Wing On NETshop: www.wingonet.com

WING ON COMPANY INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

stock code: 289

永安

Annual Report 2014

WING ON

2014

CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-fourth 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 Tuesday, 2 June 2015 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 2014.

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

Special Business (Continued)

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

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

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

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

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

"That the general mandate granted to the Directors to issue and dispose of additional shares pursuant to Ordinary Resolution set out in item 6 of the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company bought back 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, 24 April 2015

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

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

Notes:

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

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

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

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

(5) For determining eligibility to attend and vote at the above meeting, the Register of Members will be closed from Wednesday, 27 May 2015 to Tuesday, 2 June 2015 (Hong Kong time), both dates inclusive, during which period no Share transfers can be registered. In order to be eligible to attend and vote at the above meeting, 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, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:00 p.m. on Tuesday, 26 May 2015 (Hong Kong time).

(6) Subject to the approval of members of the proposed final dividend at the above meeting, the Register of Members will be closed from Tuesday, 9 June 2015 to Friday, 12 June 2015 (Hong Kong time), both dates inclusive, during which period no Share transfers can be registered. 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, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:00 p.m. on Monday, 8 June 2015 (Hong Kong time).

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

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

(9) An explanatory statement containing information regarding items 3, 7 and 8 above will be sent to members together with the Company's Annual Report 2014.

(10) If typhoon signal no. 8 or above or a black rainstorm warning signal is in effect any time after 8:00 a.m. on the date of the meeting, the meeting will be postponed. Members are requested to visit the website of the Company for details of alternative meeting arrangements.

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, FHKIoD, FHKSI
Mr. Leung Wing Ning

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE INFORMATION
(Continued)

AUDITOR

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

SECRETARY

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

REGISTERED OFFICE

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

PRINCIPAL OFFICE

7th Floor, Wing On Centre,
211 Des Voeux Road Central,
Hong Kong.
website: www.wingonet.com

SHARE REGISTRARS

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

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street,
Hamilton HM 11,
Bermuda.

CORPORATE INFORMATION
(Continued)

Biography of Directors

Mr. Karl C. Kwok, MH, Chairman, Member of the Remuneration Committee and the Nomination Committee
He, aged 66, 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, a member of Task Force on Water-land Interface of the Harbourfront Commission, a Council Member of International 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 64, 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 62, was educated at Stanford University and the University of Chicago where he obtained undergraduate degrees and a Ph.D. respectively. 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 is a member on the Investigation Panel A of the Hong Kong Institute of Certified Public Accountants and a member of the Committee on Real Estate Investment Trusts of the Securities and Futures Commission. He served as a member of the New Business Committee under the Financial Services Development Council from 2013-2015. He is a past Chairman and a fellow of Hong Kong Securities and Investment Institute. He is a brother of the Chairman.

Biography of Directors (Continued)

Mr. Mark Kwok, Executive Director
He, aged 60, 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 and 12th National People's Congress of the People's Republic of China in 2008 and 2012. He is currently a member of Fish Marketing Advisory Board. 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, GBM, GBS, J.P., Independent Non-executive Director and Member of the Audit Committee
She, aged 69, 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, Tong Ren Tang Technologies Company Limited and Macau Legend Development Limited, all are listed on The Stock Exchange of Hong Kong Limited. She retired as an Independent Non-executive Director of Titan Petrochemicals Group Limited, which is listed on The Stock Exchange of Hong Kong Limited, on 29 June 2012. She is a member of the Operations Review Committee and the Witness Protection Review Board of the Independent Commission Against Corruption (from January 2010 to December 2014). She is currently the Chairman of the Operations Review Committee, the member of the Witness Protection Review Board and the Ex-officio member of the Advisory Committee on Corruption of the ICAC (effective from January 2015). 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, Member of the Remuneration Committee and the Nomination Committee
He, aged 74, 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, FHKIoD, FHKSI, Independent Non-executive Director and Chairman of the Audit Committee
He, aged 74, joined KPMG in Hong Kong in 1964 and was elected to its partnership in 1971. He was the Senior Partner of KPMG from 1991 until his retirement in 1996 and served as Chairman of KPMG Asia Pacific from 1993 to 1997. Since 1964, he has been a member of the Institute of Chartered Accountants of Scotland, and is a fellow of the Hong Kong Institute of Certified Public Accountants, with over 50 years of international experience in accounting and consulting. He is also a fellow of The Hong Kong Institute of Directors, and a fellow of the Hong Kong Securities and Investment Institute with effect from 27 November 2014. He is the Chairman of KCS Limited, and is an Independent Non-executive Director of Citibank (Hong Kong) Limited and MSIG Insurance (Hong Kong) Limited. He is currently an Independent Non-Executive Director of Goodbaby International Holdings Limited, Louis XIII Holdings Limited (formerly known as Paul Y. Engineering Group Limited), Sands China Ltd. and Tencent Holdings Limited, all are listed on The Stock Exchange of Hong Kong Limited. He is also an Independent Non-Executive Director of Noble Group Limited, a company whose shares are listed on The Singapore Exchange Securities Trading Limited, and Yingli Green Energy Holding Company Limited, a company whose shares are traded on the New York Stock Exchange. He was also an Independent Non-executive Director of Vitasoy International Holdings Limited and retired from that company's board on 4 September 2014. He was appointed Independent Non-executive Director of the Company in September 2002.

Mr. Leung Wing Ning, Independent Non-executive Director, Member of the Audit Committee, Chairman of the Remuneration Committee and the Nomination Committee
He, aged 67, 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.

CORPORATE INFORMATION
(Continued)

Biography of senior managers

Mr. Benny Chan
He, aged 56, 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 58, 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 58, 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

2014 RESULTS AND DIVIDEND

For the year ended 31 December 2014, the Group's turnover increased by 1.9% to HK$1,964.6 million (2013: HK$1,928.9 million). The increase was attributable mainly to the slight 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$1,274.5 million (2013: HK$1,312.8 million), a slight decrease of 2.9%. The decrease was due mainly to the decrease in the valuation gains on investment properties by HK$429.8 million to HK$350.3 million (2013: HK$780.1 million); offset by the Group's share of the exceptional gain from an associate of HK$373.9 million on disposal of its entire interest in a subsidiary which is engaged in automobile dealerships and related business in the United States. Excluding the non-cash valuation gains on investment properties and related deferred tax thereon, the Group's underlying profit attributable to shareholders increased by 77.0% to HK$996.7 million (2013: HK$563.1 million) due mainly to the aforesaid share of the associate's gain.

Earnings per share was 431.6 HK cents per share in 2014 (2013: 444.6 HK cents per share). Excluding the valuation gains on investment properties and related deferred tax thereon, underlying earnings per share for the year increased by 77.0% to 337.6 HK cents (2013: 190.7 HK cents) per share.

The Company has a practice of paying dividends to shareholders based on the amount of underlying profit attributable to shareholders for the year and makes no reference to any valuation gain or loss on investment properties. Over the last decade, the Company has consistently paid to shareholders annual dividends of about 50% of the underlying profit for each of those years. Barring unforeseen circumstances or any major funding needs, the Company intends to maintain such dividend practice. In respect of 2014, the directors have recommended a final dividend of 138 HK cents (2013: 69 HK cents) per share payable to shareholders on the Register of Members on 12 June 2015 (Hong Kong time) which, together with the interim dividend of 39 HK cents (2013: 31 HK cents) per share paid on 17 October 2014 (Hong Kong time) makes a total payment of 177 HK cents (2013: 100 HK cents) per share for the whole year.

Subject to the approval of shareholders of the proposed final dividend at the forthcoming Annual General Meeting to be held on 2 June 2015, the Register of Members will be closed from Tuesday, 9 June 2015 to Friday, 12 June 2015 (Hong Kong time), both dates inclusive, during which period no share transfers can be registered. To qualify for the final 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, 8 June 2015 (Hong Kong time). Dividend warrants will be sent to shareholders on 22 June 2015 (Hong Kong time).

BUSINESS STRATEGY

The Group's current business strategy is to focus on the operation of its department stores business and the enhancement of rental income from its commercial property investments. These are the Group's core businesses and the primary profit contributors. With Wing On Department Stores being a household name and having a presence of over 100 years in Hong Kong, its management is well aware of and adapts timely to the ever changing needs of its discerning customers. The Group is confident that its department stores will continue to serve its customers well. In addition to its core business activities, the Group also engages in securities investments mainly in listed blue chip shares. With its sound financials, the Group will continue to strengthen its core business activities and look for opportunities to expand its business and to improve its earnings.

LIQUIDITY AND FINANCIAL RESOURCES

Overall Financial Position

Shareholders' equity at 31 December 2014 was HK$14,534.2 million, an increase of 5.6% as compared to that at 31 December 2013. With cash and listed marketable securities at 31 December 2014 of about HK$3,638.5 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 2014, the Group's total borrowings amounted to HK$321.6 million, a decrease of about HK$73.7 million, due to partial repayments and exchange differences, as compared to that at 31 December 2013. The Group's total borrowings of HK$321.6 million relate to a mortgage loan for Australian investment properties. The mortgage loan was renewed in November 2014 for three years to November 2017; the bulk of which will be repayable by the end of 2017. Certain assets, comprising principally property interests with a book value of HK$2,413.1 million, have been pledged to banks as collateral security for banking facilities granted to the extent of HK$322.8 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 31 December 2014, was 2.2% as compared with 2.9% at 31 December 2013.

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

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$2,108.1 million at 31 December 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 31 December 2014, the total amount of the Group's capital expenditure commitments was HK$10.0 million (at 31 December 2013: HK$34.0 million). As at 31 December 2014, the Group had no contingent liability (at 31 December 2013: HK$ nil).

BUSINESS REVIEW

Department Store Operations

The retail market on the whole gradually slowed down in 2014 due to noticeable decline in consumer spending. This situation was further worsened by the occupy central disturbances in the last quarter of the year. Hence, the Group's department store operations in Hong Kong achieved merely a 2.1% increase in turnover to HK$1,521.9 million (2013: HK$1,490.8 million). Nevertheless, the Group managed to achieve a 3.9% increase in operating profit from its department store operations to HK$232.8 million (2013: HK$224.0 million) for the year ended 31 December 2014 due to its better efforts in improving gross margins while keeping the department stores' overheads in check.

As published in the Company's announcement dated 26 February 2015, the Group had been informed by the landlord of its department store at Cityplaza, Taikoo Shing (the "Taikoo Shing Store") that the landlord was unwilling to extend or renew the current lease of the Taikoo Shing Store and required the Group to vacate the premises upon the expiry of the existing lease in August 2015. For the year ended 31 December 2014, the revenue and profit contribution attributable to the Taikoo Shing Store was 9.4% and below 1%, respectively, of the Group's total revenue and profit attributable to shareholders. Having regard to the revenue and profit generated from the Taikoo Shing Store, the Group expects that the closure of the store will not have a material impact on the financial results of the Group as a whole. Upon closure of the Taikoo Shing Store, the Company will redeploy all affected employees to the Group's other stores and operations. Measures will also be taken to alleviate disruptions to our customers caused by the closure of the Taikoo Shing Store.

BUSINESS REVIEW (Continued)

Property Investments

For the year ended 31 December 2014, the Group's property investment income amounted to HK$434.1 million (2013: HK$433.8 million). In the year under review, the Group achieved a 4.3% increase in rental income from its commercial investment properties in Hong Kong to HK$281.3 million (2013: HK$269.8 million) while the overall occupancy rate was about 90%. Income from the commercial office properties in Melbourne dropped by 8.2% to HK$143.8 million (2013: HK$156.6 million). The decrease was largely due to the weak Australian dollar as income is translated back to the Hong Kong dollar for reporting purposes. The overall occupancy rate of the Group's investment properties in Melbourne was above 95%.

Automobile Dealership Business

On 15 June 2014, the Group's associate, DCH Auto Group (USA) Limited, 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. All conditions precedent have since been satisfied and completion of the disposal took place on 2 October 2014 with the final consideration agreed at US$327.4 million on 16 February 2015. Following the completion of the disposal, the Group has no remaining interest in DCH Auto Group (USA) Inc.. Details of the disposal were published in the announcements made by the Company dated 15 June 2014, 2 October 2014 and 16 February 2015. The actual gain that the Group has realised from the disposal, after expenses and associated costs, was HK$373.9 million.

The Group recorded a share of after tax profit of HK$65.0 million from the associate's automobile dealership operations in the United States for the nine months ended 30 September 2014 before the completion of the disposal while a share of after tax profit of HK$31.4 million was recorded for the year ended 31 December 2013.

Following the disposal of its automobile dealership interest in the United States, the associate will focus its efforts on the development of its automobile dealership business in the People's Republic of China (the "PRC"), which are currently operated by the associate's 51% owned joint venture ("JV"). During the year under review, the JV's automobile dealership operations in the PRC continued to operate under difficult business environment due to the slower economic growth in the PRC, excess new vehicle supply from automakers and fierce competition among dealers. The Group's share of loss from the associate's automobile dealership operations in the PRC for the year ended 31 December 2014 was HK$15.5 million (2013: HK$8.3 million).

Overall, the Group's share of after tax profit from the associate for the year ended 31 December 2014 was HK$435.1 million (2013: HK$34.8 million).

Others

The Group's investments in securities recorded a gain of HK$ 32.4 million (2013: HK$8.0 million) in the year under review. The Group recorded a net foreign exchange loss of HK$8.4 million (2013: a gain of HK$4.2 million) in its holdings of foreign currencies and also recognised a foreign exchange gain of HK$11.9 million (2013: HK$10.1 million) upon the refund of investments from subsidiaries in Australia.

STAFF

As at 31 December 2014, the Group had a total staff of 835 (2013: 842). The staff costs (excluding directors' remuneration) amounted to approximately HK$219.7 million (2013: HK$212.2 million). The Group provides employee benefits such as staff insurance, staff discount on purchases, a housing scheme, the Mandatory Provident Fund ("MPF") Scheme and MPF exempted defined contribution retirement schemes. Discretionary management bonuses are granted to senior managers and preferential staff loans for defined purposes are offered to managerial staff.

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

OUTLOOK FOR 2015

The retailing environment of Hong Kong in 2015 will remain difficult due to the anticipated continual decline in consumer spending and increasing operating costs. Barring further severe downturn in consumer spending or major social disturbances in 2015, our department stores business is expected to continue to contribute profits to the Group. Its management team will further optimize the merchandise mix and enhance the online shopping service to our customers. The Group's investment properties in Hong Kong and Australia will continue to provide stable rental income. With its sound financial position and adequate cash resources, the Group will actively look for further investments when good opportunities arise.

On behalf of the Board, I would like to thank our management and staff for their efforts in 2014 and our shareholders for their continuing support.

Karl C. Kwok
Chairman

Hong Kong, 30 March 2015

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 2014.

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 2014 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 36 to 123.

An interim dividend of 39 HK cents (2013: 31 HK cents) per share was paid on 17 October 2014 (Hong Kong time). The directors now recommend that a final dividend of 138 HK cents (2013: 69 HK cents) per share in respect of the year ended 31 December 2014 be payable to shareholders on the Register of Members on 12 June 2015 (Hong Kong time). Dividend warrants will be sent to shareholders on 22 June 2015 (Hong Kong time).

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

RESERVES

Movements in reserves during the year are set out on pages 41 and 42.

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 32.

CHARITABLE DONATIONS

Donations made by the Group during the year amounted to HK$111,000 (2013: HK$5,500).

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out on pages 121 and 122.

FIXED ASSETS

Movements in fixed assets during the year are set out in Note 13 to the financial statements.

INVESTMENT PROPERTIES

Details of the Group's investment properties are set out on page 33.

BORROWINGS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

DEFINED CONTRIBUTION RETIREMENT PLANS

Particulars of defined contribution retirement plans of the Group are set out in Note 12 to the financial statements.

DIRECTORS

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

Mr. Karl C. Kwok, MH (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)
Miss Maria Tam Wai Chu, GBM, GBS, J.P. (Independent Non-executive Director)
Mr. Ignatius Wan Chiu Wong, LL.B. (Independent Non-executive Director)
Mr. Iain Ferguson Bruce, CA, FCPA, FHKIoD, FHKSI (Independent Non-executive Director)
Mr. Leung Wing Ning (Independent Non-executive Director)

Mr. Karl C. Kwok and Mr. Iain Ferguson Bruce shall retire from the Board at the forthcoming Annual General Meeting and, being eligible, have offered themselves for re-election. Mr. Karl C. Kwok and Mr. Iain Ferguson Bruce will be proposed to be re-elected for a fixed term of three years until the 2018 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 7, 8 and 5(b) to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Details of the continuing connected transactions and related party transactions are set out in "Continuing Connected Transactions" on pages 30 and 31 and in Note 28 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 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

	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 (2011) 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 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.

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, 30 March 2015

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

The Company and the Board are committed to achieving and maintaining high standard of corporate governance. The Company has applied the principles and complied with the applicable code provisions in the Corporate Governance Code (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the financial year ended 31 December 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 financial year ended 31 December 2014.

BOARD OF DIRECTORS

The Board currently comprises eight directors, including the Chairman (who is also an executive director), the Deputy Chairman (who is also the chief executive officer and an executive director), one executive director, one non-executive director and four independent non-executive directors (one of whom is a chartered accountant). The names and biographies of the directors and relationship between members of the Board are set out on pages 6 to 8.

Mr. Karl C. Kwok (chairman), Mr. Lester Kwok (deputy chairman and chief executive officer), Mr. Mark Kwok (executive director), and Dr. Bill Kwok (non-executive director) are brothers.

BOARD OF DIRECTORS (Continued)

The Board meets regularly to review and approve the financial statements, including the quarterly, half-yearly and annual financial statements, of the Group. Seven Board meetings, convened by due notice together with agenda and accompanying board papers to all directors, were held during the financial year ended 31 December 2014. The attendance of each director at the Board meetings and Annual General Meeting during the financial year ended 31 December 2014 is set out in the table below:

	Board meetings attended/held	Annual General Meeting attended/held
Executive Directors		
Mr. Karl C. Kwok (Chairman)	7/7	1/1
Mr. Lester Kwok (Deputy Chairman and Chief Executive Officer)	7/7	1/1
Mr. Mark Kwok	7/7	1/1
Non-executive Director		
Dr. Bill Kwok	7/7	1/1
Independent Non-executive Directors		
Miss Maria Tam Wai Chu	6/7	0/1
Mr. Ignatius Wan Chiu Wong	7/7	1/1
Mr. Iain Ferguson Bruce	7/7	1/1
Mr. Leung Wing Ning	7/7	1/1

The 2014 Annual General Meeting ("AGM") was held on 27 May 2014, where all the directors, including the Chairman of the Board, the Chairman of each of the Audit Committee, Remuneration Committee and Nomination Committee and the external auditor of the Company, attended the AGM to answer questions raised by shareholders except for Miss Maria Tam Wai Chu who was unable to attend the AGM as she was abroad. Proceedings of annual general meeting are reviewed from time to time to ensure that the Company follows good corporate governance practices. Voting results were posted on the Company's and the Stock Exchange's website on the day of the AGM.

All directors well understand their roles, responsibilities and obligations as stated in the Company's Corporate Governance 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 34 and 35 in the independent auditor's report for the year ended 31 December 2014. 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.

BOARD OF DIRECTORS (Continued)

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 Group's senior management is delegated with the day to day running and operational matters of the Group's businesses, and the formulation of business plans for the Board's review and approval.

The Company considers the independent non-executive directors to be independent pursuant to the factors enumerated in Rule 3.13 of the Listing Rules.

From the date of each of their appointments to the Board through and including the year ended 31 December 2014, each independent non-executive director has given the Company an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules.

Corporate Governance Functions

The Board is responsible for performing corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

The Board has delegated part of the above duties to the Company's board committees, which duties have been included in the Company's Code and in the terms of reference of the respective board committee. During the financial year ended 31 December 2014, the Board has, on its own or through the board committees, inter alia, reviewed the training and continuous professional development of the directors and senior management, reviewed the annual corporate governance report of the Company as well as fulfilled other corporate governance duties as set out above.

A Transaction committee (the "Committee") was formed in June 2014, which is comprised of two executive directors, to monitor the disposal of the Group's interest in DCH Auto Group (USA) Inc. (the "Transaction") to an independent third party. The Committee was delegated with full power to consider and approve the Transaction. The Committee also reported to the Board the progress of the Transaction in due course. The Transaction was completed on 2 October 2014 and the final consideration for the Transaction was determined in February 2015 and the financial effect of the Transaction have been accounted for in the consolidated financial statements of the Group for the year ended 31 December 2014.

BOARD OF DIRECTORS (Continued)

Directors' Training

During the year, the Company organised one in-house seminar to update the Directors on the new amendments to the Code and relevant Listing Rules. The Company also encourages Directors to attend relevant seminars, conferences or forums to develop and refresh their knowledge and skill. The Company Secretary also provides Directors with relevant reading materials from time to time.

During the year, a summary of training received by Directors according to the records provided by Directors is as follows:

Executive Directors	**Type of training**
Mr. Karl C. Kwok	B, C
Mr. Lester Kwok	A, B, C
Mr. Mark Kwok	A, B, C
Non-executive Director	
Dr. Bill Kwok	B, C
Independent Non-executive Directors	
Miss Maria Tam Wai Chu	A, B, C
Mr. Ignatius Wan Chiu Wong	A, B, C
Mr. Iain Ferguson Bruce	A, B, C
Mr. Leung Wing Ning	A, B, C

(A) In-house seminar
(B) External seminars and/or conferences and/or forums
(C) Reading materials

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. Amongst his other duties, in his role as Chairman, Mr. Karl C. Kwok, is responsible for ensuring that all directors are properly briefed on issues arising at Board meetings, that all directors receive adequate and accurate information on a timely manner, and for providing leadership for the Board. The Chairman is also responsible for ensuring that good corporate governance practices and procedures are established and followed. Amongst his other duties, in his role as Chief Executive Officer, Mr. Lester Kwok, 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 four independent non-executive directors. All non-executive directors are serving for a fixed term of not more than three years. During the financial year ended 31 December 2014, the Chairman held a meeting with the non-executive directors, including independent non-executive directors, without the presence of executive directors.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was formed on 30 June 2005 and is currently comprised of two independent non-executive directors (one of whom is the Remuneration Committee Chairman) and one executive director.

The terms of reference of the Remuneration Committee are published on the Stock Exchange's website and the Company's website. The Remuneration Committee has the responsibility for determining the specific remuneration packages of all executive directors and members of 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 members of senior management. The Remuneration Committee is responsible for making recommendations to the Board on the Company's policy and the structure remuneration of directors and members of senior management of the Group and for ensuring 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 each director 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 board committees will receive extra allowances for such additional services rendered.

REMUNERATION COMMITTEE (Continued)

During the financial year ended 31 December 2014, the Remuneration Committee has reviewed the remuneration policy and remuneration packages of all executive directors and members of senior management with reference to their performance. The Remuneration Committee has also reviewed the directors' fees and allowances for 2014. Two meetings of the Remuneration Committee were held in 2014. The attendance of committee members during 2014 is set out in the table below:

Remuneration Committee Members	Meetings attended/held
Mr. Leung Wing Ning (Committee Chairman)	2/2
Mr. Karl C. Kwok	2/2
Mr. Ignatius Wan Chiu Wong	2/2

The amount of remuneration paid to each director of the Company for 2014 is set out in Note 7 to the financial statements for the year ended 31 December 2014.

At the forthcoming Annual General Meeting to be held on 2 June 2015, the Board will propose a director's fee of HK$200,000 for each director for the year 2015 as recommended by the Remuneration Committee.

NOMINATION COMMITTEE

The Board established a nomination committee (the "Nomination Committee") on 30 March 2012, the Nomination Committee is currently comprised of two independent non-executive directors (one of whom is the Nomination Committee Chairman) and one executive director.

The terms of reference of the Nomination Committee are published on the Stock Exchange's website and the Company's website. According to the terms of reference, the Nomination Committee is required to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of independent non-executive directors and to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive officer.

NOMINATION COMMITTEE (Continued)

During the financial year ended 31 December 2014, the Nomination Committee has reviewed the structure, size and composition of the Board; assessed the independence of independent non-executive directors and made recommendations on the re-appointment of directors. The Nomination Committee has adopted a Board Diversity Policy which was approved by the Board on 12 December 2013 which outlines the policy of the Company to consider a number of factors when deciding on appointments to the Board and the continuation of those appointments, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, required experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

During the financial year ended 31 December 2014, there were no new directors appointed to the Board.

Two Nomination Committee meetings were held in 2014. The attendance of committee members during 2014 is set out in the table below:

Nomination Committee Members	**Meetings attended/held**
Mr. Leung Wing Ning (Committee Chairman)	2/2
Mr. Karl C. Kwok	2/2
Mr. Ignatius Wan Chiu Wong	2/2

AUDIT COMMITTEE

The Board established an audit committee on 16 December 1998 (the "Audit Committee"). The Audit Committee is currently comprised of 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 published on the Stock Exchange's website and the Company's website. According to its terms of reference, the Audit Committee is required, amongst other duties, 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.

AUDIT COMMITTEE (Continued)

During the financial year ended 31 December 2014, the Audit Committee has, inter alia, 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 were prepared in accordance with accounting principles generally accepted in Hong Kong. Further, the Audit Committee has engaged an external consultant to perform internal audit services and has discussed the scope of work and findings with the external consultant. 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 2014. Four meetings of the Audit Committee were held in 2014. The attendance of committee members during 2014 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
Mr. Leung Wing Ning	4/4

AUDITORS' REMUNERATION

During the financial year ended 31 December 2014, the fees charged for statutory audit services provided to the Company and its subsidiaries amounted to HK$3,401,000 (2013: HK$3,398,000), and, in addition, HK$2,917,000 (2013: HK$2,701,000) 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$1,061,000 (2013: HK$905,000) paid to the Group's external auditor for performing internal systems review services as approved by the Audit Committee.

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 was appointed to conduct regular reviews of the Group's major internal control systems in order to assist the Group to comply fully with, amongst other Code Provisions, 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, staff qualifications and experience, and training programmes and budget of the Group's accounting and financial reporting function. The external consultant, based on the results of the review done, 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 2014.

COMPANY SECRETARY

The Company Secretary is an employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary is responsible for advising the Board through the Chairman and/or the Chief Executive Officer on governance matters and also facilitates the induction and professional development of directors. The Company Secretary also keeps proper records of all Board and Committee meetings (including details of matters considered, concerns raised and decisions reached) which are made available for inspection by directors at all reasonable times. The biography of the Company Secretary is set out on page 9. The Company Secretary has undertaken no less than 15 hours of professional training during the year.

SHAREHOLDERS' RIGHTS

(a) Procedures for shareholders to convene a special general meeting

The provisions for a shareholder to convene a special general meeting of the Company are set out in Section 74 of the Bermuda Companies Act 1981:

(1) The directors of a company, notwithstanding anything in its Bye-Laws shall, on the requisition of members of the company holding at the date of the deposit of the requisition not less than one-tenth (1/10) of such of the paid-up capital of the company as at the date of the deposit carries the right of voting at general meetings of the company, or, in the case of a company not having a share capital, members of the company representing not less than one-tenth (1/10) of the total voting rights of all the members having at the said date a right to vote at general meetings of the company, forthwith proceed duly to convene a special general meeting of the company.

(2) The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists.

(3) If the directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half (1/2) of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

(4) A meeting convened under this section by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by directors.

(5) Any reasonable expenses incurred by the requisitionists by reason of the failure of the directors duly to convene a meeting shall be repaid to the requisitionists by the company, and any sum so repaid shall be retained by the company out of any sums due or to become due from the company by way of fees or other remuneration in respect of their services to such directors as were in default.

SHAREHOLDERS' RIGHTS (Continued)

(b) Procedures for shareholders to submit enquiries to the Board

Shareholders are welcome to attend annual general meetings at which time they can raise questions directly to the Board and the management. Alternatively, shareholders may submit their enquiries in writing to the Board by depositing such enquiries, addressed to the Company Secretary, at the Company's principal office in Hong Kong (as set out in the Corporate Information section of this Annual Report).

(c) Procedures for shareholders to put forward proposals at shareholders' meetings

To put forward proposals at shareholders' meeting, a request in writing must be made by:

(1) shareholders representing not less than one-twentieth (1/20) of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or

(2) not less than one hundred shareholders.

The written request must be signed by all the shareholders concerned in one or more documents in like form and deposited at the registered office of the Company for the attention of the Company Secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution; and not less than one week before the meeting in the case of any other requisition. Upon verification that the request is valid, the Company will give notice of the resolution or circulate the statement of not more than one thousand words with respect to the matter referred to in the proposed resolution provided that the shareholders concerned have deposited a sum reasonably sufficient to meet the Company's expenses in giving effect thereto.

For enquiries, shareholders may contact the Company Secretary, at the Company's principal office in Hong Kong.

INVESTOR RELATIONS

There is no change in the Company's Bye-Laws during 2014 and there is currently no proposal to amend the Company's Bye-Laws in the forthcoming Annual General Meeting.

CONTINUING CONNECTED TRANSACTIONS

The following is a summary of transactions entered into by the Company in 2011 and 2014 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 29 March 2011, The Wing On Company Limited ("WOCO") entered into a Tenancy Agreement with Wocom Holdings Limited ("WOCOM") to rent the premises at Rooms 1002 to 1006 Wing On Centre, 111 Connaught Road Central, Hong Kong for a three years fixed term commencing from 8 June 2011 to 7 June 2014 at a monthly rental of HK$345,000 (exclusive of rates, management fees, air-conditioning charges and any other outgoings). The maximum aggregate annual rental value would be HK$4,140,000. 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 61.14% interest in the existing issued share capital of the Company, the Tenancy Agreement constitutes a continuing connected transaction of the Company.

    On 28 March 2014, WOCO entered into a Tenancy Agreement with WOCOM to rent the premises at Rooms 1002 to 1006 Wing On Centre, 111 Connaught Road Central, Hong Kong for one year fixed term commencing from 8 June 2014 to 7 June 2015 at a monthly rental of HK$386,000 (exclusive of rates, management fees, air-conditioning charges and any other outgoings). The maximum aggregate annual rental value would be HK$4,632,000. Since WOCOM is an indirect non wholly-owned subsidiary of Kee Wai (BVI), a substantial shareholder of the Company, which in turn is holding approximately 61.14% interest in the existing issued share capital of the Company, the Tenancy Agreement constitutes a continuing connected transaction of the Company.

(2) On 13 December 2011, 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 2012 to 31 December 2014 with WOCO and The Wing On Properties and Securities Company Limited ("WOPS") at a monthly rental of HK$4,800,000 (exclusive of rates, air-conditioning charges, management fee and all other outgoings). The maximum aggregate annual rental payable to WOPS would be HK$20,522,880. The Premises is jointly owned by WOCO and WOPS in the interest of 64.37% and 35.63% respectively. WODS and WOCO are wholly-owned subsidiaries of the Company. Since WOPS is an indirect non wholly-owned subsidiary of Kee Wai (BVI), a substantial shareholder of the Company, which in turn is holding approximately 61.14% 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 Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Main Board Listing Rule 14A.56. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

FIVE YEAR SUMMARY

	2014	2013	2012	2011	2010
Statement of profit or loss items (HK$ million)					
Turnover	**1,965**	1,929	1,868	1,764	1,573
Profit from operations after finance costs	**676**	643	682	518	527
Profit before taxation	**1,461**	1,457	1,663	2,148	1,650
Income tax expense	**(185)**	(143)	(133)	(142)	(98)
Profit attributable to shareholders	**1,276**	1,314	1,530	2,006	1,552
Underlying profit attributable to shareholders	**997**	563	650	496	458
Per share basis (HK$)					
Basic earnings per share	**4.32**	4.45	5.18	6.79	5.26
Underlying earnings per share	**3.38**	1.91	2.20	1.68	1.55
Dividend per share	**1.77**	1.00	1.15	0.88	0.81
Statement of financial position items (HK$ million)					
Fixed assets	**11,630**	11,502	11,128	10,207	8,568
Other assets	**5,266**	3,547	3,369	3,072	2,773
Total assets	**16,896**	15,049	14,497	13,279	11,341
Current liabilities	**1,608**	854	513	552	990
Non-current liabilities	**731**	411	891	903	352
Total liabilities	**2,339**	1,265	1,404	1,455	1,342
Non-controlling interests	**23**	21	19	18	18
Total equity attributable to shareholders of the Company	**14,534**	13,763	13,074	11,806	9,981

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 and 6th Floors and the whole of 5th and 8th 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	359,133*	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.	Portions of Ground and 13th Floors and the whole of 8th to 12th Floors and 14th 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	156,775*	64.37%	Medium lease	Commercial
4.	The Halbouty Center, 5100 Westheimer, Houston, Harris County, Texas, USA	109,102*	88.22%	Freehold	Commercial
5.	333 Collins Street, Melbourne, Victoria, Australia	611,406*	100%	Freehold	Commercial
6.	349 Collins Street, Melbourne, Victoria, Australia	20,812	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 36 to 123, which comprise the consolidated and Company statements of financial position as at 31 December 2014, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other 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 the 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 2014 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

30 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

(Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Turnover	3(a)	1,964,556	1,928,851
Other revenue	4	54,258	42,449
Other net gain	4	21,228	10,486
Cost of department store sales	5(d)	(842,600)	(833,202)
Cost of property leasing activities	5(c)	(76,723)	(67,431)
Other operating expenses		(429,463)	(419,098)
Profit from operations		691,256	662,055
Finance costs	5(a)	(15,169)	(19,183)
		676,087	642,872
Valuation gains on investment properties	13	350,342	780,136
		1,026,429	1,423,008
Share of profit of an associate	15		
– Profit from operations		61,205	34,809
– Gain on disposal of an interest in a subsidiary by an associate		373,847	–
Profit before taxation	5	1,461,481	1,457,817
Income tax	6	(185,164)	(143,487)
Profit for the year		1,276,317	1,314,330
Attributable to:			
Shareholders of the Company		1,274,507	1,312,808
Non-controlling interests		1,810	1,522
Profit for the year		1,276,317	1,314,330
Basic and diluted earnings per share	11(a)	431.6 cents	444.6 cents

The notes on pages 45 to 123 form part of these financial statements. Details of dividends payable to shareholders of the Company are set out in note 25(c).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

(Expressed in Hong Kong dollars)

	2014		2013	
	$'000	$'000	$'000	$'000
Profit for the year		1,276,317		1,314,330
Other comprehensive income for the year (after tax and reclassification adjustments):				
Item that will not be reclassified to profit or loss:				
Land and building revaluation:				
– share of land and building revaluation reserve of an associate		–		3,273
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation adjustments:				
– exchange differences on translation of financial statements of overseas subsidiaries	(179,985)		(313,187)	
– share of exchange differences on translation of financial statements of an overseas associate	(1,063)		1,256	
– release of the exchange reserve upon refund of investments in overseas subsidiaries	(11,915)		(10,100)	
– release of the exchange reserve upon dissolution of an overseas subsidiary	–		(1,284)	
		(192,963)		(323,315)
Share of cash flow hedge of an associate:				
– net movement in the hedging reserve		9,338		6,756
Available-for-sale securities:				
– changes in fair value recognised during the year		(350)		(1,060)
		(183,975)		(314,346)
Total comprehensive income for the year		1,092,342		999,984
Attributable to:				
Shareholders of the Company		1,090,533		998,451
Non-controlling interests		1,809		1,533
Total comprehensive income for the year		1,092,342		999,984

The notes on pages 45 to 123 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

(Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Non-current assets			
Fixed assets	13(a)		
– Investment properties		11,159,025	11,006,024
– Other property, plant and equipment		470,897	496,168
		11,629,922	11,502,192
Goodwill		–	1,178
Interest in an associate	15	1,371,368	928,041
Available-for-sale securities	16	21,718	22,068
Deferred tax assets	24(c)	7,904	8,284
		13,030,912	12,461,763
Current assets			
Trading securities	17	340,515	339,766
Inventories	18(a)	107,949	114,296
Debtors, deposits and prepayments	19	66,317	54,079
Loans to an associate	15(d)	–	19,361
Amounts due from fellow subsidiaries	20	2,665	4,767
Current tax recoverable	24(a)	23	70
Cash and cash equivalents	21	3,347,260	2,054,702
		3,864,729	2,587,041
Current liabilities			
Creditors and accrued charges	22	428,259	420,427
Secured bank loan	23	40,102	395,309
Amount due to an associate	15(d)	1,099,690	–
Amounts due to fellow subsidiaries	20	3,312	2,909
Current tax payable	24(a)	36,185	35,827
		1,607,548	854,472
Net current assets		2,257,181	1,732,569
Total assets less current liabilities carried forward		15,288,093	14,194,332

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

At 31 December 2014

(Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Total assets less current liabilities brought forward		15,288,093	14,194,332
Non-current liabilities			
Secured bank loan	23	281,507	–
Deferred tax liabilities	24(c)	449,925	411,094
		731,432	411,094
NET ASSETS		14,556,661	13,783,238
Capital and reserves			
Share capital	25(d)	29,530	29,530
Reserves		14,504,628	13,733,014
Total equity attributable to shareholders of the Company		14,534,158	13,762,544
Non-controlling interests		22,503	20,694
TOTAL EQUITY		14,556,661	13,783,238

Approved and authorised for issue by the board of directors on 30 March 2015.

Karl C. Kwok
Director

Lester Kwok
Director

The notes on pages 45 to 123 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2014

(Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Non-current assets			
Investments in subsidiaries	14	2,801,990	2,801,990
Current assets			
Debtors, deposits and prepayments	19	718	321
Amounts due from subsidiaries	20	1,819,462	651,072
Cash and cash equivalents	21	92,540	72,148
		1,912,720	723,541
Current liabilities			
Creditors and accrued charges	22	13,658	14,811
Amounts due to subsidiaries	20	1,014,094	29,732
		1,027,752	44,543
Net current assets		884,968	678,998
NET ASSETS		3,686,958	3,480,988
Capital and reserves	25(b)		
Share capital		29,530	29,530
Reserves		3,657,428	3,451,458
TOTAL EQUITY		3,686,958	3,480,988

Approved and authorised for issue by the board of directors on 30 March 2015.

Karl C. Kwok
Director

Lester Kwok
Director

The notes on pages 45 to 123 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

(Expressed in Hong Kong dollars)

		Attributable to shareholders of the Company										
	Note	Share capital $'000 (note 25(d))	Land and building revaluation reserve $'000 (note 25(e)(i))	Investment revaluation reserve $'000 (note 25(e)(ii))	Exchange reserve $'000 (note 25(e)(iii))	Hedging reserve $'000 (note 25(e)(iv))	Contributed surplus $'000 (note 25(e)(v))	General reserve fund $'000 (note 25(e)(vi))	Retained earnings $'000 (note 25(a))	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2014		29,530	274,692	10,290	250,468	(9,338)	754,347	612	12,451,943	13,762,544	20,694	13,783,238
Changes in equity for 2014												
Profit for the year		–	–	–	–	–	–	–	1,274,507	1,274,507	1,810	1,276,317
Other comprehensive income	10	–	(3,655)	(350)	(192,962)	9,338	–	–	3,655	(183,974)	(1)	(183,975)
Total comprehensive income for the year		–	(3,655)	(350)	(192,962)	9,338	–	–	1,278,162	1,090,533	1,809	1,092,342
Share of the general reserve fund of an associate: transfer to the general reserve fund		–	–	–	–	–	–	406	(406)	–	–	–
Dividends approved in respect of the previous year	25(c)(ii)	–	–	–	–	–	–	–	(203,754)	(203,754)	–	(203,754)
Dividends declared and paid in respect of the current year	25(c)(i)	–	–	–	–	–	–	–	(115,165)	(115,165)	–	(115,165)
		–	(3,655)	(350)	(192,962)	9,338	–	406	958,837	771,614	1,809	773,423
Balance at 31 December 2014		29,530	271,037	9,940	57,506	–	754,347	1,018	13,410,780	14,534,158	22,503	14,556,661

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Continued)

For the year ended 31 December 2014

(Expressed in Hong Kong dollars)

	Note	Share capital $'000 (note 25(d))	Land and building revaluation reserve $'000 (note 25(e)(i))	Investment revaluation reserve $'000 (note 25(e)(ii))	Exchange reserve $'000 (note 25(e)(iii))	Hedging reserve $'000 (note 25(e)(iv))	Contributed surplus $'000 (note 25(e)(v))	General reserve fund $'000 (note 25(e)(vi))	Retained earnings $'000 (note 25(a))	Total $'000	Non-controlling interests $'000	Total equity $'000
		Attributable to shareholders of the Company										
Balance at 1 January 2013		29,530	271,419	11,350	573,794	(16,094)	754,347	283	11,449,523	13,074,152	19,161	13,093,313
Changes in equity for 2013												
Profit for the year		–	–	–	–	–	–	–	1,312,808	1,312,808	1,522	1,314,330
Other comprehensive income	10	–	3,273	(1,060)	(323,326)	6,756	–	–	–	(314,357)	11	(314,346)
Total comprehensive income for the year		–	3,273	(1,060)	(323,326)	6,756	–	–	1,312,808	998,451	1,533	999,984
Share of the general reserve fund of an associate: transfer to the general reserve fund		–	–	–	–	–	–	329	(329)	–	–	–
Dividends approved in respect of the previous year	25(c)(ii)	–	–	–	–	–	–	–	(218,518)	(218,518)	–	(218,518)
Dividends declared and paid in respect of the current year	25(c)(i)	–	–	–	–	–	–	–	(91,541)	(91,541)	–	(91,541)
		–	3,273	(1,060)	(323,326)	6,756	–	329	1,002,420	688,392	1,533	689,925
Balance at 31 December 2013		29,530	274,692	10,290	250,468	(9,338)	754,347	612	12,451,943	13,762,544	20,694	13,783,238

The notes on pages 45 to 123 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

(Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Operating activities			
Profit before taxation		1,461,481	1,457,817
Adjustments for:			
Valuation gains on investment properties		(350,342)	(780,136)
Depreciation and amortisation		49,105	50,809
Goodwill written off		1,178	–
Impairment of trade and other debtors (written back)/recognised		(2)	3
Finance costs		15,169	19,183
Dividend income from investments in securities		(14,051)	(12,389)
Interest income from bank deposits		(33,393)	(25,694)
Interest income from trading securities		(1,009)	(1,140)
Release of the exchange reserve upon refund of investments in overseas subsidiaries		(11,915)	(10,100)
Share of profit of an associate		(435,052)	(34,809)
Net gain on disposal of other fixed assets		(8)	(4)
Gain on dissolution of a subsidiary		–	(1,284)
Foreign exchange loss/(gain)		9,081	(1,974)
Operating profit before changes in working capital		690,242	660,282
Increase in trading securities		(749)	(9,443)
Decrease/(increase) in inventories		6,347	(5,518)
Increase in debtors, deposits and prepayments		(10,903)	(1,235)
Decrease/(increase) in amounts due from fellow subsidiaries		2,102	(2,672)
Decrease in amount due from an associate		–	304
Increase in creditors and accrued charges		9,876	3,574
Increase/(decrease) in amounts due to fellow subsidiaries		403	(306)
Cash generated from operations		697,318	644,986
Tax paid			
– Hong Kong Profits Tax paid		(78,504)	(83,275)
– Overseas tax paid		(32,796)	(27,978)
Net cash generated from operating activities		586,018	533,733

CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

For the year ended 31 December 2014

(Expressed in Hong Kong dollars)

	Note	2014 $'000	2013 $'000
Investing activities			
Payment of lease incentives		(6,347)	(1,571)
Payment for the purchases of fixed assets		(38,164)	(34,415)
Proceeds from disposal of other fixed assets		12	110
Loans repaid by an associate		19,350	–
Interest income received from bank deposits		31,478	25,639
Interest income received from trading securities		1,072	1,140
Dividends received from investments in securities		14,114	12,345
Net cash generated from investing activities		21,515	3,248
Financing activities			
Funds received from an associate		1,100,145	–
Repayment of bank loan		(44,504)	(47,500)
Payment for transaction costs on bank loan renewal		(1,293)	–
Interest paid		(15,176)	(19,171)
Dividends paid to shareholders of the Company		(318,919)	(310,059)
Net cash generated from/(used in) financing activities		720,253	(376,730)
Net increase in cash and cash equivalents		1,327,786	160,251
Cash and cash equivalents at 1 January		2,054,702	1,939,075
Effect of foreign exchange rate changes		(35,228)	(44,624)
Cash and cash equivalents at 31 December	21	3,347,260	2,054,702

The notes on pages 45 to 123 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") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that 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 1(c) 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 2014 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate.

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 accounting 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.

1. Significant accounting policies (Continued)

(b) Basis of preparation of the financial statements (Continued)

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 2.

(c) Changes in accounting policies

The HKICPA has issued a new HKFRS and a few amendments to HKFRSs 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:

– 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.

(i) 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 these financial statements as they are consistent with the policies already adopted by the Group.

(ii) 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 financial statements.

1. Significant accounting policies (Continued)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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, transactions and cash flows 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 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 the non-controlling interests' 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 statement of profit or loss and the consolidated statement of profit or loss and other 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 interest 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 statement of profit or loss. 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(g)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(e)).

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

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

(e) 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 associate'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(l)). 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 statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the associate's other comprehensive income is recognised in the consolidated statement of profit or loss and 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 statement of profit or loss. 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(g)).

1. Significant accounting policies (Continued)

(f) 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 statement of profit or loss 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(l)).

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.

(g) 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 an associate, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses 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 statement of profit or loss 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 statement of profit or loss. The net gain or loss recognised in the consolidated statement of profit or loss 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(u)(iii) and 1(u)(v) respectively.

1. Significant accounting policies (Continued)

(g) 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. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the consolidated statement of financial position at cost less impairment losses (see note 1(l)). Dividend income from equity securities and interest income from debt securities calculated using the effective interest method are recognised in the consolidated statement of profit or loss in accordance with the accounting policies set out in notes 1(u)(iii) and 1(u)(v), respectively.

When the investments are derecognised or impaired (see note 1(l)), the cumulative gain or loss recognised in equity is reclassified to the consolidated statement of profit or loss.

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

(h) 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 statement of profit or loss, 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 statement of profit or loss.

The associated gain or loss is reclassified from equity to the consolidated statement of profit or loss in the same period or periods during which the liability assumed affects the consolidated statement of profit or loss (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 statement of profit or loss immediately.

1. Significant accounting policies (Continued)

(i) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold or freehold interest to earn rental income and/or for capital appreciation in the long term.

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 statement of profit or loss. Rental income from investment properties is accounted for as described in the accounting policy set out in note 1(u)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation in the long term, 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.

(j) 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(l)):

– 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 statement of profit or loss 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 statement of profit or loss.

1. Significant accounting policies (Continued)

(j) Other property, plant and equipment(Continued)

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as an investment property. Any gain arising on remeasurement is recognised in the consolidated statement of profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in consolidated other comprehensive income and presented in the land and building revaluation reserve in equity. Any loss is recognised immediately in the consolidated statement of profit or loss.

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.

(k) Leased assets

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

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

(k) **Leased assets** (Continued)

(i) Classification of assets leased to the Group

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

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

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

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the consolidated statement of profit or loss 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 statement of profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the consolidated statement of profit or loss in the accounting period in which they are incurred.

1. Significant accounting policies (Continued)

(l) 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 instrument below its cost.

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

– For investments in interest in an associate accounted for under the equity method in the consolidated financial statements (see note 1(e)), 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(l)(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(l)(ii).

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

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

(l) **Impairment of assets** (Continued)

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

– For trade and other current receivables and other financial assets carried at cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

An impairment loss for trade and other receivables carried at amortised cost is measured 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 these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the consolidated statement of profit or loss. 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 in the investment revaluation reserve is reclassified to the consolidated statement of profit or loss. The amount of the cumulative loss that is recognised in the consolidated statement of profit or loss 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 statement of profit or loss.

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

1. Significant accounting policies (Continued)

(l) Impairment of assets (Continued)

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

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

(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);

– goodwill; and

– investments in subsidiaries in the Company's statement of financial position.

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

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

(l) **Impairment of assets** (Continued)

(ii) Impairment of other assets (Continued)

– Recognition of impairment losses

An impairment loss is recognised in the consolidated statement of profit or loss 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 of disposal, or value in use, if determinable.

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

– Reversals of impairment losses

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

A reversal of impairment 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 statement of profit or loss 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(l)(i) and 1(l)(ii)).

1. Significant accounting policies (Continued)

(l) Impairment of assets (Continued)

(iii) Interim financial reporting and impairment (continued)

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in the consolidated other comprehensive income and not in the consolidated statement of profit or loss.

(m) 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.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(l)), 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.

1. Significant accounting policies (Continued)

(o) 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 statement of profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) 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.

(q) 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.

(r) 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 at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

1. Significant accounting policies (Continued)

(s) 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 statement of profit or loss 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.

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 associate 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.

1. Significant accounting policies (Continued)

(s) Income tax (Continued)

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, 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)

(t) 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 specified 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 is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. 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 statement of profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in the consolidated statement of profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with the accounting policy set out in note 1(t)(ii) 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)

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of returns and trade discounts. 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 statement of profit or loss 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 statement of profit or loss 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 statement of profit or loss 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)

(v) 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 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 statement of profit or loss.

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 measured.

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 statement of profit or loss when the profit or loss on disposal is recognised.

(w) 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)

(x) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(a) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(b) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(c) both entities are joint ventures of the same third party;

(d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(f) the entity is controlled or jointly controlled by a person identified in (i); or

(g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

1. Significant accounting policies (Continued)

(y) 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. Sources of estimation uncertainty

Note 26 contains information about the assumptions and their risk factors relating to financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Recognition of deferred tax assets

As explained in note 24, the Group recognises deferred tax assets in respect of accumulated tax losses and deductible temporary differences based on management's estimation of future taxable profits against which the accumulated tax losses and deductible temporary differences 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 and deductible temporary differences 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 13(c), the investment properties were revalued by independent professional valuers as at 31 December 2014. 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.

2. Sources of estimation uncertainty (Continued)

(c) Depreciation

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

(d) Impairment of available-for-sale securities

Investments in securities classified as available-for-sale securities are reviewed at 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.

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 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:

	2014	2013
	$'000	$'000
Sale of goods	1,234,877	1,216,679
Net income from concession sales	287,064	274,072
Department stores	1,521,941	1,490,751
Property investment	442,615	438,100
	1,964,556	1,928,851

The Group's customer base is diversified and does not have any customer with whom transactions have exceeded 10% of the Group's total turnover. Further details regarding the Group's principal activities are disclosed below.

3. Turnover and segment reporting (Continued)

(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 ("USA").

(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.

3. Turnover and segment reporting (Continued)

(b) Segment reporting (Continued)

(i) 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 2014 and 2013 is set out below.

	Department stores		Property investment		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue from external customers	1,521,941	1,490,751	442,615	438,100	1,964,556	1,928,851
Inter-segment revenue	–	–	102,708	98,182	102,708	98,182
Reportable segment revenue	1,521,941	1,490,751	545,323	536,282	2,067,264	2,027,033
Reportable segment profit	232,849	224,035	434,061	433,848	666,910	657,883
Finance costs	–	–	15,169	19,183	15,169	19,183
Depreciation and amortisation for the year	6,536	7,436	42,462	43,252	48,998	50,688
Impairment of trade and other debtors (written back)/recognised	(2)	3	–	–	(2)	3
Reportable segment assets	177,468	173,175	11,629,181	11,500,349	11,806,649	11,673,524
Additions to non-current segment assets during the year	10,008	7,945	34,003	27,648	44,011	35,593
Reportable segment liabilities	325,687	329,798	393,729	458,103	719,416	787,901

3. Turnover and segment reporting (Continued)

(b) Segment reporting (Continued)

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

	2014 $'000	2013 $'000
Profit		
Reportable segment profit derived from the Group's external customers	666,910	657,883
Share of profit of an associate	435,052	34,809
Other revenue	54,258	42,449
Other net gain	21,228	10,486
Finance costs	(15,169)	(19,183)
Valuation gains on investment properties	350,342	780,136
Unallocated head office and corporate expenses	(51,140)	(48,763)
Consolidated profit before taxation	1,461,481	1,457,817
Assets		
Reportable segment assets	11,806,649	11,673,524
Elimination of inter-segment receivables	(5,450)	(4,644)
	11,801,199	11,668,880
Goodwill	–	1,178
Interest in an associate	1,371,368	928,041
Available-for-sale securities	21,718	22,068
Deferred tax assets	7,904	8,284
Trading securities	340,515	339,766
Loans to an associate	–	19,361
Current tax recoverable	23	70
Unallocated head office and corporate assets	3,352,914	2,061,156
Consolidated total assets	16,895,641	15,048,804

3. Turnover and segment reporting (Continued)

(b) Segment reporting (Continued)

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

	2014 $'000	2013 $'000
Liabilities		
Reportable segment liabilities	719,416	787,901
Elimination of inter-segment payables	(5,450)	(4,644)
	713,966	783,257
Amount due to an associate	1,099,690	–
Current tax payable	36,185	35,827
Deferred tax liabilities	449,925	411,094
Unallocated head office and corporate liabilities	39,214	35,388
Consolidated total liabilities	2,338,980	1,265,566

3. Turnover and segment reporting (Continued)

(b) Segment reporting (Continued)

(iii) 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 an associate ("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 an associate.

	Revenue from external customers		Specified non-current assets	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Hong Kong (place of domicile)	1,795,954	1,752,726	9,060,622	8,947,078
Australia	148,963	157,989	2,413,330	2,413,657
USA	19,639	18,136	1,527,338	1,070,676
	168,602	176,125	3,940,668	3,484,333
	1,964,556	1,928,851	13,001,290	12,431,411

4. Other revenue and other net gain

	2014 $'000	2013 $'000
Other revenue		
Interest income from		
– bank deposits	33,393	25,694
– trading securities	1,009	1,140
Dividend income from		
– listed securities	10,895	8,552
– unlisted securities	3,156	3,837
Forfeiture of unclaimed dividends	3,454	1,212
Others	2,351	2,014
	54,258	42,449
Other net gain		
Net gain/(loss) on remeasurement to fair value of trading securities	12,215	(2,510)
Net realised gain/(loss) on disposal of		
– trading securities	4,671	2,612
– derivative financial instruments	868	(5,216)
Release of the exchange reserve upon refund of investments in overseas subsidiaries	11,915	10,100
Net foreign exchange (loss)/gain	(8,449)	4,212
Net gain on disposal of other fixed assets	8	4
Gain on dissolution of a subsidiary (note)	–	1,284
	21,228	10,486

Note: For the year ended 31 December 2013, gain on dissolution of a subsidiary included exchange reserve of $1,284,000 released from equity to the consolidated statement of profit or loss.

5. Profit before taxation

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

	2014	2013
	$'000	$'000
(a) Finance costs		
Interest on bank loan repayable within five years	15,169	19,183
(b) Staff costs (excluding directors' remuneration)		
Contributions to defined contribution retirement plans	12,373	11,862
Salaries, wages and other benefits	207,367	200,358
	219,740	212,220
(c) Rentals received and receivable from investment properties		
Gross rentals	(442,615)	(438,100)
Less: direct outgoings	76,723	67,431
	(365,892)	(370,669)
(d) Other items		
Depreciation and amortisation		
– owned assets (note 13(a))	35,460	36,866
– lease incentives (note 13(a))	13,645	13,943
Goodwill written off	1,178	–
Impairment losses (written back)/recognised		
– trade and other debtors (note 19(b))	(2)	3
Auditors' remuneration		
– current year	3,401	3,343
– prior year	–	55
Operating lease charges		
– minimum lease payments for hire of land and buildings	44,170	42,923
– contingent rentals for hire of land and buildings	411	430
Cost of inventories sold (note 18(b))	842,600	833,202

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

(a) Income tax in the consolidated statement of profit or loss represents:

	2014 $'000	2013 $'000
Current tax – Hong Kong Profits Tax		
Provision for the year	80,799	77,196
Over-provision in respect of prior years	(115)	(1,350)
	80,684	75,846
Current tax – Overseas		
Provision for the year	31,684	33,469
Under-provision in respect of prior year	215	238
	31,899	33,707
Deferred tax (note 24(b))		
Origination and reversal of temporary differences		
– changes in fair value of investment properties	71,488	29,479
– other temporary differences	1,093	4,455
	72,581	33,934
Total income tax expense	185,164	143,487

The provision for Hong Kong Profits Tax for 2014 is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year, taking into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year assessment 2013-14 subject to a maximum reduction of $10,000 for each business (2013: the same statutory concession was granted for the year of assessment 2012-13 and was taken into account in calculating the provision for 2013). Taxation for overseas subsidiaries is charged similarly at the appropriate current rates of taxation ruling in the relevant countries.

6. Income tax in the consolidated statement of profit or loss (Continued)

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

	2014 $'000	2013 $'000
Profit before taxation	1,461,481	1,457,817
Notional Hong Kong Profits Tax calculated at 16.5% (2013: 16.5%)	241,144	240,540
Tax effect of non-deductible expenses	8,729	8,740
Tax effect of non-taxable revenue	(31,583)	(120,044)
Tax effect of unused tax losses not recognised	–	23
Tax effect of temporary differences not recognised	(2)	(2)
Tax effect of previously unrecognised tax losses utilised/recognised this year	(1,066)	(245)
Effect of different tax rates of subsidiaries and an associate operating in other jurisdictions	(32,180)	15,565
Effect of overseas withholding tax	22	22
Under/(over)-provision in respect of prior years	100	(1,112)
Actual tax expense	185,164	143,487

7. Directors' remuneration

The remuneration of the directors is as follows:

	2014				
	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	180	5,135	3,896	17	9,228
Mr. Lester Kwok	180	4,582	3,592	17	8,371
Mr. Mark Kwok	180	2,929	2,298	251	5,658
	540	12,646	9,786	285	23,257
Non-executive director					
Dr. Bill Kwok	180	–	–	–	180
Independent non-executive directors					
Miss Maria Tam Wai Chu	180	116	–	–	296
Mr. Ignatius Wan Chiu Wong	180	165	–	–	345
Mr. Iain Ferguson Bruce	180	155	–	–	335
Mr. Leung Wing Ning	180	344	–	–	524
	720	780	–	–	1,500
	1,440	13,426	9,786	285	24,937

7. Directors' remuneration (Continued)

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

	2013				
	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	170	4,913	4,498	15	9,596
Mr. Lester Kwok	170	4,385	4,147	15	8,717
Mr. Mark Kwok	170	2,803	2,653	241	5,867
	510	12,101	11,298	271	24,180
Non-executive director					
Dr. Bill Kwok	170	–	–	–	170
Independent non-executive directors					
Miss Maria Tam Wai Chu	170	110	–	–	280
Mr. Ignatius Wan Chiu Wong	170	157	–	–	327
Mr. Iain Ferguson Bruce	170	147	–	–	317
Mr. Leung Wing Ning	170	327	–	–	497
	680	741	–	–	1,421
	1,360	12,842	11,298	271	25,771

8. Individuals with highest emoluments

Of the five individuals with the highest emoluments in the Group, three (2013: three) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2013: two) individuals are as follows:

	2014	**2013**
	$'000	$'000
Salaries, allowances and benefits in kind	6,890	6,665
Contributions to defined contribution retirement plans	589	564
Discretionary bonuses	5,386	6,219
	12,865	13,448

The emoluments of the two (2013: two) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2014	**2013**
$		
4,000,001 – 4,500,000	1	1
8,500,001 – 9,000,000	1	1
	2	2

9. Profit attributable to shareholders of the Company

The consolidated profit attributable to shareholders of the Company includes a profit of $524,889,000 (2013: $309,720,000) 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 25(c).

10. Consolidated other comprehensive income

Tax effects relating to each component of consolidated other comprehensive income

	2014			2013		
	Before-tax amount $'000	Tax expense $'000	Net-of tax amount $'000	Before-tax amount $'000	Tax expense $'000	Net-of tax amount $'000
Land and building revaluation:						
– share of land and building revaluation reserve of an associate	–	–	–	5,414	(2,141)	3,273
Foreign currency translation adjustments:						
– exchange differences on translation of financial statements of overseas subsidiaries	(179,985)	–	(179,985)	(313,187)	–	(313,187)
– share of exchange differences on translation of financial statements of an overseas associate	(1,063)	–	(1,063)	1,256	–	1,256
– release of the exchange reserve upon refund of investments in overseas subsidiaries	(11,915)	–	(11,915)	(10,100)	–	(10,100)
– release of the exchange reserve upon dissolution of an overseas subsidiary	–	–	–	(1,284)	–	(1,284)
Share of cash flow hedge of an associate:						
– net movement in the hedging reserve	15,447	(6,109)	9,338	11,176	(4,420)	6,756
Available-for-sale securities:						
– changes in fair value recognised during the year	(350)	–	(350)	(1,060)	–	(1,060)
Consolidated other comprehensive income for the year	(177,866)	(6,109)	(183,975)	(307,785)	(6,561)	(314,346)

11. 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 2014 of $1,274,507,000 (2013: $1,312,808,000) divided by 295,295,000 shares (2013: 295,295,000 shares) in issue during the year.

There were no outstanding potential shares throughout the years presented.

(b) Adjusted basic earnings per share excluding the 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 year 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".

11. 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 year is reconciled as follows:

	2014		2013	
		Amount per share		Amount per share
	$'000	cents	$'000	cents
Profit attributable to shareholders of the Company as shown in the consolidated statement of profit or loss	1,274,507	431.6	1,312,808	444.6
Valuation gains on investment properties	(350,342)	(118.6)	(780,136)	(264.2)
Increase in deferred tax liabilities in relation to the valuation gains on investment properties	71,488	24.2	29,479	10.0
	995,653	337.2	562,151	190.4
Valuation gain on investment property net of related deferred tax attributable to non-controlling interests	1,056	0.4	927	0.3
Underlying profit attributable to shareholders of the Company	996,709	337.6	563,078	190.7

12. 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 $12,658,000 (2013: $12,133,000).

13. 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 2014	815,325	415,722	1,231,047	10,960,759	12,191,806
Exchange adjustments	–	(47)	(47)	(215,189)	(215,236)
Additions	–	10,213	10,213	27,656	37,869
Disposals	–	(130)	(130)	–	(130)
Fair value adjustment	–	–	–	350,342	350,342
At 31 December 2014	815,325	425,758	1,241,083	11,123,568	12,364,651
Accumulated depreciation and impairment losses:					
At 1 January 2014	350,926	383,953	734,879	–	734,879
Exchange adjustments	–	(27)	(27)	–	(27)
Depreciation charge for the year (note 5(d))	25,185	10,275	35,460	–	35,460
Written back on disposals	–	(126)	(126)	–	(126)
At 31 December 2014	376,111	394,075	770,186	–	770,186
Lease incentives:					
At 1 January 2014	–	–	–	45,265	45,265
Exchange adjustments	–	–	–	(2,510)	(2,510)
Additions (note (f))	–	–	–	6,347	6,347
Amortisation for the year (note 5(d))	–	–	–	(13,645)	(13,645)
At 31 December 2014	–	–	–	35,457	35,457
Net book value:					
At 31 December 2014	439,214	31,683	470,897	11,159,025	11,629,922

13. 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 2013	815,325	411,375	1,226,700	10,537,360	11,764,060
Exchange adjustments	–	(98)	(98)	(382,529)	(382,627)
Additions	–	8,275	8,275	25,792	34,067
Disposals	–	(3,830)	(3,830)	–	(3,830)
Fair value adjustment	–	–	–	780,136	780,136
At 31 December 2013	815,325	415,722	1,231,047	10,960,759	12,191,806
Accumulated depreciation and impairment losses:					
At 1 January 2013	325,740	376,078	701,818	–	701,818
Exchange adjustments	–	(81)	(81)	–	(81)
Depreciation charge for the year (note 5(d))	25,186	11,680	36,866	–	36,866
Written back on disposals	–	(3,724)	(3,724)	–	(3,724)
At 31 December 2013	350,926	383,953	734,879	–	734,879
Lease incentives:					
At 1 January 2013	–	–	–	65,992	65,992
Exchange adjustments	–	–	–	(8,355)	(8,355)
Additions (note (f))	–	–	–	1,571	1,571
Amortisation for the year (note 5(d))	–	–	–	(13,943)	(13,943)
At 31 December 2013	–	–	–	45,265	45,265
Net book value:					
At 31 December 2013	464,399	31,769	496,168	11,006,024	11,502,192

13. Fixed assets (Continued)

(a) Group (Continued)

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

	At cost	At professional valuation in 2014	At directors' valuation in 1981	Total
	$'000	$'000	$'000 (note (b))	$'000
At 31 December 2014				
Land and buildings				
Leasehold land and buildings				
– held under long lease in Hong Kong	230,156	–	141,769	371,925
– held under medium term lease in Hong Kong	443,400	–	–	443,400
Investment properties				
Long lease in Hong Kong	–	7,475,700	–	7,475,700
Medium term lease in Hong Kong	–	1,114,245	–	1,114,245
Freehold outside Hong Kong	–	2,533,623	–	2,533,623
Other fixed assets	425,758	–	–	425,758
	1,099,314	11,123,568	141,769	12,364,651

13. 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 2013 $'000	At directors' valuation in 1981 $'000 (note (b))	Total $'000
At 31 December 2013				
Land and buildings				
Leasehold land and buildings				
– held under long lease in Hong Kong	230,156	–	141,769	371,925
– held under medium term lease in Hong Kong	443,400	–	–	443,400
Investment properties				
Long lease in Hong Kong	–	7,387,800	–	7,387,800
Medium term lease in Hong Kong	–	1,063,392	–	1,063,392
Freehold outside Hong Kong	–	2,509,567	–	2,509,567
Other fixed assets	415,722	–	–	415,722
	1,089,278	10,960,759	141,769	12,191,806

(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 buildings which were revalued by the directors in 1981 have not been revalued to fair value at the end of the reporting period. The carrying amount of the relevant land and buildings of the Group as at 31 December 2014 is $84,486,000 (2013: $86,216,000).

The carrying amount of the land and buildings of the Group which were 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 2014 is $29,280,000 (2013: $29,952,000).

13. Fixed assets (Continued)

(c) Fair value measurement of investment properties

(i) Fair value hierarchy

The Group's investment properties are measured at fair value 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.

At 31 December 2014, all of the Group's investment properties fall into Level 3 of the fair value hierarchy as described above.

Investment properties of the Group were revalued as at 31 December 2014 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 m3property (Vic) Pty. Ltd., 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 Group's chief accountant has discussions with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

(Expressed in Hong Kong dollars unless otherwise indicated)

13. Fixed assets (Continued)

(c) Fair value measurement of investment properties (Continued)

(ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range
Investment properties			
– Hong Kong	Income capitalisation approach	Capitalisation rate	3% to 4% (2013: 3% to 4%)
		Average unit market rent per month	$30 to $150/sq.feet (2013: $28 to $145/sq.feet)
– Australia	Discounted cash flow approach	Risk-adjusted discount rate	8.0% to 8.8% (2013: 8.5% to 9.0%)
		Expected market rental growth	3.0% to 4.3% (2013: 1.8% to 4.8%)
		Expected occupancy rate	93% to 100% (2013: 100%)
	Income capitalisation approach	Capitalisation rate	6.2 % to 7.2% (2013: 5.8% to 7.0%)
– USA	Market comparison approach	Premium (discount) on quality of the buildings	-30% to 20% (2013: -30% to 30%)

The fair value of certain investment properties located in Hong Kong and Australia are determined by using income capitalisation approach and with reference to sales evidence as available in the market. The income capitalisation approach is the sum of the term value and the reversionary value by discounting the contracted annual rent at the capitalisation rate over the existing lease period; and the sum of average unit market rent at the capitalisation rate after the existing lease period. The fair value measurement is positively correlated to the average unit market rent per month and negatively correlated to the capitalisation rate.

13. Fixed assets (Continued)

(c) Fair value measurement of investment properties (Continued)

(ii) Information about Level 3 fair value measurements (Continued)

The fair value of certain investment properties located in Australia is determined by discounting a projected cash flow series associated with the properties using risk-adjusted discount rates. The valuation takes into account expected market rental growth and occupancy rate of the respective properties. The discount rates used have been adjusted for the quality and location of the buildings and the tenant credit quality. The fair value measurement is positively correlated to the expected market rental growth and occupancy rate and negatively correlated to the risk adjusted discount rates.

The fair value of investment property located in USA is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group's investment property compared to the recent sales. Higher premium for investment property will result in a higher fair value measurement.

Fair value adjustment of investment properties is recognised in the line item "valuation gains on investment properties" on the face of the consolidated statement of profit or loss.

All the gains recognised in profit or loss for the year arise from the investment properties held at the end of the reporting period.

13. Fixed assets (Continued)

(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 month to eleven 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 $11,159,025,000 (2013: $11,006,024,000).

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

	2014	**2013**
	$'000	$'000
Within one year	328,368	330,926
After one year but within five years	702,758	527,611
After five years	108,987	34,272
	1,140,113	892,809

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

(f) During the year, lease incentives totalling $6,347,000 (2013: $1,571,000) were given to tenants of an investment property in Australia. The lease incentives are being amortised over the lease terms.

14. Investments in subsidiaries

	Company 2014 $'000	Company 2013 $'000
Unlisted shares, at cost	2,801,990	2,801,990

Details of the principal subsidiaries are set out on pages 121 and 122.

The Group does not have any subsidiary which has a material non-controlling interest.

15. Interest in an associate

	Group 2014 $'000	Group 2013 $'000
Unlisted shares		
Share of net assets other than goodwill and intangible assets	1,362,716	612,304
Share of goodwill and intangible assets of an associate	8,652	315,737
Interest in an associate	1,371,368	928,041
Amount due to an associate (note (d))	(1,099,690)	–
	271,678	928,041

(a) Details of the associate and its principal subsidiaries and joint venture are set out on page 123.

Associate is accounted for using the equity method in the consolidated financial statements.

15. Interest in an associate (Continued)

(b) Summary financial information of an associate

Summarised financial information of the associate, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements, is disclosed below:

	DCH Auto Group (USA) Limited	
	2014	2013
	$'000	$'000
Gross amounts of the associate's		
– Current assets	2,608,419	4,226,089
– Non-current assets	355,432	2,470,652
– Current liabilities	(221,115)	(1,665,092)
– Non-current liabilities	–	(3,175,567)
– Equity	(2,742,736)	(1,856,082)
Revenue	13,285,429	17,694,555
(Loss)/profit from continuing operations	(7,509)	69,618
Post-tax profit or loss from discontinued operations	129,919	–
Gain on disposal of an interest in a subsidiary by an associate	747,694	–
Other comprehensive income	16,550	22,570
Total comprehensive income	886,654	92,188
Dividend received from the associate	–	–
Reconciled to the Group's interest in an associate		
– Gross amounts of net assets of the associate	2,742,736	1,856,082
– Group's effective interest	50%	50%
– Group's share of net assets of the associate	1,371,368	928,041
Carrying amount in the consolidated financial statements	1,371,368	928,041

15. Interest in an associate (Continued)

(c) On 2 October 2014, the associate of the Group sold its entire issued and outstanding shares of a subsidiary ("the disposal group") to a third party at a final consideration of US$327,409,000. The gain on disposal shared by the Group was $373,847,000. Consideration of US$290,055,000 has been settled during the year and a further US$3,900,000 was settled in February 2015. The balance amounting to US$33,454,000 was paid into an escrow account during the year and consists of cash of US$10,954,000 and listed shares of the buyer amounting to US$22,500,000. The cash and shares are held in escrow until 1 July 2016, where after they are expected to be transferred to the associate, less any successful claims made under warranties provided in the sale and purchase agreement. The directors do not anticipate any successful claim will be made against the escrow account and have treated the escrow balances as fully recoverable. A successful claim would reduce the amount of assets recoverable by the associate in this connection and also result in a reversal of the gain recognised on the disposal in a future accounting period. The disposal group was engaged in automobile dealerships and related business in USA.

The disposal group in USA operated 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. Upon disposal of the disposal group, the shares in these plans were redeemed and settled at fair value as at 31 December 2013.

(d) Amount due to/loans to an associate

On sale of the disposal group, the associate has transferred certain funds received to the shareholders, and the amount due to an associate of $1,099,690,000 arose in 2014 on receipt of these funds. The amount is unsecured, interest free and repayable on demand.

The loans to an associate in 2013 was unsecured, interest free and recoverable on demand.

16. Available-for-sale securities

	Group 2014 $'000	Group 2013 $'000
Equity securities		
Unlisted, at cost	11,568	11,568
Club debentures		
Unlisted, at fair value	10,150	10,500
	21,718	22,068

Included in the unlisted equity securities are amounts carried at cost of $11,568,000 (2013: $11,568,000) as at 31 December 2014. Management considers that the fair values of these securities cannot be measured reliably as there are no quoted prices available.

17. Trading securities

	Group 2014 $'000	Group 2013 $'000
Debt securities, at fair value		
– Unlisted but quoted	–	3,933
– Listed outside Hong Kong	17,343	19,353
	17,343	23,286
Equity securities, at fair value		
Listed		
– in Hong Kong	204,478	206,639
– outside Hong Kong	69,417	67,888
	273,895	274,527
Investment funds, at fair value		
– Unlisted but quoted	49,277	41,953
	340,515	339,766

18. Inventories

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

	Group 2014 $'000	Group 2013 $'000
Merchandise held for sale	106,729	112,865
Merchandise held for sale in transit	1,220	1,431
	107,949	114,296

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

	Group 2014 $'000	Group 2013 $'000
Carrying amount of inventories sold	841,913	832,226
Write-down of inventories	687	976
	842,600	833,202

19. Debtors, deposits and prepayments

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Trade and other debtors	27,523	25,888	34	49
Less: allowance for doubtful debts (note (b))	(19)	(21)	–	–
	27,504	25,867	34	49
Deposits and prepayments	38,813	28,212	684	272
	66,317	54,079	718	321

All debtors, deposits and prepayments of the Group, apart from certain rental deposits and prepayments totalling $22,451,000 (2013: $20,081,000), are expected to be recovered or recognised as an expense within one year.

19. Debtors, deposits and prepayments (Continued)

(a) Ageing analysis

Included in debtors, deposits and prepayments are trade and other debtors (net of allowance for doubtful debts) with the following ageing analysis, based on the due date, as of the end of the reporting period:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Current or less than one month past due	26,749	24,956	34	49
One to three months past due	535	611	–	–
More than three months but less than twelve months past due	71	207	–	–
More than twelve months past due	149	93	–	–
	27,504	25,867	34	49

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

According to the Group's credit policy set out in note 26(b)(i) to the financial statements, credit period granted to customers is generally 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.

19. 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	
	2014	**2013**
	$'000	$'000
At 1 January	21	18
Impairment loss (written back)/recognised (note 5(d))	(2)	3
At 31 December	19	21

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

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

21. Cash and cash equivalents

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Cash at bank and in hand	140,870	94,697	2,542	2,449
Bank deposits	3,206,390	1,960,005	89,998	69,699
	3,347,260	2,054,702	92,540	72,148

22. Creditors and accrued charges

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Trade and other creditors	385,280	377,289	11,295	12,370
Accrued charges	42,979	43,138	2,363	2,441
	428,259	420,427	13,658	14,811

All creditors and accrued charges of the Group, apart from certain rental deposits received and accrued charges totalling $24,459,000 (2013: $18,917,000), 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, based on the due date, as of the end of the reporting period:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Amounts not yet due	328,974	313,461	–	–
On demand or less than one month overdue	52,802	60,386	11,295	12,370
One to three months overdue	1,336	1,552	–	–
Three to twelve months overdue	756	632	–	–
More than twelve months overdue	1,412	1,258	–	–
	385,280	377,289	11,295	12,370

23. Secured bank loan

At 31 December 2014, the secured bank loan of the Group was repayable as follows:

	Group	
	2014	**2013**
	$'000	$'000
Within one year or on demand	40,102	395,309
After one year but within two years	39,689	–
After two years but within five years	241,818	–
	281,507	–
	321,609	395,309

The bank loan is denominated in Australian Dollars ("AUD") and bears interest at market rates plus 1.15% (2013: 1.30%) per annum. As at 31 December 2013, the loan principal was repayable on a quarterly basis at AUD1,600,000 until maturity on 22 December 2014. During the year, the loan agreement has been renewed and the Group is required to repay the loan principal on a quarterly basis at AUD1,600,000 until maturity on 13 November 2017.

At 31 December 2014, banking facilities of the Group amounting to $322,845,000 (2013: $484,331,000) were secured by mortgages over the investment properties with an aggregate value of $2,413,110,000 (2013: $2,413,375,000). The facilities were utilised to the extent of $322,845,000 (2013: $396,020,000).

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

24. Income tax in the statement of financial position

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

	Group 2014 $'000	Group 2013 $'000
Provision for Hong Kong Profits Tax for the year	80,799	77,196
Provisional Profits Tax paid	(58,016)	(56,806)
	22,783	20,390
Balance of Profits Tax provision relating to prior years	607	820
	23,390	21,210
Overseas tax payable	12,772	14,547
	36,162	35,757
Represented by:		
Current tax recoverable	(23)	(70)
Current tax payable	36,185	35,827
	36,162	35,757

24. 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	Others (note)	Future benefit of tax losses	Total
	$'000	$'000	$'000	$'000	$'000
Deferred tax arising from:					
At 1 January 2014	246,656	145,490	10,687	(23)	402,810
Charged/(credited) to the consolidated statement of profit or loss (note 6(a))	3,562	71,488	(2,028)	(441)	72,581
Credited to the exchange reserve	(15,952)	(16,688)	(730)	–	(33,370)
At 31 December 2014	234,266	200,290	7,929	(464)	442,021
At 1 January 2013	269,513	135,342	16,264	(23)	421,096
Charged/(credited) to the consolidated statement of profit or loss (note 6(a))	7,922	29,479	(3,467)	–	33,934
Credited to the exchange reserve	(30,779)	(19,331)	(2,110)	–	(52,220)
At 31 December 2013	246,656	145,490	10,687	(23)	402,810

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

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

(c) Reconciliation to the consolidated statement of financial position

	2014 $'000	2013 $'000
Deferred tax assets recognised in the consolidated statement of financial position	(7,904)	(8,284)
Deferred tax liabilities recognised in the consolidated statement of financial position	449,925	411,094
	442,021	402,810

(d) Deferred tax assets not recognised

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

	Group	
	2014 $'000	2013 $'000
Deductible temporary differences	12	14
Future benefit of accumulated tax losses	20,603	21,669
	20,615	21,683

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 2014 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.

(e) Deferred tax liabilities not recognised

At 31 December 2014, temporary differences relating to the undistributed profits of subsidiaries and an associate amounted to $1,425,681,000 (2013: $2,125,035,000). Deferred tax liabilities of $427,704,000 (2013: $637,511,000) 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 an associate and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

25. 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 pages 41 and 42.

Retained earnings attributable to the shareholders of the Company as at 31 December 2014 include the aggregate net valuation gain relating to investment properties after deferred tax of $8,547,470,000 (2013: $8,269,672,000).

(b) Company

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

	Share capital $'000 (note (d))	**Contributed surplus** $'000 (note (e)(v))	**Retained earnings** $'000	**Total** $'000
Balance at 1 January 2014	29,530	2,997,350	454,108	3,480,988
Total comprehensive income for the year	–	–	524,889	524,889
Dividends approved in respect of the previous year (note (c)(ii))	–	–	(203,754)	(203,754)
Dividends declared and paid in respect of the current year (note (c)(i))	–	–	(115,165)	(115,165)
Balance at 31 December 2014	29,530	2,997,350	660,078	3,686,958
Balance at 1 January 2013	29,530	2,997,350	454,447	3,481,327
Total comprehensive income for the year	–	–	309,720	309,720
Dividends approved in respect of the previous year (note (c)(ii))	–	–	(218,518)	(218,518)
Dividends declared and paid in respect of the current year (note (c)(i))	–	–	(91,541)	(91,541)
Balance at 31 December 2013	29,530	2,997,350	454,108	3,480,988

25. Capital, reserves and dividends (Continued)

(c) Dividends

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

	2014 $'000	2013 $'000
Interim dividend declared and paid of 39 cents (2013: 31 cents) per share	115,165	91,541
Final dividend proposed after the end of the reporting period of 138 cents (2013: 69 cents) per share	407,507	203,754
	522,672	295,295

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:

	2014 $'000	2013 $'000
Final dividend in respect of the financial year ended 31 December 2013 of 69 cents (31 December 2012: 74 cents) per share approved and paid during the year	203,754	218,518

25. Capital, reserves and dividends (Continued)

(d) Share capital

	2014 Number of shares '000	2014 $'000	2013 Number of shares '000	2013 $'000
Authorised:				
Shares of $0.1 each	400,000	40,000	400,000	40,000
Issued and fully paid:				
Shares of $0.1 each	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.

(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(j).

(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 statement of profit or loss and is dealt with in accordance with the accounting policy set out in note 1(g).

(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(v).

25. Capital, reserves and dividends (Continued)

(e) Nature and purpose of reserves (Continued)

(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(h).

(v) Contributed surplus

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

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

(vi) General reserve fund

According to applicable 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 2014, the aggregate amount of reserves available for distribution to shareholders of the Company was $3,657,428,000 (2013: $3,451,458,000). After the end of the reporting period the directors proposed a final dividend of 138 cents (2013: 69 cents) per share, amounting to $407,507,000 (2013: $203,754,000) (note (c)). This dividend has not been recognised as a liability at the end of the reporting period.

25. Capital, reserves and dividends (Continued)

(g) The Group's share of the post-acquisition accumulated reserves of an associate

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

	2014	**2013**
	$'000	$'000
Retained earnings	1,197,866	759,565
Exchange reserve	(3,365)	(2,302)
Hedging reserve	–	(9,338)
Land and building revaluation reserve	–	3,655
General reserve fund	1,018	612
	1,195,519	752,192

(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 2014, the Group had secured a bank loan of $321,609,000 (2013: $395,309,000) which is repayable as disclosed in note 23. The gearing ratio, representing the ratio of bank borrowings to the total share capital and reserves attributable to shareholders of the Company was 2.2% (2013: 2.9%) as at 31 December 2014. The Group had bank deposits and cash balances as at 31 December 2014 amounting to $3,347,260,000 (2013: $2,054,702,000).

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

26. Financial risk management and fair values

(a) Categories of financial instruments

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Financial assets				
Financial assets at fair value through profit or loss				
– Trading securities	340,515	339,766	–	–
Available-for-sale securities	21,718	22,068	–	–
Loans and receivables				
– Loans to an associate	–	19,361	–	–
– Debtors and deposits	43,850	41,085	34	49
– Amounts due from fellow subsidiaries	2,665	4,767	–	–
– Amounts due from subsidiaries	–	–	1,819,462	651,072
– Cash and cash equivalents	3,347,260	2,054,702	92,540	72,148
	3,393,775	2,119,915	1,912,036	723,269
	3,756,008	2,481,749	1,912,036	723,269
Financial liabilities				
Creditors and accrued charges	(428,259)	(420,427)	(13,658)	(14,811)
Amount due to an associate	(1,099,690)	–	–	–
Amounts due to fellow subsidiaries	(3,312)	(2,909)	–	–
Amounts due to subsidiaries	–	–	(1,014,094)	(29,732)
Secured bank loan	(321,609)	(395,309)	–	–
	(1,852,870)	(818,645)	(1,027,752)	(44,543)

26. 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 to 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 19.

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.

The Group has no significant concentrations of credit risk with exposure spread over a number of counterparties and customers except certain bank deposits placed with a licensed financial institution. At the end of the reporting period, 34.2% (2013: 13.6%) of cash and cash equivalents are placed in the same financial institution. The Group monitors the credit rating on an ongoing basis. 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.

26. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(ii) Liquidity risk

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

The following 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:

Group

	Contractual undiscounted cash flow					
	Within one year or on demand $'000	More than one year but less than two years $'000	More than two years but less than five years $'000	Five years or more $'000	Total $'000	Carrying amount at 31 December $'000
2014						
Creditors and accrued charges	403,800	6,054	6,876	11,529	428,259	428,259
Amount due to an associate	1,099,690	–	–	–	1,099,690	1,099,690
Amounts due to fellow subsidiaries	3,312	–	–	–	3,312	3,312
Secured bank loan	53,001	51,103	251,389	–	355,493	321,609
	1,559,803	57,157	258,265	11,529	1,886,754	1,852,870
2013						
Creditors and accrued charges	401,511	14,774	4,142	–	420,427	420,427
Amounts due to fellow subsidiaries	2,909	–	–	–	2,909	2,909
Secured bank loan	410,609	–	–	–	410,609	395,309
	815,029	14,774	4,142	–	833,945	818,645

26. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(ii) Liquidity risk (Continued)

Company

	2014			2013		
	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
Creditors and accrued charges	13,658	13,658	13,658	14,811	14,811	14,811
Amounts due to subsidiaries	1,014,094	1,014,094	1,014,094	29,732	29,732	29,732
	1,027,752	1,027,752	1,027,752	44,543	44,543	44,543

(iii) Interest rate risk

The Group's interest rate risk arises primarily from bank deposits 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 2014 is 4.0% (2013: 3.9%).

At 31 December 2014, 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 $15,088,000 (2013: $8,325,000). Other components of the consolidated equity would not be affected (2013: $Nil) by the change in interest rates.

The sensitivity analysis above indicates the annualised impact on 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 floating rate instruments which expose the Group to cash flow interest rate risk at that date. The analysis has been performed on the same basis for 2013.

26. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(iv) Foreign currency risk

The Group is exposed to foreign currency risk primarily through investments in securities, bank deposits, loans to an associate and amount due 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, Pound Sterling 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.

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)									
	2014					2013				
	United States dollars $'000	Australian dollars $'000	Japanese Yen $'000	Pound Sterling $'000	Renminbi $'000	United States dollars $'000	Australian dollars $'000	Japanese Yen $'000	Pound Sterling $'000	Renminbi $'000
Trading securities	85,541	30,626	12,387	–	7,884	75,070	33,181	12,638	–	3,933
Debtors and deposits	2,408	225	–	2	769	1,323	233	–	15	385
Loans to an associate	–	–	–	–	–	19,361	–	–	–	–
Amounts due from fellow subsidiaries	–	–	–	–	–	2,719	–	–	–	–
Cash and cash equivalents	1,945,458	39,028	–	193	201,597	776,476	31,888	–	12,918	200,327
Creditors and accrued charges	–	–	(5)	–	(112)	(412)	–	–	(402)	(194)
Amount due to an associate	(1,099,690)	–	–	–	–	–	–	–	–	–
	933,717	69,879	12,382	195	210,138	874,537	65,302	12,638	12,531	204,451

26. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(iv) Foreign currency risk (Continued)

Company

	Exposure to United States dollars (expressed in Hong Kong dollars) 2014 $'000	2013 $'000
Cash and cash equivalents	63,557	43,568

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

	2014		2013	
	Increase/ (decrease) in foreign exchange rates %	Increase/ (decrease) in profit after taxation and retained earnings $'000	Increase/ (decrease) in foreign exchange rates %	Increase/ (decrease) in profit after taxation and retained earnings $'000
United States dollars	0.5	4,669	0.5	4,373
	(0.5)	(4,669)	(0.5)	(4,373)
Australian dollars	10.0	6,988	10.0	6,530
	(10.0)	(6,988)	(10.0)	(6,530)
Japanese Yen	10.0	1,238	10.0	1,264
	(10.0)	(1,238)	(10.0)	(1,264)
Pound Sterling	10.0	20	10.0	1,253
	(10.0)	(20)	(10.0)	(1,253)
Renminbi	10.0	21,014	10.0	20,445
	(10.0)	(21,014)	(10.0)	(20,445)

26. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(iv) Foreign currency risk (Continued)

Results of the analysis as presented in the above table represent an aggregation of the 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 2013.

(v) Price risk

The Group is exposed to price changes arising from trading securities (see note 17), derivative financial instruments and available-for-sale securities (see note 16). Except the unlisted equity securities carried at cost as disclosed in note 16, 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.

26. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(v) Price risk (Continued)

At 31 December 2014, it is estimated that an increase/decrease of 10% (2013: 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

	2014		2013	
	Increase/(decrease) in profit after taxation and retained earnings $'000	Increase/(decrease) in other components of the consolidated equity $'000	Increase/(decrease) in profit after taxation and retained earnings $'000	Increase/(decrease) in other components of the consolidated equity $'000
Increase/(decrease) in price variable				
– 10%	30,808	1,015	30,567	1,050
– (10)%	(30,808)	(1,015)	(30,567)	(1,050)

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 2013.

26. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(vi) Fair values

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.

Group

		Fair value measurements as at 31 December 2014 categorised into			Fair value measurements as at 31 December 2013 categorised into	
	Fair value at 31 December 2014	Level 1	Level 2	Fair value at 31 December 2013	Level 1	Level 2
	$'000	$'000	$'000	$'000	$'000	$'000
Recurring fair value measurements						
Assets						
Unlisted available-for-sale securities	10,150	–	10,150	10,500	–	10,500
Trading securities	340,515	291,238	49,277	339,766	293,880	45,886

During the years ended 31 December 2014 and 2013, there were no transfers between financial instruments in different levels. 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.

26. Financial risk management and fair values (Continued)

(b) Financial risk management (Continued)

(vi) Fair values (Continued)

Valuation techniques and inputs used in Level 2 fair value measurements

The trading securities in Level 2 represent investment funds and unlisted but quoted debt securities. The fair value of these investment funds is determined by reference to quoted price in an 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 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 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.

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2014 and 2013 except for the unlisted equity securities of $11,568,000 (2013: $11,568,000), which do not have a quoted price in an active market and therefore their fair values cannot be reliably measured (see note 16). These unlisted equity securities are stated at cost at the end of the reporting period.

27. Commitments

(a) Capital commitments

Capital commitments outstanding as at 31 December 2014 not provided for in the financial statements were as follows:

	Group	
	2014	**2013**
	$'000	$'000
Authorised and contracted for	9,973	24,355
Authorised but not contracted for	–	9,629
	9,973	33,984

(b) Commitments under operating leases

At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group	
	2014	**2013**
	$'000	$'000
Within one year	41,979	42,845
After one year but within five years	53,541	14,780
	95,520	57,625

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the leases upon expiry when all terms may be renegotiated. Certain leases 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 2014 is stated in note 5(d).

28. 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 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2014 $'000	2013 $'000
Directors' fees	540	510
Salaries and other short-term employee benefits	38,675	40,339
Contributions to defined contribution retirement plans	1,062	1,014
	40,277	41,863

(b) Financing arrangements

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

	2014 $'000	2013 $'000
Loans to an associate	–	19,361

At 31 December 2014, the Group had an amount due to an associate of $1,099,690,000 set out in note 15(d).

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

28. Material related party transactions (Continued)

(c) Recurring transactions

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

(i) A fellow subsidiary rents retail premises to a subsidiary. Rental and management fees payable to this fellow subsidiary amounted to $24,517,000 (2013: $24,518,000) during the year. The amount due from the fellow subsidiary as at 31 December 2014 amounted to $2,554,000 (2013: $2,041,000).

(ii) A subsidiary rents office premises to a fellow subsidiary. Rental and management fees receivable from this fellow subsidiary amounted to $5,159,000 (2013: $4,857,000) during the year. The amount due to the fellow subsidiary as at 31 December 2014 amounted to $1,294,000 (2013: $1,171,000).

(iii) A fellow subsidiary, engaged in securities trading, deals in securities for certain subsidiaries of the Group. Commission of $99,000 (2013: $76,000) was payable to this fellow subsidiary during the year. The amount due from the fellow subsidiary as at 31 December 2014 amounted to $111,000 (2013: $2,726,000).

(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 (2013: $912,000) during the year. The amount due to the fellow subsidiary as at 31 December 2014 amounted to $2,018,000 (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.

(d) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of (i) and (ii) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the section "continuing connected transactions" of the Annual Report.

The related party transactions in respect of (iii) and (iv) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, however they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

(Expressed in Hong Kong dollars unless otherwise indicated)

29. Immediate and ultimate controlling parties

At 31 December 2014, 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.

30. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2014

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and a new standard which are not yet effective for the year ended 31 December 2014 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
Amendments to HKAS 19, Defined benefit plans: Employee contributions	1 July 2014
Annual improvements to HKFRSs 2010-2012 cycle	1 July 2014
Annual improvements to HKFRSs 2011-2013 cycle	1 July 2014
Annual improvements to HKFRSs 2012-2014 cycle	1 January 2016
Amendments to HKAS 16 and HKAS 38, Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKFRS 15, Revenue from contracts with customers	1 January 2017
HKFRS 9, Financial instruments	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments 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 consolidated financial statements.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

PRINCIPAL SUBSIDIARIES AND ASSOCIATE

At 31 December 2014

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

The complete list of all the subsidiaries and associate 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/ business**	**Particulars of issued and paid up capital**	**Group's effective holding**	**held by the Company**	**held by a 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 no par value	100	–	100	Securities trading
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

PRINCIPAL SUBSIDIARIES AND ASSOCIATE

(Continued)

At 31 December 2014

Principal subsidiaries (Continued)

Name of company	Place of incorporation/ business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective holding	held by the Company	held by a subsidiary	Principal activity
The Wing On Company Limited	Hong Kong	296,100,000 shares of no par value	100	–	100	Investment holding and property investment
The Wing On Department Stores (Bermuda) Limited	Bermuda	60,100,000 shares of HK$1 each	100	–	100	Investment holding
The Wing On Department Stores (Hong Kong) Limited	Hong Kong	2 shares of no par value	100	–	100	Department stores
The Wing On Property Management Company Limited	Hong Kong	5,000 shares of no par value	100	–	100	Property management
The Wing On Services Limited	British Virgin Islands	1 share of HK$10	100	–	100	Ownership of trade marks
Tonnish Limited	Hong Kong	500 shares of no par value	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 no par value	100	–	100	Computer services
WOCO Investment Corporation *	USA	4,300 shares of common stock of US$10 each	88.22	–	100	Property investment
Wonder Choice Investments Limited	British Virgin Islands	1 share of US$1	100	100	–	Investment holding
Wonder Choice Properties Pty Limited	Australia	2 ordinary shares of no par value and 1,300 redeemable preference shares of no par value	100	–	100	Investment holding

* Not audited by KPMG.

PRINCIPAL SUBSIDIARIES AND ASSOCIATE

(Continued)

At 31 December 2014

Associate and its principal subsidiaries and joint venture

Name of company	Form of business structure	Place of incorporation/ business	Class of share held	Proportion of ownership interest held by the Group	Principal activity
DCH Auto Group (USA) Limited	Incorporated	British Virgin Islands	”A” shares and “B” shares	50	Investment holding
DCH Auto Group (Asia) Limited #	Incorporated	British Virgin Islands	Ordinary	50	Investment holding
Meichang Auto Group (Asia) Limited * #	Incorporated	Hong Kong	Ordinary	25.5	Investment holding

* Not audited by KPMG.

Principal subsidiaries and joint venture of DCH Auto Group (USA) Limited.