702</u></u>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

## 12. Creditors and accrued charges

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

	<b>At 30 June 2014 \$'000</b>	<b>At 31 December 2013 \$'000</b>
Amounts not yet due	285,732	313,461
On demand or less than one month overdue	47,226	60,386
One to three months overdue	1,752	1,552
Three to twelve months overdue	509	632
More than twelve months overdue	<u>1,516</u>	<u>1,258</u>
Trade and other creditors	336,735	377,289
Accrued charges	<u>37,577</u>	<u>43,138</u>
	<u><u>374,312</u></u>	<u><u>420,427</u></u>

All creditors and accrued charges of the Group, apart from certain rental deposits received and accrued charges totalling \$16,048,000 (at 31 December 2013: \$18,917,000), are expected to be settled or recognised as income within one year or are repayable on demand.

## 13. Dividends

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	\$'000	\$'000
Interim dividend declared and payable after the interim period of 39 cents (2013: 31 cents) per share	<u>115,165</u>	<u>91,541</u>

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

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

## 13. Dividends (continued)

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

	Six months ended 30 June	
	2014	2013
	\$'000	\$'000
Final dividend in respect of the financial year ended 31 December 2013 of 69 cents (31 December 2012: 74 cents) per share payable during the following interim period	<u>203,754</u>	<u>218,518</u>

## 14. Fair value measurement of financial instruments

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

- (i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

## 14. Fair value measurement of financial instruments (continued)

### (a) Financial assets and liabilities measured at fair value (continued)

#### (i) Fair value hierarchy (continued)

	Fair value at 30 June 2014 \$'000	Fair value measurements as at 30 June 2014 categorised into		Fair value at 31 December 2013 \$'000	Fair value measurements as at 31 December 2013 categorised into	
		Level 1	Level 2		Level 1	Level 2
		\$'000	\$'000		\$'000	\$'000
<b>Recurring fair value measurements</b>						
Financial assets						
- Unlisted available-for-sale securities	10,050	-	10,050	10,500	-	10,500
- Trading securities	329,991	279,315	50,676	339,766	293,880	45,886

During the six months ended 30 June 2014, there were no transfers between financial instruments in different levels (2013: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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

The trading securities in Level 2 represent unlisted but quoted debt securities and investment funds. The fair value of these debt securities is determined by discounting a projected cash flow series associated with these debt securities using market related discount rates. The fair value of these investment funds is determined by reference to quoted price in active market of the listed securities comprising the fund portfolio being valued, adjusted for factors unique to the funds being valued.

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



# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

## 14. Fair value measurement of financial instruments (continued)

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2014 and 31 December 2013 except for the unlisted equity securities of \$11,568,000 (at 31 December 2013: \$11,568,000), which do not have a quoted price in an active market and therefore their fair values cannot be reliably measured. These unlisted equity securities are stated at cost at the end of the reporting period.

## 15. Capital commitments

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

	At 30 June 2014 \$'000	At 31 December 2013 \$'000
Authorised and contracted for	13,690	24,355
Authorised but not contracted for	281	9,629
	<u>13,971</u>	<u>33,984</u>

## 16. Material related party transactions

### (a) Key management personnel remuneration

Remuneration for key management personnel of the Group for the six months ended 30 June 2014 was as follows:

	Six months ended 30 June	
	2014 \$'000	2013 \$'000
Salaries and other short-term employee benefits	26,677	28,847
Contributions to defined contribution retirement plans	530	507
	<u>27,207</u>	<u>29,354</u>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Continued)

(Expressed in Hong Kong dollars unless otherwise stated)

## 16. Material related party transactions (continued)

### (b) Financing arrangements

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

### (c) Recurring transactions

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

- (i) A fellow subsidiary rents retail premises to a subsidiary of the Group. Rental and management fees payable to this fellow subsidiary amounted to \$12,263,000 (2013: \$12,264,000) during the period. The amount due from the fellow subsidiary as at 30 June 2014 amounted to \$2,041,000 (at 31 December 2013: \$2,041,000).
- (ii) A subsidiary of the Group rents office premises to a fellow subsidiary. Rental and management fees receivable from this fellow subsidiary amounted to \$2,472,000 (2013: \$2,416,000) during the period. The amount due to the fellow subsidiary as at 30 June 2014 amounted to \$1,294,000 (at 31 December 2013: \$1,171,000).
- (iii) A fellow subsidiary, engaged in securities trading, deals in securities for certain subsidiaries of the Group. Commission of \$98,000 (2013: \$25,000) was payable to this fellow subsidiary during the period. The amount due from the fellow subsidiary as at 30 June 2014 amounted to \$23,410,000 (at 31 December 2013: \$2,726,000).
- (iv) A subsidiary of the Group provides building and tenancy management services to a fellow subsidiary. Building and tenancy management fees receivable from this fellow subsidiary amounted to \$456,000 (2013: \$456,000) during the period. The amount due to the fellow subsidiary as at 30 June 2014 amounted to \$1,420,000 (at 31 December 2013: \$1,738,000).

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

## 17. Approval of the interim financial report

The interim financial report was approved by the Board of Directors on 28 August 2014.

## SUPPLEMENTARY INFORMATION

### CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions in the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the six months ended 30 June 2014.

### DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its code of conduct regarding directors’ securities transactions. The Company has made specific enquiries of all directors and all directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2014.

### DIRECTORS’ INTERESTS IN SHARES

As at 30 June 2014, the interests and short positions of the directors in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under section 352 of the SFO were as follows:

#### (a) The Company

Name of Director	Personal interests (held as beneficial owner)	Number of ordinary shares held			Total interests	Total interests as a % of the issued share capital
		Family interests (interests of spouse)	Corporate interests (interests of controlled corporation)	Other interests		
Karl C. Kwok	320,710	–	–	–	320,710	0.109
Lester Kwok	489,140	–	–	–	489,140	0.166
Bill Kwok	798,388	295,000	255,000 (Note 1)	–	1,348,388	0.457
Mark Kwok	397,000	–	10,000 (Note 2)	–	407,000	0.138
Leung Wing Ning	10,000	–	–	–	10,000	0.003

Notes:

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

## SUPPLEMENTARY INFORMATION

(Continued)

### DIRECTORS' INTERESTS IN SHARES (continued)

#### (b) Kee Wai Investment Company (BVI) Limited

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

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

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

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

## SUPPLEMENTARY INFORMATION

(Continued)

### DIRECTORS' INTERESTS IN SHARES (continued)

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

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

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, according to the information available to the Company, the following companies were interested in 5% or more of the issued share capital of the Company as recorded in the register required to be kept under section 336 of the SFO:

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

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

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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