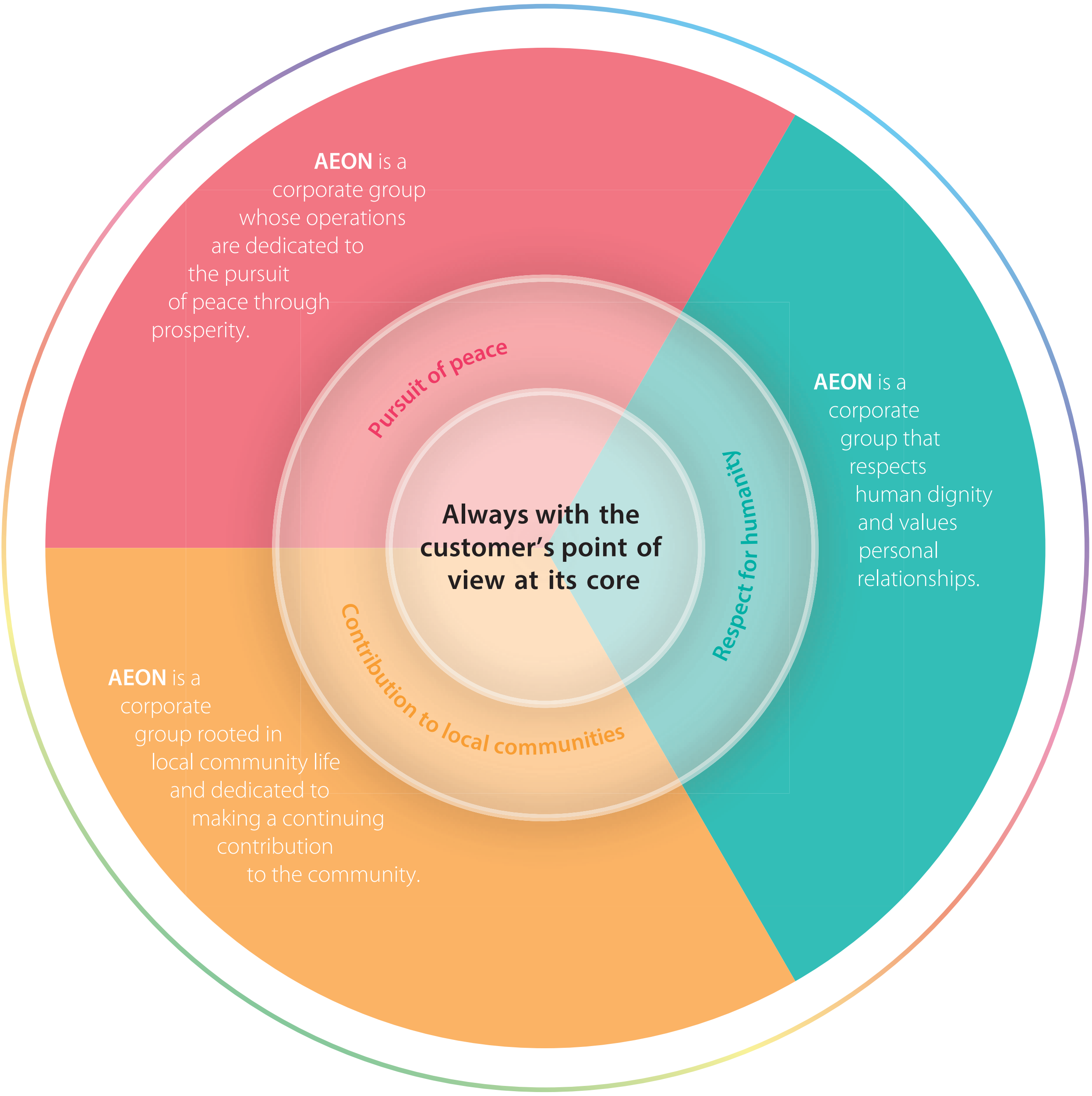
AEON Stores (Hong Kong) Co., Limited

永旺(香港)百貨有限公司

2014 Annual Report

Stock Code: 984

AEON Principle



Throughout the generations since its establishment, the philosophy of listening to customers and looking at business from the customers' perspective has continuously guided AEON's efforts toward innovation. AEON will continue to embrace our **"Customer-First"** philosophy to guide our efforts in contribution to the peace and prosperity of the region.

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Board of Directors

Executive Directors

CHAN Pui Man Christine *(Managing Director)*
MIZUSHIMA Yoshiaki *(Deputy Managing Director)*
CHAK Kam Yuen

Non-executive Directors

OKUNO Yoshinori *(Chairman)*
HABU Yuki

Independent Non-executive Directors

SHAM Sui Leung Daniel
CHENG Yin Ching Anna
CHAN Yi Jen Candi Anna
LO Miu Sheung Betty

Company Secretary

CHAN Kwong Leung Eric

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants

Principal Bankers

Mizuho Bank, Ltd.
The Bank of Tokyo — Mitsubishi UFJ, Ltd.
Sumitomo Mitsui Banking Corporation
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

Share Registrars

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

Registered Office

G-4th Floor, Kornhill Plaza (South)
2 Kornhill Road, Hong Kong

Head Office and Principal Place of Business

7/F., D2 Place
9 Cheung Yee Street
Lai Chi Kok, Kowloon
Tel: (852) 2565 3600
Fax: (852) 2563 8654

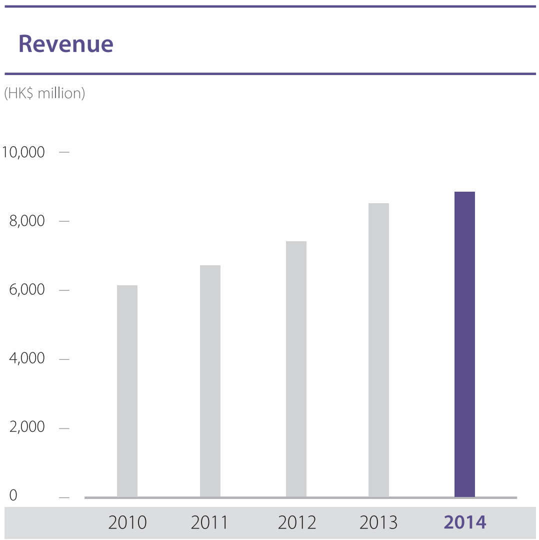
Stock Code

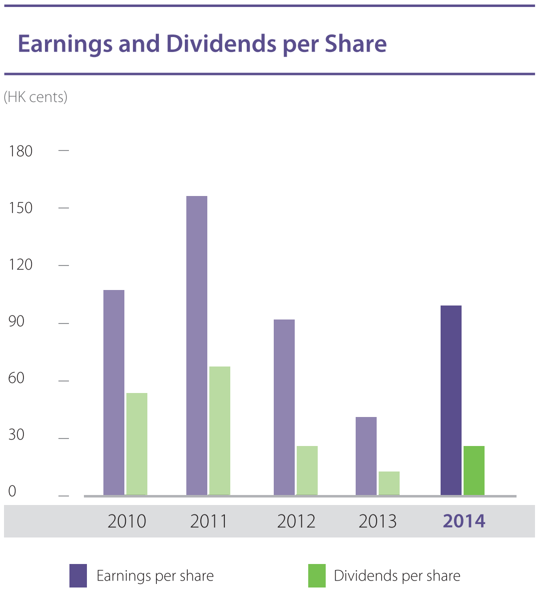
984

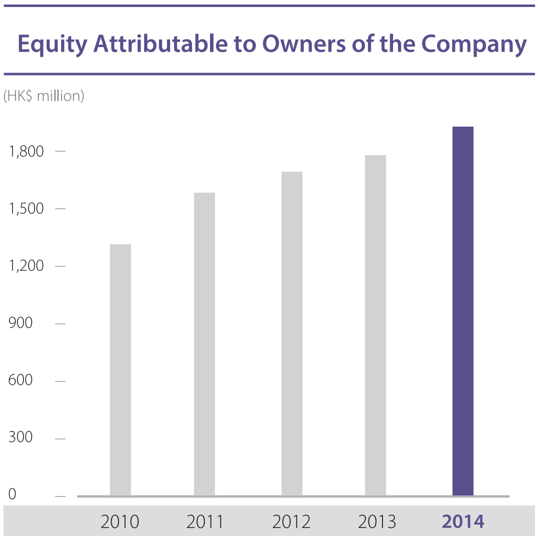
Website

www.aeonstores.com.hk

Financial Highlights







Chairman's Statement

Mr. OKUNO Yoshinori
Chairman

During 2014, Hong Kong's retail industry has experienced a sluggish economy, characterized by a sharp rise in rent and the unstable political environment in particular in the fourth quarter. In China, local economic growth continued to slow down, recording the lowest pace of growth in the past few years. All of these factors have presented to AEON Stores (Hong Kong) Co., Limited and its subsidiaries ("AEON Stores" or the "Group") with many challenges. A rapidly changing macroeconomic environment requires the adaptation of a flexible strategy. Thus in 2014, the 20th anniversary of the Group's listing on the Stock Exchange of Hong Kong, the management has made various adjustments to its operations and continued to implement consolidation measures, which have resulted in an improvement in its financial results.

Facing a relatively weak retail market in Hong Kong and China, the Group reinforced its strategies to enhance its sales performance and achieved satisfactory results. It focused on reviewing and adjusting the merchandise mix and ancillary services and refurbishment of the interior design of stores in different regions, as well as strengthening promotional activities. Meanwhile, it has also raised its operational efficiency to maintain the performance of all of its existing stores. This series of strategies, together with the effective cost control measures further reducing various costs-to-revenue ratios, have led to a gradual turnaround in business in south China and the overall profit attributable to shareholders surging more than a double to approximately HK$257 million in 2014 when compared with last year.

Leveraging its strong network in Japan, the Group has been exploring the sourcing of special products from different counties and cities in Japan and introducing the unique customs and culture as well as local delicacies to Hong Kong and south China. To offer fresh and good quality Japanese products to customers at affordable prices, the Group has cooperated with different administrative regions in Japan to directly introduce selected Japanese crops and food items to be sold in its stores. In the past year, the Group has cooperated with Furano in Hokkaido, Iwate Prefecture in Tohoku and Kumamoto Prefecture in Kyushu in sightseeing and product exhibitions, which has heightened the attraction of the products sold at its stores. These initiatives were well-received in the markets and the Group will continue similar efforts going forward.

Looking ahead, despite the possibility of the economy and retail markets in Hong Kong and China remaining unstable and the retail sector facing ongoing pressure from increasing costs, the Group is cautiously optimistic about its prospects. In 2015, to drive sales growth, the Group intends to revamp the interior decoration, design and display of existing stores so as to offer a new and trendy shopping experience to customers. The Group continues to implement innovative business strategies and launch more exciting promotions to improve and consolidate the sales performance, thus further enhancing the Group's overall results. It is also monitoring potential opportunities for future store expansion, and placing priority on opening smaller stores with greater flexibility in site selection and lower investment costs.

As a means to further enhance its competitiveness and bring a refreshing atmosphere to customers, the Group will exploit its advantages provided by the parent company's strong support and will introduce new business models from Japan. Aspects of these new business models will first be launched in existing stores and will be more widely implemented when the models become mature in the markets, thereby further highlighting the brand image of "AEON", diversifying the merchandise and services mix and expanding the income streams of the Group.

Last but not least, on behalf of the Board, I would like to thank our management and all of our staff for their hard work and dedicated contributions. The Group will continue to work diligently and offer quality products and services, with the aim to become one of the best retailers in the hearts of its customers.

OKUNO Yoshinori
Chairman

Hong Kong, 17 March 2015

Management Discussion and Analysis

Ms. CHAN Pui Man Christine
Managing Director

Financial Review

Despite the uncertainties in the macroeconomic environment entering 2014 which may have adversely affected consumer spending and sentiment as well as the retail markets in the PRC and Hong Kong, the Group managed to maintain a stable growth in revenue of 3.9% to HK$8,815.8 million from HK$8,487.5 million last year. This growth was mainly driven by the stable performance of the Group's existing stores and the full period contribution of the newly-opened stores. Gross profit margin was slightly adjusted to 31.6% (2013: 32.2%) due to the persistent growth of revenue from direct sales and launch of promotional activities to boost sales performance. Thanks to the improvement of the operating results for the PRC operations, the decreased impairment loss recognised in respect of property, plant and equipment as well as lower costs to revenue ratios as a results of effective cost control measures, profit attributable to owners of the Company more than doubled, rising to HK$257.6 million (2013: HK$107.1 million) during the year.

During the year under review, staff costs decreased by 0.2% and the ratio of staff costs to revenue decreased from 11.9% to 11.4%, due to the Group's efforts in streamlining its operations and improving efficiency. Rental costs rose by 3.4% while the ratio of rental costs to revenue decreased slightly from 11.6% to 11.5%. Other expenses including selling, distribution and administrative expenses excluding rental costs, decreased by 0.1% as a results of the Group's effective cost control measures.

During the year, the Company entered into a Sale and Purchase Agreement with the Purchaser to dispose its Property located at Nos. 24-28 Kung Yip Street, Kwai Chung, New Territories, Hong Kong at a Purchase Price of HK$633.8 million. Completion of the Disposal shall take place on or before 29 April 2015 or a date to be mutually agreed between the Purchaser and the Company. More details of the Disposal and the Property are contained in the Company's circular dated 25 November 2014 and note 18 to the consolidated financial statements.

As at 31 December 2014, the Group maintained a strong net cash position with cash and bank balance and short term time deposits of HK$2,433 million (2013: HK$2,345 million). The Group thus has sufficient internal resources to finance future business expansion.

As at 31 December 2014, deposits of HK$31.4 million (2013: HK$29.4 million) were pledged as guarantees to landlords for rental deposits. Deposits of HK$16.6 million (2013: HK$15.2 million) were pledged as a guarantee to regulatory bodies for prepaid value cards sold.

During the year under review, capital expenditure for opening new stores and store renovations in Hong Kong and the PRC amounted to HK$110.8 million. The Group intends to finance future capital expenditure by internal resources and short-term borrowings.

As less than 5% of the Group's total purchases were settled in foreign currencies, its financial position has no significant impact by fluctuations in exchange rates.

Business Review

Hong Kong Operations

The retail market remained sluggish owing to slower economic growth with the increased pressure of surging rental costs. Consumers remained cautious about spending, while the retail market was also affected by the unstable political environment in the fourth quarter of the year. The Group stepped up its promotional activities and reinforced its strategies to further enhance the sales performance of its existing stores, which to some extent countered the effects of the stagnant market environment. During the year, despite the closure of one store in Yuen Long in February and another in Kwun Tong in May, revenue from the Group's Hong Kong operations was still maintained at HK$3,889.2 million (2013: HK$3,983.4 million), with segment profit rising 11.9% to HK$204.3 million (2013: HK$182.5 million) benefiting from the enhanced operational efficiency and cost control measures and absence of impairment loss in respect of property, plant and equipment recognised during the year (2013: HK$24.0 million).

During the year, while devoting most of its efforts in boosting the performance of existing stores, the Group continued to identify suitable locations for new store openings in a cautious manner. Apart from a new store in Choi Wan opened in March 2014, it opened the second one in Kennedy Town to capture the growing business opportunity from a rising residential population in the catchment area.

As at 31 December 2014, the Group had 42 (2013: 42) stores in densely populated residential and commercial districts across Hong Kong.

PRC Operations

While the PRC's economy maintained a relatively lower growth rate when compared with past years, the consumer sentiment continued to change rapidly. Facing these challenges, the Group took a proactive approach to revamp the merchandise mix and improve back-end support services. In addition, the Group's stores opened in the previous year steadily ramped up their sales performances, which helped boost not only its revenue but also the overall results. Therefore, despite the unfavourable operating environment, the Group managed to boost revenue by 9.4% to HK$4,926.5 million (2013: HK$4,504.2 million), while segment loss was markedly narrowed from HK$158.3 million to HK$24.3 million during the year under review. Excluding the impairment loss of property, plant and equipment for both years, the PRC segment results would have registered a profit of HK$7.1 million, a significant turnaround from a loss of HK$56.9 million in 2013. The Group opened one store in Guangzhou and renovated the Teem Plaza store during 2014.

As at 31 December 2014, the Group operated 29 (2013: 29) stores in south China.

Prospects

Hong Kong Operations

Looking ahead, the Group remains cautiously optimistic about the retail market in 2015 as the global economy appears to be gradually stabilizing. The overall retail industry and consumer sentiment in Hong Kong, however, remain uncertain and pose challenges to the Group's business in the coming year. Therefore, focusing resources on optimising sales performances of newly opened stores and improving merchandise offerings and services is the key focus of the Group. At the same time, the Group continues to search for suitable locations for cautious expansion, with the target to open small-scale stores in the territory.

PRC Operations

On the PRC front, as the growth of the economy continued to slow down, the Group expects that the operational environment in the market will remain challenging. In addition, the Group is also encountering rising costs across various fronts. Nevertheless, it believes that the overall economy of the PRC is healthy with growth potential, which should be beneficial to the retail industry in the long run. In view of this, it remains prudently optimistic about its operations in south China and will continue executing its strategy of strengthening and optimising sales performance of its existing stores and consider opening new stores when opportunities arise.

Human Resources

As at 31 December 2014, the Group has approximately 8,100 full-time and 2,300 part-time employees in Hong Kong and the PRC. The Group remunerates employees based on their performance, experience and prevailing practices within the industry. Committed to delivering the highest standard of service to all of its customers, the Group continues to enhance the quality and skills of its staff by providing professional training and mentorship. Concurrently, the Group strives to create an environment where employees can grow through a fulfilling career development path and enjoy a sense of camaraderie which would help to instill loyalty.

Creating Long-Term Value

The Group's business strategy is to optimise customer satisfaction by providing safe, reliable and environmentally-friendly merchandise, a pleasant shopping environment and quality customer-oriented services. Embedded in the heart of every AEON employee is our AEON principles, as the Group is determined to create long-term value through earning the trust of our customers.

CHAN Pui Man Christine
Managing Director

Hong Kong, 17 March 2015

Corporate Social Responsibility Report

With "pursuing peace, respecting humanity, and contributing to local communities" as the Group's basic principles, AEON has always been devoted to fulfilling corporate social responsibility. Through implementation of various social and environmental initiatives, including volunteer services, resource recycling, fund-raising, education and many others, the Group is striving toward a harmony and sustainable society by caring for the minorities and the environment. The Group will continue to join hands with its stakeholders to contribute to the community in different fields.

"Yellow Receipt" Campaign

Starting from August 2012, the Group has launched a fund-raising campaign named "Yellow Receipt" in Hong Kong and other areas in China. On every 11th of the month — AEON Day, a receipt in yellow colour will be given to our customers after purchase. Customers are invited to vote for the charity organisations that they would like to support with the yellow receipts. Goods in the amount of 1% of total transaction amount will be donated to the organisations by the Group. With great support from our customers, over 1.5 million receipts have been collected and over HK$1.99 million of goods have been donated to 115 organisations in 2014, providing support to charity works including environmental conservation, senior and child welfare and animal protection.

AEON Cheers Club

The Group has launched a new environmental programme named "AEON Cheers Club" in 2014, which recruits members aged 6 to 14 and organises free environmental education activities for them. AEON Cheers Club aims to raise the awareness of environmental protection among the young generation through learning about Mother Nature in an interesting way. At the same time, it also aims to foster children's manner, teamwork, curiosity and the ability of independent thinking through participation in the activities. The AEON Cheers Clubs in Hong Kong, Guangdong and South China have recruited a total of 285 members in 2014. Focusing in the theme of "The Sun and Nature", a total of 11 activities have been organised throughout the year, including visit to Ma Wan Park, Little Tree Planting, "World Oceans Day" seminar, green handicraft workshop, eco-farm experience and environmental friendly fashion show.

Fund Raising Activities

Since 1992, the Group and World Vision Hong Kong have been jointly organising the "Used Book Recycling Campaign" every year to raise funds for school building construction and other educational projects in poor areas in China through collection and charity sale of used books. The campaign aims to improve the learning environment of children, and at the same time, to promote resource recycling among the public. In 2014, more than 350 thousand books were collected and a total of over HK$1.7 million was raised which funded to build a two-storey teaching block in Liannan, Guangdong to provide a safe learning environment for 179 students and teachers. As of 2014, the campaign has collected over 4.8 million books and over HK$29 million has been raised which funded to build schools in many provinces in China, such as Guangxi, Guizhou, Guangdong, Ningxia, Gansu, Shanxi and Sichuan.

In addition, the Group has also been concerned about disaster relief and reconstruction work. Last year, a disastrous earthquake occurred in Yunnan, China. The Group has arranged donation boxes in stores and office to raise money from customers and staff and more than HK$90,000 was raised for the victims. The Group also arranges different charity organisations to place donation boxes in stores regularly to invite our customers to participate in charity. Guangdong AEON also held a cookie charity sale in September to raise funds for disabled children.

Community Services

The Group is always dedicated to carrying out corporate social responsibility activities and has appointed the 11th of every month as "AEON Day" when it organises a variety of social activities, including environmental protection, fund-raising, education and community services for people in need. During the past year, the Group has organised regular volunteer activities to visit elderly homes, kindergartens, special education training centres, women care organisation, special families and disaster stricken area to care for and lend its support to those in need.

Environmental Protection

As a staunch supporter of environmental conservation, the Group started to take part in food donation in August 2013 by donating to a food bank run by charity organisation which distributes food to low-income families. In October of the same year, the Group also started working with a recycling factory who converts food waste to organic fish food. Such programmes aim at promoting the concept of resource recycling and waste reduction. In 2014, the Group has donated over 21,000 pieces of food items, which were close to expiry dates yet in good condition, and 610,048 kg of food waste for making into organic fish food.

Apart from resource recycling, the Group has also been devoted in other kinds of green activities, such as organic planting education, wetland cleaning, forest protection and nature conservation education. In 2014, AEON South China implemented a special series of activities to educate the public about the mangrove ecosystem and how to conserve it.

Energy saving is another focus of attention of the Group. In March, the stores in Hong Kong and South China participated in WWF's Earth Hour. Signage and advertising light boxes as well as lighting in offices were switched off for one hour, arousing the public awareness about conservation of the earth's resources. In June, AEON South China organised a campaign in stores to promote green and sustainable consumption. It also led customers to do a 25-km charity cycling and leaf collage activity in Chang'an in August. Guangdong AEON has also organised a charity walk to promote low carbon lifestyle to reduce environmental burden.

Education

The Group is dedicated to fostering the next generation for the society. Guangdong AEON has established an education fund since 2008 to help students from poor families to complete high school education as well as to sponsor the construction of education facilities. As of 2014, a total of RMB860 thousand has been donated to sponsor 196 students in Guangzhou, Dongguan, Zhongshan, Foshan and Shaoguan regions. In the past year, over RMB208 thousand has been donated to sponsor 58 high school students in Panyu, Guangzhou. In addition, to support undergraduates of academic excellence, Guangdong AEON has joined with other group companies to establish "AEON Scholarship" since 2009 which has donated a total of RMB4 million for students of Tsinghua University, Peking University and other institutions. During the past year, it has sponsored RMB100 thousand to five universities. AEON South China also established "Shenzhen University AEON Education Fund" in November 2014 and donated RMB150 thousand as scholarship for 30 students.

Activity	Result	2010	2011	2012	2013	2014
"Yellow Receipt" Campaign[1]	Value of donated items (HK$'000)	/	/	5,968	1,818	**1,999**
	No. of beneficiary organisations	/	/	82	103	**115**
	No. of receipts collected ('000)	/	/	369	1,389	**1,506**
AEON Cheers Club[2]	No. of members	428	730	212	228	**285**
	No. of activities	2	2	1	0	**11**
Used Book Recycling Campaign	No. of books collected ('000)	351	356	420	340	**357**
	Fund raised (HK$'000)	1,372	2,134	2,284	1,571	**1,709**
	No. of beneficiary teachers and students	1,171	2,100	1,600	724	**179**
Food donation[3]	Donated items (pcs)	/	/	/	6,872	**21,342**
Food waste recycling[4]	Volume (kg)	/	/	/	39,775	**610,048**
"Low carbon" charity walk/ride	No. of participants	/	/	/	1,500	**60**
	Distance (km)	/	/	/	10	**40**

Note:

1 "Yellow Receipt" Campaign was launched in August 2012.

2 AEON Cheers Club was previously named "Little Tomato Club".

3 Food donation programme was launched in August 2013.

4 Food waste recycling programme was launched in October 2013.

Brand Recognition

Throughout the years, the Group has been standing by its motto "everything we do, we do for our customers" and delivering exceptional merchandise and services; at the same time, the Group is also actively embracing corporate social responsibility. Such devotion has gained recognition and encouragement from all walks of life.

In Hong Kong, the Group was awarded "Junzi Corporation Survey Award" by Hang Seng Management College, "10 Years Plus Caring Company" logo by the Hong Kong Council of Social Service, "Prime Awards for the Best Brand Enterprise in Greater China" and "CSR Award" by MetroBox Magazine, "Smiling Enterprise Award" by the Hong Kong Mystery Shoppers Association, "Famous Brand Hong Kong" by Famous Brands Asia, "U-Green Award" by U-Magazine, "Top Service Award" by Next Magazine, "Go Green Award" by Weekend Weekly Magazine, "Corporate Membership Programme Award — Silver Member" by WWF Hong Kong, "Hong Kong Island Region — Best Security Services Award" by Hong Kong Island Regional Crime Prevention Office and "Group Buyer Quality Retailer" by Group Buyer.

In Guangdong, the Group was awarded "Top 10 Chain Operations Award", "Best Community Services of the Year" and "Outstanding Shop Award" (Phoenix City Store) by Guangdong Chain Operations Association, "Caring Parents Alliance Gold Award" by Guangdong Women and Children's Foundation, "Best Price Monitoring of the Year" by Price Control Administration of Guangzhou Municipality, "Reliable Shops 2013" (TeeMall Store and Tianyin Building Store) by Guangzhou Consumer's Council, "City Level Role-model Shop for Food Safety" (Foshan Oriental Plaza Store) by Foshan Food and Drug Administration, "Cultured and Civilized Unit" by Nanhai People's Government of Foshan and "Volunteer Service Award" by Guangzhou Volunteer Union.

In South China, the Group was awarded "Food Safety Role-model Shop in Guangdong Province" (Shunde Shopping Centre) by Foshan Food and Drug Administration, "Top 50 Chain Operations in Shenzhen" by Economy, Trade and Information Commission of Shenzhen Municipality and Shenzhen Retail Business Association and "Best Brand of the Year" by Nanfang Daily.

The above awards have acknowledged the Group's efforts in fulfilling corporate social responsibility while providing quality services to customers.

Senior Management Profile

Executive Directors

Ms. CHAN Pui Man Christine

Ms. Chan (aged 63) was appointed as Executive Director in September 2009 and became the Managing Director in May 2012. She is also a director of AEON (China) Co., Ltd.. Ms. Chan joined the Company in 1998. She possesses extensive experience in the buying field as well as operations. Ms. Chan is a graduate of the State of Washington University with a bachelor's degree in Business Administration.

Mr. MIZUSHIMA Yoshiaki

Mr. Mizushima (aged 57) was appointed as Executive Director and Deputy Managing Director in March 2014. He is also a director of AEON TOPVALU (Hong Kong) Co., Ltd.. He joined AEON Co. Ltd. ("AEON Co.") in 1982 and became general manager of Buying Strategy Department in 2011 and general manager of Fashion Buying Division of Tokai Area. Mr. Mizushima graduated from the St. Andrew's University with a bachelor's degree in Business Administration.

Mr. CHAK Kam Yuen

Mr. Chak (aged 52) was appointed as Executive Director in March 2013 and is in charge of Administration Division of the Company. Since joining the Company in 1987, Mr. Chak has amassed over 20 years of solid experience in retail industry, specifically in store management. Mr. Chak graduated from The Open University of Hong Kong with a master's degree in Business Administration and Electronic Commerce.

Non-executive Directors

Mr. OKUNO Yoshinori

Mr. Okuno (aged 51) was appointed as Non-executive Director in March 2011 and became the Chairman in May 2011. He is also a director and vice president of AEON (China) Co., Ltd., chairman of AEON Maxvalu (Guangzhou) Co., Ltd., director of AEON Mall (Guangzhou) Co., Ltd. and director of AEON TOPVALU (Hong Kong) Co., Ltd.. He joined AEON Co. in 1993. Mr. Okuno graduated from Tsukuba University with a bachelor's degree in Science. He is also vice chairman of Guang Dong Chain Operations Association.

Ms. HABU Yuki

Ms. Habu (aged 47) was appointed as Non-executive Director in March 2014. She is the president of AEON (China) Co., Ltd.. She joined AEON Co. in 1991 and has been a director of AEON (China) Co., Ltd. and was the former managing director of Beijing AEON Co., Ltd.. Ms. Habu graduated from the Keio University with a bachelor's degree in Commerce.

Independent Non-executive Directors

Mr. SHAM Sui Leung Daniel

Mr. Sham (aged 59) was appointed as Independent Non-executive Director in September 2004. He is an associate member of The Institute of Chartered Accountants in England and Wales and also a Certified Public Accountant of the HKICPA. He was a partner with Moores Rowland Mazars from 1988 to 2003. He was a committee member of the Expert Panel on Listing, the Expert Panel on Securities and the Accountants' Report Task Force of the HKICPA. Mr. Sham was also a committee member of the Disciplinary Panel of the HKICPA. A graduate from Leeds University in England, he holds a bachelor's degree in Economics. Mr. Sham is currently an independent non-executive director of Melco International Development Limited, which is listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Ms. CHENG Yin Ching Anna

Ms. Cheng (aged 45) was appointed as Independent Non-executive Director in June 2006 and she is a fellow member of the Association of Chartered Certified Accountants and also a Certified Public Accountant of the HKICPA. She is currently a director of Rosedale Hotel Group Limited.

Ms. CHAN Yi Jen Candi Anna

Ms. Chan (aged 53) was appointed as Independent Non-executive Director in May 2013. She is a practicing solicitor in Hong Kong for over 25 years and is a consultant of LCP Lawyers. Ms. Chan was respectively admitted as solicitor in Hong Kong in 1987, as solicitor in England & Wales in 1992 and as advocate and solicitor in Singapore in 1995. She is also a civil celebrant and accredited mediator. Ms. Chan graduated from the University of Hong Kong with a bachelor's degree in Laws (LL.B.). She is currently the Deputy Chairman of Rules, Chairman of Championship Committee and Tournament Director with the Hong Kong Golf Association.

Ms. LO Miu Sheung Betty

Ms. Lo (aged 52) was appointed as Independent Non-executive Director in November 2013. She is a qualified solicitor in Hong Kong and has over 25 years of experience in general legal practice, with specialisation in conveyancing, commercial and probate laws. Ms. Lo has been in active practice since qualification and is currently a consultant of Messrs. K.C. Ho & Fong, Solicitors. She graduated from The University of Hong Kong with a bachelor's degree in Laws (LL.B.) in 1985. She also holds a Postgraduate Certificate in Laws (PCLL). She is currently an independent non-executive director of Sincere Watch (Hong Kong) Limited, which is listed on the main board of the Stock Exchange. She was an independent non-executive director of Eagle Legend Asia Limited for the period from March 2012 to December 2014, which is listed on the main board of the Stock Exchange.

Senior Management

Mr. YEUNG Tze Shing

Mr. Yeung (aged 51) is the General Manager of Corporate Finance Division of the Company. He is a fellow member of the Association of Chartered Certified Accountants and a Certified Public Accountant of the HKICPA. He joined the Company in 1995. Mr. Yeung graduated from the Chinese University of Hong Kong with a bachelor's degree in Science.

Mr. LAU Chi Sum Sam

Mr. Lau (age 48) is the General Manager of Buying Division of the Company. He joined the Company in 1992 and possesses extensive experience in retail operations and buying field.

Mr. SAKAMOTO Tsuyoshi

Mr. Sakamoto (aged 45) is the General Manager of Operations Division of the Company. He joined AEON Co. in 1994. He joined the Company in 2013. Mr. Sakamoto graduated from Kokushikan University with a bachelor's degree in Education.

Mr. SIU Hung Fat Gary

Mr. Siu (age 51) is the Assistant General Manager of Buying Division of the Company. He joined the Company in 1994 and possesses extensive experience in retail operations and buying field. Mr. Siu graduated from the University of Leicester with a master's degree in Business Administration.

Corporate Governance Report

Corporate Governance Practice

The Board of Directors (the "Board") of the Company is committed to maintaining high standards of corporate governance practices to promote the interests of the shareholders and enhance the shareholders' value. The Board reviews the corporate governance practices and procedures regularly with reference to the latest development in corporate governance practices so as to ensure the Group is under the leadership of an effective Board and to meet interested parties' expectation and relevant regulatory requirements.

The Company has adopted the code provisions contained in the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its own code of corporate governance practice.

In the opinion of the Directors, the Company has complied throughout the year with the code provisions of the Code.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry of all existing Directors, the Company confirms that they have fully complied with the required standard set out in the Model Code throughout the year.

Board of Directors

The Board currently comprises a total of 9 Directors, being 3 Executive Directors, 2 Non-executive Directors and 4 Independent Non-executive Directors. The number of Independent Non-executive Directors exceeds one-third of the Board as required by Rule 3.10A of the Listing Rules. The list of the Directors and their biographies are respectively set out on pages 12 to 13 of this annual report.

The Board is responsible for the leadership and control of the Company, oversees the Group's businesses, strategic decisions and performance, and reserves the key matters such as the declaration of interim dividend, recommendation of final dividend or other distributions for the approval of the Board. The Board has delegated the management functions and day-to-day operating responsibility to the Executive Directors and senior management who perform their duties under the leadership of the Managing Director ("MD").

The Board has scheduled at least four meetings a year and meets as and when required. During the year, the Board held five meetings. The Company Secretary assists the Chairman in establishing the meeting agenda, and each Director may request inclusion of items in the agenda. For all such meetings, at least 14 days' notice is given to all Directors. Adequate and appropriate information are circulated normally three days in advance of Board meetings to the Directors. In addition to regular Board meetings, the Chairman of the Board met with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of the Executive Directors.

Directors' attendance at Board meetings are set out as follows:

	Directors	Number of attendance
Executive Directors	Chan Pui Man Christine *(MD)*	5/5
	Junichi Suzuki *(Deputy MD)*	5/5
	Yoshiaki Mizushima *(Deputy MD)* (Note 1)	3/3
	Chak Kam Yuen	5/5
	Chan Suk Jing (Note 2)	2/2
Non-executive Directors	Yoshinori Okuno *(Chairman)*	5/5
	Yutaka Agawa	5/5
	Yuki Habu (Note 3)	2/3
	Kazuhiko Yasukawa (Note 4)	3/3
	Haruyoshi Tsuji (Note 5)	2/2
	Takashi Komatsu (Note 6)	2/2
Independent Non-executive Directors	Sham Sui Leung Daniel	5/5
	Cheng Yin Ching Anna	5/5
	Chan Yi Jen Candi Anna	5/5
	Lo Miu Sheung Betty	5/5

Notes:

1. Mr. Yoshiaki Mizushima was appointed as Deputy Managing Director and Executive Director of the Company on 21 March 2014 and there were 3 Board meetings held after his appointment.

2. Ms. Chan Suk Jing resigned as an Executive Director of the Company on 21 March 2014.

3. Ms. Yuki Habu was appointed as a Non-executive Director of the Company on 21 March 2014 and there were 3 Board meetings held after her appointment.

4. Mr. Kazuhiko Yasukawa was appointed as a Non-executive Director of the Company on 21 March 2014 and there were 3 Board meetings held after his appointment.

5. Mr. Haruyoshi Tsuji resigned as a Non-executive Director of the Company on 21 March 2014.

6. Mr. Takashi Komatsu resigned as a Non-executive Director of the Company on 21 March 2014.

Board and committee minutes are recorded in appropriate detail and draft minutes are circulated to all Directors and committee members for comments before being approved by the Board and committees respectively at the next immediate meeting. All minutes are kept by the Company Secretary and are open for inspection by the Directors.

The Directors are entitled, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

The Company has received annual confirmations of independence from all existing Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules and considers them to be independent. The Nomination Committee has assessed the independence of all the Independent Non-executive Directors in particular, Mr. Sham Sui Leung Daniel who has served the Board for more than nine years. Mr. Sham Sui Leung Daniel does not have any management role in the Company and its subsidiaries since his appointment. He has expressed his willingness clearly to exercise independent judgement and has been giving objective views to the Company. There is no evidence that length of tenure is having any unfavourable influence on his independence. The Board is satisfied that, as well proven by the valuable independent judgement and advice given by Mr. Sham Sui Leung Daniel over the years, Mr. Sham Sui Leung Daniel has the required character, integrity, independence and experience to perform the role of an Independent Non-executive Director. The Board is not aware of any circumstances that might influence Mr. Sham Sui Leung Daniel in exercising his independent judgement and therefore believes he is still independent.

The Board members have no financial, business, family or other material/relevant relationship with each other. Given the nature and business objectives of the Company, the Board has a balance of skill and experience appropriate for the requirements of the business of the Company.

The Company has not fixed the terms of appointment for all Directors but they are subject to retirement and being eligible, offer themselves for re-election at each annual general meeting of the Company.

The attendance of the Directors at the Annual General Meeting held on 22 May 2014 is as follows:

	Directors	Number of attendance
Executive Directors	Chan Pui Man Christine *(MD)*	1/1
	Junichi Suzuki *(Deputy MD)*	1/1
	Yoshiaki Mizushima *(Deputy MD)* (Note 1)	1/1
	Chak Kam Yuen	1/1
	Chan Suk Jing (Note 2)	0/0
Non-executive Directors	Yoshinori Okuno *(Chairman)*	1/1
	Yutaka Agawa	1/1
	Yuki Habu (Note 3)	1/1
	Kazuhiko Yasukawa (Note 4)	1/1
	Haruyoshi Tsuji (Note 5)	0/0
	Takashi Komatsu (Note 6)	0/0
Independent Non-executive Directors	Sham Sui Leung Daniel	1/1
	Cheng Yin Ching Anna	1/1
	Chan Yi Jen Candi Anna	1/1
	Lo Miu Sheung Betty	1/1

Notes:

1. Mr. Yoshiaki Mizushima was appointed as Deputy Managing Director and Executive Director of the Company on 21 March 2014.

2. Ms. Chan Suk Jing resigned as an Executive Director of the Company on 21 March 2014.

3. Ms. Yuki Habu was appointed as a Non-executive Director of the Company on 21 March 2014.

4. Mr. Kazuhiko Yasukawa appointed as a Non-executive Director of the Company on 21 March 2014.

5. Mr. Haruyoshi Tsuji resigned as a Non-executive Director of the Company on 21 March 2014.

6. Mr. Takashi Komatsu resigned as a Non-executive Director of the Company on 21 March 2014.

Directors' Induction and continuous Professional Development

The newly appointed Directors were given an induction after their appointment so as to ensure that they have appropriate understanding of the Group's business and of their duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements. The Company provides regular updates on the business performance of the Group to the Directors. The Directors are continually updated on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices.

Directors are encouraged to participate in continuing professional development to develop and refresh their knowledge and skills. The Company has devised a training record in order to assist the Directors to record the training they have undertaken and they are asked to submit a signed training record to the Company on quarterly basis.

The Company has also arranged in-house trainings for Directors in the form of seminar during the year. The attendance of the Directors to the in-house training seminars throughout the year according to the records provided by the Directors is as follows:

	Directors	Directors' participation in trainings
Executive Directors	Chan Pui Man Christine *(MD)*	✓
	Junichi Suzuki *(Deputy MD)*	✓
	Yoshiaki Mizushima *(Deputy MD)* (Note 1)	✓
	Chak Kam Yuen	✓
	Chan Suk Jing (Note 2)	—
Non-executive Directors	Yoshinori Okuno *(Chairman)*	✓
	Yutaka Agawa	✓
	Yuki Habu (Note 3)	✓
	Kazuhiko Yasukawa (Note 4)	✓
	Haruyoshi Tsuji (Note 5)	—
	Takashi Komatsu (Note 6)	—
Independent Non-executive Directors	Sham Sui Leung Daniel	✓
	Cheng Yin Ching Anna	✓
	Chan Yi Jen Candi Anna	✓
	Lo Miu Sheung Betty	✓

Notes:

1. Mr. Yoshiaki Mizushima was appointed as Deputy Managing Director and Executive Director of the Company on 21 March 2014.

2. Ms. Chan Suk Jing resigned as an Executive Director of the Company on 21 March 2014.

3. Ms. Yuki Habu was appointed as a Non-executive Director of the Company on 21 March 2014.

4. Mr. Kazuhiko Yasukawa appointed as a Non-executive Director of the Company on 21 March 2014.

5. Mr. Haruyoshi Tsuji resigned as a Non-executive Director of the Company on 21 March 2014.

6. Mr. Takashi Komatsu resigned as a Non-executive Director of the Company on 21 March 2014.

Chairman and Chief Executive

The Board considered that the duties of the MD were no difference from that required of a chief executive stipulated under the code provision A.2 of the Code. The management would regard that the term MD will have the same meaning as the chief executive of the Company.

The Chairman of the Board is a Non-executive Director, who is responsible for the leadership and effective running of the Board, and ensuring that all significant and key issues are discussed and where required, resolved by the Board timely and constructively.

The MD of the Board is delegated with the authority and responsibility to run the Group's business and day-to-day operation, and implement the Group's strategy with respect to the achievement of its business objectives with the assistance of the Executive Directors and senior management.

Nomination Committee

The Nomination Committee is responsible for reviewing the structure, size and composition (factors including but not limited to gender, age, cultural and educational background, professional qualification, 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. The Committee's authorities and duties are set out in written terms of reference. The terms of reference of the Nomination Committee and the measurable objectives on the Board diversity as addendum thereto are available on the websites of the Stock Exchange and the Company.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional qualification, skills, knowledge, experience and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Members of the Nomination Committee and the attendance of each member are set out as follows:

	Directors	Number of attendance
Non-executive Director	Yoshinori Okuno *(Chairman)*	2/2
Independent Non-executive Directors	Sham Sui Leung Daniel	2/2
	Cheng Yin Ching Anna	2/2
	Chan Yi Jen Candi Anna (Note 1)	0/0
	Lo Miu Sheung Betty (Note 2)	0/0

Notes:

1. Ms. Chan Yi Jen Candi Anna was appointed as a member of the Nomination Committee of the Company on 22 May 2014.

2. Ms. Lo Miu Sheung Betty was appointed as a member of the Nomination Committee of the Company on 22 May 2014.

During 2014, the Nomination Committee performed the following duties:

— identified individuals suitably qualified to become board members and recommended the Board on the selection of individuals nominated for directorships;

— identified an individual suitably qualified to become senior management and recommended the Board on his appointment as senior management;

— assessed the independence of Independent Non-executive Directors; and

— recommended the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executive.

Remuneration Committee

The Remuneration Committee is responsible for ensuring that the Company has formal and transparent procedures for developing and overseeing its policies on the remuneration of the Directors and senior management. It will also make recommendations to the Board on the remuneration packages of all Directors and senior management. The Committee's authorities and duties are set out in written terms of reference. The terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

Members of the Remuneration Committee and the attendance of each member are set out as follows:

	Directors	Number of attendance
Non-executive Director	Yoshinori Okuno	3/3
Independent Non-executive Directors	Sham Sui Leung Daniel *(Chairman)*	3/3
	Cheng Yin Ching, Anna	3/3
	Chan Yi Jen Candi Anna (Note 1)	0/0
	Lo Miu Sheung Betty (Note 2)	0/0

Notes:

1. Ms. Chan Yi Jen Candi Anna was appointed as a member of the Remuneration Committee of the Company on 22 May 2014.

2. Ms. Lo Miu Sheung Betty was appointed as a member of the Remuneration Committee of the Company on 22 May 2014.

During 2014, the Remuneration Committee performed the following duties:

— reviewed the proposal on the termination of the cash-settled share-based payment scheme (2008-2013) of the Company and recommended the Board to approve the termination; and

— reviewed the remuneration of all Directors (including the MD and the Deputy MDs) and the senior management and recommended the Board to approve their remuneration.

Details of the remuneration paid to Directors and members of senior management by band for the year ended 31 December 2014 are disclosed in the notes 12 and 13 to the consolidated financial statements.

Auditors' Remuneration

During the year under review, the remuneration paid and payable to the Company's auditor, Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	Fees paid/ payable HK$'000
Audit services — annual audit	5,502
Non-audit services:	
Review of interim results	775
Taxation services	2,076
Other services	2,789
	11,142

Audit Committee

The Audit Committee is responsible for ensuring the objectivity and credibility of the Group's financial reporting. The Committee's authority and duties are set out in written terms of reference. The terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

The Audit Committee reviews the Group's financial statements, internal financial reports, and internal control systems. The Audit Committee meets at least twice a year with management and external auditor and reviews their reports.

Members of the Audit Committee and the attendance of each member are set out as follows:

	Directors	Number of attendance
Non-executive Director	Yoshinori Okuno	3/3
Independent Non-executive Directors	Sham Sui Leung Daniel *(Chairman)*	3/3
	Cheng Yin Ching Anna	3/3
	Chan Yi Jen Candi Anna	3/3
	Lo Miu Sheung Betty	3/3

During 2014, the Audit Committee performed the following duties:

— reviewed the audited financial statements for the year ended 31 December 2013 with a recommendation to the Board for approval;

— reviewed the un-audited financial statements for the six months ended 30 June 2014 with a recommendation to the Board for approval;

— reviewed various reports on internal control system covering financial, operational, procedural compliance and risk management functions;

— met the external auditor and reviewed their reports to the committee in respect of the audit of the annual results and review of interim results of the Company; and

— reviewed and approved the engagement of the auditor's non-audit services.

All members of the Audit Committee possess in-depth experience in their own profession. At least one of the committee members possesses appropriate professional qualifications in finance and accounting and meets the requirements of Rule 3.21 of the Listing Rules. No member of the Audit Committee is a former partner of the existing auditing firm of the Company during one year after he or she ceases to be a partner of the auditing firm.

Corporate Governance Function

The Board is also responsible for performing the corporate governance duties as set out below:

— to develop and review the Company's policies and practices on corporate governance;

— to review and monitor the training and continuous professional development of Directors and senior management;

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

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

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

Accountability and Audit

The Directors are responsible for the preparation of the accounts of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give a true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the accounts for the six months ended 30 June 2014 and for the year ended 31 December 2014, the Directors have adopted suitable accounting policies and applied them consistently. The accounts for the reporting year have been prepared on a going concern basis.

The reporting responsibilities of the Company's external auditors, Deloitte Touche Tohmatsu, are stated in the "Independent Auditor's Report" on pages 33 to 34 of this annual report.

Internal Controls

The Board has, through the Audit Committee, conducted interim and annual review of the effectiveness of the internal control system of the Group covering the financial, operational, procedural compliance and risk management functions.

Company Secretary

The Company's secretarial functions are outsourced to external service provider. Mr. Yeung Tze Shing, General Manager of Corporate Finance Division of the Company, is the primary contact person of the Company with the external service provider.

According to Rule 3.29 of the Listing Rule, Mr. Chan Kwong Leung Eric, the Company Secretary, has taken no less than 15 hours of the relevant professional training during the year ended 31 December 2014.

Shareholders' Rights

Convening an Extraordinary General Meeting by Shareholders

Extraordinary general meeting may be convened by the Directors on requisition of Shareholder(s) representing at least 5% of the total voting rights of all the Shareholders having a right to vote at general meetings of the Company pursuant to sections 566 to 568 of the Companies Ordinance (Chapter 622, Laws of Hong Kong) (the "Companies Ordinance"). The objects of the meeting must be stated in the requisition which must be signed by the requisitionist(s) and deposited at the registered office of the Company. Shareholders should follow the requirements and procedures as set out in the Companies Ordinance for convening an extraordinary general meeting.

Putting Forward Enquiries to the Board

Shareholders may send written enquiries to the Secretary of the Company who will direct the enquiries to the Board for handling. The contact details of the Secretary of the Company are as follows:

The Secretary of the Company
AEON Stores (Hong Kong) Co., Limited
7/F., D2 Place
9 Cheung Yee Street
Lai Chi Kok
Kowloon
Email: cs@aeonstores.com.hk
Tel: (852) 2565 3600
Fax: (852) 2563 8654

Putting Forward Proposals at General Meetings

Pursuant to section 615 of the Companies Ordinance, Shareholder representing at least 2.5% of the total voting rights of all the Shareholders having a right to vote on the resolution at the annual general meeting to which requests relate; or at least 50 Shareholders who have a right to vote on the resolution at the annual general meeting to which the requests relate, may make requisition in writing for proposing resolution or business to be dealt with at the annual general meeting. Shareholders should follow the requirements and procedures as set out in section 615 of the Companies Ordinance for putting forward a proposal at an annual general meeting.

If a Shareholder of the Company intends to propose a person other than a Director of the Company for election as a Director of the Company at any general meeting, the Shareholder shall follow the "Procedures for Nominating Directors for Election from Shareholders", which can be found on the website of the Company.

Investor Relations

There is no significant change in the Company's constitutional documents during the year ended 31 December 2014.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2014.

Principal Activities

The Company and its subsidiaries are engaged in the operation of retail stores.

Subsidiaries

Details of the Company's subsidiaries as at 31 December 2014 are set out in note 19 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 35 to 36 of this annual report.

The Directors now recommend the payment of a final dividend of 26.2 HK cents per share to the shareholders whose names appear on the register of members of the Company on 18 June 2015, amounting to HK$68,120,000 in aggregate.

Major Customers and Suppliers

The aggregate sales and purchases attributable to the Group's five largest customers and suppliers respectively were less than 30 per cent of the Group's total sales and purchases for the year.

Fixed Assets

During the year, the Group has incurred approximately HK$110,796,000 on property, plant and equipment to renovate its stores and expand its operations.

Details of these and other movements during the year in the property, plant and equipment and the investment property and asset classified as held for sale of the Group and the Company are set out in notes 17 and 18 to the consolidated financial statements.

Distributable Reserves of the Company

The Company's reserves available for distribution to shareholders as at 31 December 2014 comprised the retained profits of HK$1,658,505,000 (2013: HK$1,515,973,000).

Directors

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

CHAN Pui Man Christine *(Managing Director)*	
Yoshiaki MIZUSHIMA *(Deputy Managing Director)*	Appointed on 21 March 2014
CHAK Kam Yuen	
Junichi SUZUKI *(Deputy Managing Director)*	Resigned on 17 March 2015
CHAN Suk Jing	Resigned on 21 March 2014

Non-executive Directors

Yoshinori OKUNO *(Chairman)*	
Yuki HABU	Appointed on 21 March 2014
Kazuhiko YASUKAWA	Appointed on 21 March 2014 and resigned on 17 March 2015
Yutaka AGAWA	Resigned on 17 March 2015
Haruyoshi TSUJI	Resigned on 21 March 2014
Takashi KOMATSU	Resigned on 21 March 2014

Independent Non-executive Directors

SHAM Sui Leung Daniel
CHENG Yin Ching Anna
CHAN Yi Jen Candi Anna
LO Miu Sheung Betty

In accordance with Articles 85 and 101 of the Company's Articles of Association, all Directors shall retire from office at the forthcoming annual general meeting and are eligible for re-election. All Directors (except Mr. Sham Sui Leung Daniel) have offered themselves for re-election. Mr. Sham having served on the Board for more than 10 years would like to allocate more time to his personal commitments and will not stand for re-election at the forthcoming annual general meeting.

The term of office for the Directors is the period up to their retirement in accordance with the above Articles.

Directors' Service Contracts

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Shares and Cash-Settled Share-Based Payment Pursuant to the Company's Stock Appreciation Rights Schemes

As at 31 December 2014, the interests of the Directors in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(a) **The Company**

Name of Directors	Number of ordinary shares held as personal interests	Approximate percentage of interests in the total number of issued shares of the Company %
CHAN Pui Man Christine	6,000	0.002
Yutaka AGAWA	12,000	0.005

(b) **AEON Co., Ltd., the Company's ultimate holding company**

Name of Directors	Number of shares held as personal interests	Approximate percentage of interests %
Yoshinori OKUNO	2,000	0.00024
Junichi SUZUKI	4,000	0.00047
Yoshiaki MIZUSHIMA	3,788	0.00045
Yutaka AGAWA	19,017	0.00225
Yuki HABU	7,708	0.00091
Kazuhiko YASUKAWA	4,000	0.00047

(c) **Other associated corporations**

Name of Directors	Associated corporation	Number of shares held as personal interests	Approximate percentage of interests %
Junichi SUZUKI	AEON Thana Sinsap (Thailand) Public Co., Ltd.	15,000	0.006
Yutaka AGAWA	AEON Co. (M) Bhd.	40,000	0.011

(d) **Stock Appreciation Rights**

i. The Stock Appreciation Rights of the Company are a form of cash settled equity derivative. In March 2014, the Company has cancelled the Share Appreciation Rights Scheme and the particulars of the Stock Appreciation Rights Schemes of the Company (including certain defined terms used below) are set out in the note 35 to the consolidated financial statements.

ii. The particulars of Stock Appreciation Rights granted to the Directors and the movement during the year were as follows:

			Number of underlying shares of the Company						
Name of Directors and date of grant	Exercise price HK$	Exercisable period	Outstanding at 1.1.2014	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited during the year	Re-classified during the year	Outstanding at 31.12.2014
CHAN Pui Man Christine									
25.9.2009	13.500	25.9.2010 to 24.9.2016	6,000	—	—	(6,000)	—	—	—
	13.500	25.9.2011 to 24.9.2016	6,000	—	—	(6,000)	—	—	—
	13.500	25.9.2012 to 24.9.2016	8,000	—	—	(8,000)	—	—	—
1.9.2010	14.260	1.9.2011 to 31.8.2017	9,600	—	—	(9,600)	—	—	—
	14.260	1.9.2012 to 31.8.2017	9,600	—	—	(9,600)	—	—	—
	14.260	1.9.2013 to 31.8.2017	12,800	—	—	(12,800)	—	—	—
1.9.2011	17.900	1.9.2012 to 31.8.2018	21,000	—	—	(21,000)	—	—	—
	17.900	1.9.2013 to 31.8.2018	21,000	—	—	(21,000)	—	—	—
	17.900	1.9.2014 to 31.8.2018	28,000	—	—	(28,000)	—	—	—
31.8.2012	22.290	31.8.2013 to 30.8.2019	42,000	—	—	(42,000)	—	—	—
	22.290	31.8.2014 to 30.8.2019	42,000	—	—	(42,000)	—	—	—
	22.290	31.8.2015 to 30.8.2019	56,000	—	—	(56,000)	—	—	—
30.8.2013	13.636	30.8.2014 to 29.8.2020	56,100	—	—	(56,100)	—	—	—
	13.636	30.8.2015 to 29.8.2020	56,100	—	—	(56,100)	—	—	—
	13.636	30.8.2016 to 29.8.2020	74,800	—	—	(74,800)	—	—	—
CHAN Suk Jing									
1.9.2010	14.260	1.9.2013 to 31.8.2017	1,600	—	—	(1,600)	—	—	—
1.9.2011	17.900	1.9.2012 to 31.8.2018	6,000	—	—	(6,000)	—	—	—
	17.900	1.9.2013 to 31.8.2018	6,000	—	—	(6,000)	—	—	—
	17.900	1.9.2014 to 31.8.2018	8,000	—	—	(8,000)	—	—	—
31.8.2012	22.290	31.8.2013 to 30.8.2019	8,400	—	—	(8,400)	—	—	—
	22.290	31.8.2014 to 30.8.2019	8,400	—	—	(8,400)	—	—	—
	22.290	31.8.2015 to 30.8.2019	11,200	—	—	(11,200)	—	—	—
30.8.2013	13.636	30.8.2014 to 29.8.2020	13,950	—	—	(13,950)	—	—	—
	13.636	30.8.2015 to 29.8.2020	13,950	—	—	(13,950)	—	—	—
	13.636	30.8.2016 to 29.8.2020	18,600	—	—	(18,600)	—	—	—
CHAK Kam Yuen									
25.9.2009	15.236	1.6.2009 to 31.5.2015	4,800	—	—	(4,800)	—	—	—
	15.236	1.6.2010 to 31.5.2015	4,800	—	—	(4,800)	—	—	—
	15.236	1.6.2011 to 31.5.2015	6,400	—	—	(6,400)	—	—	—
	13.500	25.9.2010 to 24.9.2016	7,200	—	—	(7,200)	—	—	—
	13.500	25.9.2011 to 24.9.2016	7,200	—	—	(7,200)	—	—	—
	13.500	25.9.2012 to 24.9.2016	9,600	—	—	(9,600)	—	—	—
1.9.2010	14.260	1.9.2011 to 31.8.2017	7,800	—	—	(7,800)	—	—	—
	14.260	1.9.2012 to 31.8.2017	7,800	—	—	(7,800)	—	—	—
	14.260	1.9.2013 to 31.8.2017	10,400	—	—	(10,400)	—	—	—
1.9.2011	17.900	1.9.2012 to 31.8.2018	7,800	—	—	(7,800)	—	—	—
	17.900	1.9.2013 to 31.8.2018	7,800	—	—	(7,800)	—	—	—
	17.900	1.9.2014 to 31.8.2018	10,400	—	—	(10,400)	—	—	—
31.8.2012	22.290	31.8.2013 to 30.8.2019	3,300	—	—	(3,300)	—	—	—
	22.290	31.8.2014 to 30.8.2019	3,300	—	—	(3,300)	—	—	—
	22.290	31.8.2015 to 30.8.2019	4,400	—	—	(4,400)	—	—	—
30.8.2013	13.636	30.8.2014 to 29.8.2020	8,400	—	—	(8,400)	—	—	—
	13.636	30.8.2015 to 29.8.2020	8,400	—	—	(8,400)	—	—	—
	13.636	30.8.2016 to 29.8.2020	11,200	—	—	(11,200)	—	—	—

Other than as disclosed above, at 31 December 2014, neither the Directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of PART XV of the SFO).

Directors' Interests in Contracts of Significance

Other than as disclosed under the "Connected Transactions" section below, no contracts of significance to which the Company, its subsidiaries, its ultimate holding company or any of its fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Connected Transactions

Pursuant to Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Company discloses the following continuing connected transactions incurred during the year.

(i) The subsidiary of the Company, Guangdong Aeon Teem Stores Co., Ltd. ("GDA") and a related party of the Company, Guangdong Teem (Holdings) Limited ("Teem Holding") have entered into a tenancy agreement under which GDA pays rent to Teem Holding. In accordance with the tenancy agreement, GDA pays rental, management fees, utility expenses and usage charges and other fees in relation to any provisional showrooms, storage areas, other facilities and special equipment that GDA may from time to time choose to rent or employ to Teem Holding and Guangdong Teem Properties Management Limited ("Teem Properties") respectively for the year. GDA was held as to 65% and 35% by the Company and Guangdong Teemall Department Stores Holdings Limited ("Teem Department Stores") respectively. The premises, being the subject of the tenancy agreement, is owned by Teem Holding. Teem Department Stores and Teem Properties are the wholly-owned subsidiaries of Teem Holding. The total amount of rental, management fees, utility expenses and other charges paid and payable by GDA for the year was RMB49,318,000. This amount does not exceed the cap amount of RMB70,000,000 as shown in the announcement of the Company dated 9 June 2010.

(ii) AEON Co., Ltd. and the Company have entered into agreements under which the Company pays royalties to AEON Co., Ltd. for the rights to use certain trade marks of AEON Co., Ltd. and the system of information and know-how. The total amount of royalties paid and payable by the Company for the year was HK$49,815,000. This amount does not exceed the cap amount of HK$108,000,000 as shown in the announcement of the Company dated 28 December 2012.

(iii) AEON Credit Service (Asia) Company Limited ("ACS") and the Company have entered into agreements under which the Company pays commission to ACS in respect of certain purchases made by customers of the Company with the use of the Company's various co-brand cards and certain purchases which are financed by interest-free hire purchase credit facilities provided by ACS to customers of the Company. The total amount of commission paid and payable by the Company for the year was HK$13,896,000. This amount does not exceed the total cap amount of HK$19,700,000 as shown in the announcements of the Company dated 15 April 2011 and 16 April 2014 respectively.

(iv) AEON Information Services (Shenzhen) Co., Ltd. ("AIS"), the PRC AEON Stores and other subsidiaries of AEON Co., Ltd. have entered into outsourcing agreements under which the PRC AEON Stores pay service fee to AIS in respect of the services rendered to the PRC AEON Stores by AIS for handling the issue of AEON Cards and the sales application using AEON Cards within the PRC AEON Stores. AIS also pays a fee to the PRC AEON Stores for setting up service counters in the PRC AEON Stores to handle AEON Cards, issue and sales applications. The amount payable by the PRC AEON Stores to AIS under the outsourcing agreement was RMB8,488,000 and the amount payable by AIS to the PRC AEON Stores for the same period was RMB205,000. These amounts do not exceed the total cap amount of RMB20,000,000 and RMB11,000,000 respectively for the same period as shown in the announcements of the Company dated 26 July 2013 and 22 July 2014 respectively.

(v) AEON Delight (China) Co., Ltd. and its subsidiaries ("ADC") and the Company have entered into master services agreements under which the PRC AEON Stores pay service fees to ADC group companies in respect of comprehensive building/facilities maintenance service, cleaning and other services in relation to the operation of retail stores rendered to the PRC AEON Stores. The total amount of service fees paid and payable by the PRC AEON Stores to ADC group companies in the year was RMB63,669,000. This amount does not exceed the cap amount of RMB160,000,000 as shown in the announcement of the Company dated 6 June 2013 .

(vi) The wholly-owned subsidiary of the Company, AEON South China Co., Ltd.("ASC") and AIS have entered into the service agreement under which AIS provide services in relation to the establishment and maintenance of the New Point Cards and other related services to ASC and ASC pay service fees to AIS in respect of the services provided under the service agreement. The total amount of service fees paid and payable by ASC to AIS in the year was RMB15,000 This amount does not exceed the cap amount of RMB250,000 as shown in the announcement of the Company dated 18 December 2014 .

Pursuant to the Listing Rules, the Independent Non-executive Directors had reviewed the above continuing connected transactions and confirmed that the transactions were entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms or on terms no less favorable to the Company than terms available from independent third parties; (iii) in accordance with each of the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (iv) have not exceeded the relevant maximum amount capped in accordance with the announcements of the Company as mentioned above.

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 of the Company has issued an unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Appointment of Independent Non-executive Directors

The Company has received, from each of the existing Independent Non-executive Directors, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

Substantial Shareholders

At 31 December 2014, shareholders (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or had otherwise notified the Company were as follows:

Name of substantial shareholders	Long Positions Number of ordinary Shares held	Approximate percentage of the interests in total number of issued shares %
AEON Co., Ltd.	186,276,000 (Note 1)	71.64
Aberdeen Asset Management Plc and its Associates (together "the Aberdeen Group") on behalf of accounts managed by the Aberdeen Group	33,252,000 (Note 2)	12.79

Note 1: These shares are held as to 177,500,000 shares by AEON Co., Ltd., 7,000,000 shares by AEON (U.S.A.), Inc., and 1,776,000 shares by ACS.

AEON (U.S.A.), Inc. is a wholly-owned subsidiary of AEON Co., Ltd. and AEON Co., Ltd. is deemed to be interested in the 7,000,000 shares owned by AEON (U.S.A.), Inc..

ACS is effectively owned by AEON Co., Ltd., as to 280,588,000 shares representing 67.00% of the issued share capital of ACS.

AEON Co., Ltd. is deemed to be interested in the 1,776,000 shares owned by ACS.

Note 2: These shares are held by Aberdeen Asset Management Plc and its associates (together "the Aberdeen Group") on behalf of accounts managed by the Aberdeen Group in the capacity of an investment manager. Aberdeen Group has the power to vote as to 27,052,000 shares representing 10.40% of the total number of issued shares of the Company.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company as at 31 December 2014.

Arrangements to Purchase Shares or Debentures

At no time during the year was the Company, its subsidiaries, its ultimate holding company, or any of its fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Purchase, Sale or Redemption of Listed Securities

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Donations

During the year, the Group made charitable and other donations amounting to HK$1,552,000.

Emolument Policy

The emoluments of the Directors of the Company are recommended by the Remuneration Committee and approved by the Board, having regard to the Company's operating results, individual performance and comparable market statistics.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the public float of the Company is approximately 17.98%, which has fallen below 25% of the total number of issued shares of the Company held by the public as prescribed by Rule 8.08(1)(a) of the Listing Rules.

The Company is still in the process of considering steps to restore the public float to 25% to be in compliance with the Listing Rules.

Auditor

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

OKUNO Yoshinori
Chairman

Hong Kong, 17 March 2015

Deloitte.
德勤

TO THE MEMBERS OF AEON STORES (HONG KONG) CO., LIMITED
永旺(香港)百貨有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of AEON Stores (Hong Kong) Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 101, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 Hong Kong Companies Ordinance (Cap. 622) (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 and to report our opinion solely to you, as a body, in accordance with section 80 of Schedule 11 to the Hong Kong Companies Ordinance, 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 judgment, 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.

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 Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
17 March 2015

Consolidated Statement of Profit or Loss

For the year ended 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Revenue	5	**8,815,758**	8,487,510
Other income		**717,280**	689,777
Investment income	7	**27,483**	24,790
Purchases of goods and changes in inventories		**(6,027,742)**	(5,753,905)
Staff costs		**(1,006,284)**	(1,008,192)
Depreciation		**(195,194)**	(196,598)
Impairment loss recognised in respect of property, plant and equipment	17	**(31,393)**	(125,370)
Gain on fair value change of an investment property		**79,000**	40,000
Loss on disposal of property, plant and equipment		**(627)**	(744)
Pre-operating expenses	8	**—**	(7,230)
Other expenses		**(2,071,990)**	(2,039,945)
Finance costs	9	**(292)**	(361)
Profit before tax		**305,999**	109,732
Income tax expense	10	**(40,034)**	(22,542)
Profit for the year	11	**265,965**	87,190
Profit for the year attributable to:			
Owners of the Company		**257,565**	107,074
Non-controlling interests		**8,400**	(19,884)
		265,965	87,190
Earnings per share	15	**99.06 HK cents**	41.18 HK cents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
Profit for the year	**265,965**	87,190
Other comprehensive (expense) income		
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations	**(1,129)**	12,327
Available-for-sale financial asset		
Fair value loss on available-for-sale investment	**(3,943)**	(2,074)
Reclassification adjustment relating to disposal of an available-for-sale investment	**—**	(1,264)
	(3,943)	(3,338)
Other comprehensive (expense) income for the year, net of income tax	**(5,072)**	8,989
Total comprehensive income for the year	**260,893**	96,179
Total comprehensive income (expense) attributable to:		
Owners of the Company	**252,970**	110,982
Non-controlling interests	**7,923**	(14,803)
	260,893	96,179

Consolidated Statement of Financial Position

At 31 December 2014

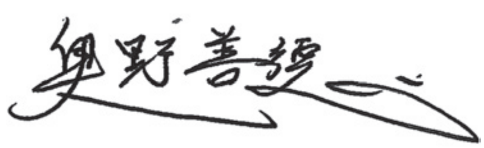
	NOTES	2014 HK$'000	2013 HK$'000
Non-current Assets			
Goodwill	16	**94,838**	94,838
Property, plant and equipment	17	**640,750**	759,211
Investment property	18	**—**	550,000
Available-for-sale investment	21	**23,245**	26,980
Deferred tax assets	22	**57,318**	52,634
Rental deposits paid		**123,160**	147,316
Pledged bank deposits	23	**29,277**	25,642
		968,588	1,656,621
Current Assets			
Inventories	24	**802,672**	811,952
Trade receivables	25	**33,220**	35,251
Other receivables, prepayments and deposits		**222,966**	210,871
Amounts due from fellow subsidiaries		**131,586**	138,476
Time deposits	26	**6,313**	378,704
Pledged bank deposits	23	**18,686**	18,948
Bank balances and cash		**2,426,922**	1,966,217
		3,642,365	3,560,419
Asset classified as held for sale	18(a)	**629,000**	—
		4,271,365	3,560,419
Current Liabilities			
Trade payables	28	**1,422,786**	1,469,222
Other payables and accrued charges		**1,362,522**	1,462,668
Amount due to ultimate holding company		**51,620**	49,622
Amounts due to fellow subsidiaries		**61,331**	86,910
Obligation under a finance lease	29	**913**	836
Income tax payable		**10,190**	26,245
Dividend payable		**634**	615
		2,909,996	3,096,118
Liability associated with asset classified as held for sale	18(a)	**63,380**	—
		2,973,376	3,096,118
Net Current Assets		**1,297,989**	464,301
Total Assets Less Current Liabilities		**2,266,577**	2,120,922

Consolidated Statement of Financial Position

At 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Capital and Reserves			
Share capital	31	**115,158**	52,000
Share premium and reserves		**1,807,030**	1,723,760
Equity attributable to owners of the Company		**1,922,188**	1,775,760
Non-controlling interests		**161,249**	153,326
Total Equity		**2,083,437**	1,929,086
Non-current Liabilities			
Rental deposits received and other liabilities		**171,976**	177,575
Obligation under a finance lease	29	**1,813**	2,735
Deferred tax liabilities	22	**9,351**	11,526
		183,140	191,836
		2,266,577	2,120,922

The consolidated financial statements on pages 35 to 101 were approved and authorised for issue by the board of directors on 17 March 2015 and are signed on its behalf by:



YOSHNORI OKUNO
Director

CHAN PUI MAN CHRISTINE
Director

Statement of Financial Position

At 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Non-current Assets			
Property, plant and equipment	17	**324,459**	369,000
Investment property	18	**—**	550,000
Investments in subsidiaries	19	**197,138**	197,138
Loan to a subsidiary	20	**25,362**	—
Available-for-sale investment	21	**23,245**	26,980
Rental deposits paid		**69,516**	90,992
		639,720	1,234,110
Current Assets			
Inventories	24	**392,882**	398,868
Trade receivables	25	**15,938**	19,591
Other receivables, prepayments and deposits		**98,091**	67,933
Amounts due from subsidiaries		**18,253**	20,062
Amounts due from fellow subsidiaries		**75,036**	84,995
Time deposit	26	**—**	155,294
Bank balances and cash		**1,201,730**	951,676
		1,801,930	1,698,419
Asset classified as held for sale	18(a)	**629,000**	—
		2,430,930	1,698,419
Current Liabilities			
Trade payables	28	**651,047**	648,910
Other payables and accrued charges		**336,133**	356,235
Amount due to ultimate holding company		**51,620**	49,622
Amounts due to fellow subsidiaries		**23,508**	44,019
Income tax payable		**3,017**	19,817
Dividend payable		**634**	615
		1,065,959	1,119,218
Liability associated with asset classified as held for sale	18(a)	**63,380**	—
		1,129,339	1,119,218
Net Current Assets		**1,301,591**	579,201
Total Assets Less Current Liabilities		**1,941,311**	1,813,311

At 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Capital and Reserves			
Share capital	31	**115,158**	52,000
Share premium and reserves	32	**1,679,346**	1,603,915
		1,794,504	1,655,915
Non-current Liabilities			
Rental deposits received and other liabilities		**137,456**	145,870
Deferred tax liabilities	22	**9,351**	11,526
		146,807	157,396
		1,941,311	1,813,311

YOSHNORI OKUNO
Director

CHAN PUI MAN CHRISTINE
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	The People's Republic of China (the "PRC") statutory reserves HK$'000	Non-distributable reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2013	52,000	63,158	28,122	36,239	27,013	64,015	1,419,267	1,689,814	173,296	1,863,110
Profit (loss) for the year	—	—	—	—	—	—	107,074	107,074	(19,884)	87,190
Other comprehensive (expense) income for the year	—	—	(3,338)	7,246	—	—	—	3,908	5,081	8,989
Total comprehensive (expense) income for the year	—	—	(3,338)	7,246	—	—	107,074	110,982	(14,803)	96,179
Transfer, net of non-controlling interests share	—	—	—	—	1,877	—	(1,877)	—	—	—
Dividends recognised as distribution (note 14)	—	—	—	—	—	—	(25,220)	(25,220)	—	(25,220)
Unclaimed dividends forfeited	—	—	—	—	—	—	184	184	—	184
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	(5,167)	(5,167)
At 31 December 2013	52,000	63,158	24,784	43,485	28,890	64,015	1,499,428	1,775,760	153,326	1,929,086
Profit for the year	—	—	—	—	—	—	257,565	257,565	8,400	265,965
Other comprehensive expense for the year	—	—	(3,943)	(652)	—	—	—	(4,595)	(477)	(5,072)
Total comprehensive (expense) income for the year	—	—	(3,943)	(652)	—	—	257,565	252,970	7,923	260,893
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (Note)	63,158	(63,158)	—	—	—	—	—	—	—	—
Dividends recognised as distribution (note 14)	—	—	—	—	—	—	(106,600)	(106,600)	—	(106,600)
Unclaimed dividends forfeited	—	—	—	—	—	—	58	58	—	58
At 31 December 2014	115,158	—	20,841	42,833	28,890	64,015	1,650,451	1,922,188	161,249	2,083,437

Note: The Company has no authorised share capital and its shares have no par since the commencement of the new Hong Kong Companies Ordinance (i.e. 3 March 2014).

PRC statutory reserves are reserves required by the relevant PRC laws applicable to the subsidiaries of the Company in the PRC.

Non-distributable reserve is the reserve arising from the capitalisation of retained profits as registered capital of a subsidiary in the PRC.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**305,999**	109,732
Adjustments for:		
Investment income	**(27,483)**	(24,790)
Finance costs	**292**	361
Depreciation of property, plant and equipment	**195,194**	196,598
Gain on fair value change of an investment property	**(79,000)**	(40,000)
Impairment loss recognised in respect of property, plant and equipment	**31,393**	125,370
Loss on disposal of property, plant and equipment	**627**	744
Gain on disposal of an available-for-sale investment (reclassified from other comprehensive income upon disposal)	**—**	(1,264)
(Write-back) write-down of allowance for inventories	**(4,334)**	942
Operating cash flows before movements in working capital	**422,688**	367,693
Decrease (increase) in inventories	**12,224**	(30,981)
Decrease in trade receivables	**1,987**	2,362
Decrease (increase) in other receivables, prepayments and deposits	**10,563**	(50,400)
Decrease (increase) in amounts due from fellow subsidiaries	**6,671**	(23,315)
Decrease in trade payables	**(43,511)**	(7,038)
(Decrease) increase in other payables and accrued charges	**(89,011)**	74,978
Increase in amount due to ultimate holding company	**1,998**	4,577
(Decrease) increase in amounts due to fellow subsidiaries	**(25,423)**	11,693
Cash generated from operations	**298,186**	349,569
Hong Kong Profits Tax paid	**(57,901)**	(4,345)
PRC income taxes paid	**(4,634)**	(11,747)
Interest paid	**(292)**	(361)
Interest on bank deposits and time deposits received	**26,119**	23,436
NET CASH FROM OPERATING ACTIVITIES	**261,478**	356,552

	2014 HK$'000	2013 HK$'000
INVESTING ACTIVITIES		
Placement of pledged bank deposits	**(3,508)**	(14,970)
Dividends received from investments	**1,364**	1,354
Purchase of property, plant and equipment	**(123,121)**	(251,042)
Proceeds from disposal of property, plant and equipment	**436**	232
Deposit received from sale of an investment property	**63,380**	—
Addition of available-for-sale investment	**(208)**	—
Proceeds from sale of available-for-sale investment	**—**	3,000
Placement of time deposits	**(252,016)**	(348,794)
Withdrawal of time deposits	**622,759**	155,640
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**309,086**	(454,580)
FINANCING ACTIVITIES		
Dividends paid	**(106,523)**	(25,288)
Dividends paid to non-controlling interest of a subsidiary	**—**	(5,167)
Repayment of obligation under a finance lease	**(830)**	(758)
NET CASH USED IN FINANCING ACTIVITIES	**(107,353)**	(31,213)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**463,211**	(129,241)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**1,966,217**	2,060,309
Effect of foreign exchange rate changes	**(2,506)**	35,149
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by	**2,426,922**	1,966,217
Bank balances and cash	**2,426,922**	1,966,217

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1. General

The Company is a public limited company incorporated in Hong Kong and its shares are listed on the Stock Exchange of Hong Kong Limited. Its parent and its ultimate parent is AEON Co., Ltd., incorporated and listed in Japan.

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The principal activity of the Company and its subsidiaries (the "Group") is the operation of retail stores.

The consolidated financial statements are presented in Hong Kong dollars. The Company's functional currency is Hong Kong dollars, while the functional currency of the subsidiaries registered in the PRC is Renminbi.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

Application of new and revised HKFRSs

The Group and the Company have applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)–Int 21	Levies

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's and the Company's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements and the Company's financial statements.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") — continued

New and revised HKFRSs in issue but not yet effective

The Group and the Company have not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
HKFRS 9	Financial Instruments[4]
HKFRS 15	Revenue from Contracts with Customers[5]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]

1 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for annual periods beginning on or after 1 January 2017

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") — continued

HKFRS 9 *Financial Instruments* — continued

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") — continued

HKFRS 9 *Financial Instruments* — continued

Based on the Group's consolidated statement of financial position and the Company's statement of financial position as at 31 December 2014, the Directors anticipate that the application of HKFRS 9 is not expected to have a significant impact on the amounts reported in respect of the Group's and the Company's financial assets and financial liabilities.

HKFRS 15 *Revenue from Contracts with Customers*

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Sept 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements and the Company's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Except as described above, the Directors anticipates that the application of the other new and revised standards, amendments and implementations would have no material impact on the Group's consolidated financial statements and the Company's statement of financial position.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and comply with the applicable requirements of the Hong Kong Companies Ordinance which concern the preparation of financial statements, 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 the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared on the historical cost basis except for investment property and certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. Significant Accounting Policies — continued

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit ("CGU") to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

3. Significant Accounting Policies — continued

Goodwill — continued

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in subsidiaries

Subsidiaries are entities controlled by the Company. Investments in subsidiaries are included in the Company's statement of financial position at cost, less any accumulated impairment loss, if any.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, except for investment property which is measured at fair value.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Deposits and instalments received from purchasers prior to meeting the criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Concessionaire income on sales of goods is recognised when the related goods are sold and is measured on a net basis, representing the excess of sales proceeds from goods delivered over the amount charged by the suppliers.

Sale of goods that result in award credits for customers, under the Group's customer privilege programmes, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to the fair value of the awards for which they could be redeemed. Such consideration is not recognised as revenue at the time of the initial sale transaction — but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

Rentals received from licensees are recognised on a straight-line basis over the terms of the relevant licence agreements.

3. Significant Accounting Policies — continued

Revenue recognition — continued

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment are stated in the Group's consolidated statement of financial position and the Company's statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress over their estimated useful lives, using the straight-line method at the following rates:

Building fixtures	Over the expected useful lives of nine years or, where shorter, the term of the relevant lease
Furniture, fixtures and equipment	10% – 25% per annum
Motor vehicles	20% – 25% per annum

The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Costs include professional fees in accordance with the Group's and Company's accounting policy. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. Significant Accounting Policies — continued

Investment property

Investment property is property held to earn rentals and/or for capital appreciation.

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gain and loss arising from change in the fair value of investment property is included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group and the Company as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant leases.

The Group and the Company as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

3. Significant Accounting Policies — continued

Financial instruments — continued

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's and the Company's financial assets are classified into available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Equity securities held by the Group and the Company that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS financial assets at fair value are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loan to a subsidiary, pledged bank deposits, trade receivables, other receivables, amounts due from fellow subsidiaries, time deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

3. Significant Accounting Policies — continued

Financial instruments — continued

Financial assets — continued

Loans and receivables — continued

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For an AFS equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 10 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

3. Significant Accounting Policies — continued

Financial instruments — continued

Financial assets — continued

Impairment of financial assets — continued

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss . Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group or the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade payables, other payables, amounts due to ultimate holding company and fellow subsidiaries are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. Significant Accounting Policies — continued

Financial instruments — continued

Derecognition

The Group or the Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group or the Company derecognises financial liabilities when, and only when, the Group's or the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Inventories

Inventories, which represent merchandise held for resale, are stated at the lower of cost and net realisable value and are computed using the retail price method.

Share-based payment transactions

Cash-settled share-based payment transactions

The Group operates a cash-settled share appreciation rights plan. The related cost of services received from the employees and the liability to pay for such services are measured at fair value of the liability. Fair value is established at the grant date and re-measured at each reporting date until the liability is settled.

The fair value of the liability at each reporting date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the cash-settled share appreciation rights that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of the cash-settled share appreciation rights expected to vest. The impact of the revision and remeasurement, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate. After the vesting date, changes in fair value of the liability is recognised in profit or loss until the liability is settled.

Impairment losses on tangible assets

At the end of the reporting period, the Group or the Company reviews the carrying amounts of its tangible assets within finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group or the Company estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

3. Significant Accounting Policies — continued

Impairment losses on tangible assets — continued

Recoverable amount is the higher of 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributable to non-controlling interests as appropriate).

3. Significant Accounting Policies — continued

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits costs and termination benefits

Payments to the Group's defined contribution schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Pre-operating expenses

Expenses relating to the setting up of stores are charged directly to profit or loss when incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Group's consolidated financial statements and the Company's financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. Significant Accounting Policies — continued

Taxation — continued

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group or the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's or the Company's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. 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.

Critical judgment in applying accounting policies

The following is the critical judgment, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's or the Company's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty — continued

Critical judgment in applying accounting policies — continued

Deferred taxation on investment properties

For the purposes of measuring deferred tax liability arising from an investment property that is measured using the fair value model, the Directors have reviewed the Group's or the Company's investment property portfolios and concluded that the Group's investment property is not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Therefore, in measuring the Group's or the Company's deferred taxation on investment property, the Directors have determined that the presumption that the carrying amount of investment property measured using the fair value model is recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment property as the Group is not subject to any income taxes on disposal of its investment property.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Income taxes

As at 31 December 2014, a deferred tax asset of HK$41,209,000 (2013: HK$33,628,000) in relation to temporary differences arising from provision for staff costs and other expenses has been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether taxable profit will be available against which the deductible temporary differences can be utilised. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such a reversal takes place.

In addition, as at 31 December 2014, no deferred tax asset has been recognised in the Group's consolidated statement of financial position in relation to unused tax losses of subsidiaries operating in other regions in the PRC of HK$21,297,000 (2013: HK$86,750,000) due to unpredictability of future profit streams. The realisability of the tax effect of tax losses mainly depends on whether sufficient profits or taxable temporary differences will be available in the future.

Net realisable value of inventories

The Group's and the Company's inventories with carrying amount of HK$802,672,000 (2013: HK$811,952,000) and HK$392,882,000 (2013: HK$398,868,000), respectively are carried at the lower of cost and net realisable value. The cost of inventories is written down to net realisable value for certain items when there is objective evidence that the cost of inventories may not be recoverable for those items. The cost of inventories may not be recoverable if certain items of inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may not also be recoverable if the estimated costs to be incurred to make the sale have increased. The Group and the Company have written back the allowance for inventories of HK$4,334,000 (2013: made allowance for inventories of HK$942,000) and HK$4,334,000 (2013: made allowance for inventories of HK$436,000) respectively, which is the difference between the carrying value and net realisable value of the items of affected inventories, to the profit or loss for the year.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty — continued

Key sources of estimation uncertainty — continued

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the carrying amount of goodwill is HK$94,838,000 (2013: HK$94,838,000). Details of the recoverable amount calculation are disclosed in note 16.

Impairment of property, plant and equipment

As at 31 December 2014, the aggregate carrying amount of the Group's and the Company's building fixtures and furniture, fixtures and equipment is HK$623,693,000 (2013: HK$725,602,000) and HK$318,776,000 (2013: HK$366,817,000) respectively.

The Management conducted an impairment review of certain CGU of the Group and the Company when there is objective evidence of impairment loss by considering the recoverable amount of the relevant CGUs. The Management identify individual store as a CGU for purpose of impairment assessment on property, plant and equipment. The amount of the impairment loss is measured as the difference between the asset's carrying amount and its recoverable amount. The recoverable amount is higher of value in use and fair value less costs to sell. Value in use is the estimated future cash flows discounted to their present value using an appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. Where the actual future cash flows or fair value less costs to sell are less or more than expected, or unfavourable changes in facts and circumstances which result in downward revision of the estimated future cash flows for the purpose of determining the value in use, further impairment loss or reversal of impairment loss may arise.

As at 31 December 2014, the accumulated impairment loss of the Group's and the Company's building fixtures and furniture, fixtures and equipment of HK$214,958,000 (2013: HK$185,447,000) and HK$73,016,000 (2013: HK$73,016,000), respectively, is recognised. Details about impairment losses recognised during the year are set out in note 17.

Estimation of useful lives of property, plant and equipment

Management estimates the useful lives of property, plant and equipment. The estimated useful lives are based on the periods the property, plant and equipment are expected to be available for use, including the expiry of any related leases. When the actual useful lives of property, plant and equipment are different from their estimated useful lives, such difference will impact the depreciation charges and the amounts of assets written down for future periods. As at 31 December 2014, the carrying amount of the Group's and the Company's property, plant and equipment is HK$640,750,000 (2013: HK$759,211,000) and HK$324,459,000 (2013: HK$369,000,000) respectively.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty — continued

Key sources of estimation uncertainty — continued

Impairment of loan to a subsidiary

Impairment loss of loan to a subsidiary is made when there is objective evidence that the recoverability of the loan becomes doubtful. During the year ended 31 December 2014, impairment loss of HK$12,681,000 (2013: nil) is made on loan to a subsidiary. The impairment loss calculation requires judgement because management is required to make assumptions and to apply judgement regarding expected future cash flows from the subsidiary, historical settlement experience, financial status of the debtor and general economic conditions. The directors believe that there will not be a material change in the estimates or assumptions which are used in the calculations of impairment loss of loan to a subsidiary. However, when the actual outcome or expectation in future is different from the original estimates, an additional impairment loss may have to be recognised.

5. Revenue

Revenue represents the invoiced value of goods, net of discounts, sold to customers, and income from concessionaire sales during the year. An analysis of the Group's revenue for the year is as follows:

	2014 **HK$'000**	2013 HK$'000
Direct sales	**7,863,162**	7,515,082
Income from concessionaire sales	**952,596**	972,428
	8,815,758	8,487,510

6. Segment Information

Information reported to the Group's chief operating decision makers (i.e. the executive directors) for the purposes of resource allocation and assessment of performance is focused on the retail stores of the Group located in different locations. The reportable segments represented the aggregate of operating segments with similar economic characteristics. The chief operating decision makers identify Hong Kong and the PRC as the two reportable segments.

Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

For the year ended 31 December 2014

	Hong Kong HK$'000	PRC HK$'000	Total HK$'000
Segment revenue — external	**3,889,244**	**4,926,514**	**8,815,758**
Segment profit (loss)	**204,308**	**(24,320)**	**179,988**
Gain on fair value change of an investment property			**79,000**
Rental income from an investment property			**19,820**
Investment income			**27,483**
Finance costs			**(292)**
Profit before tax			**305,999**

For the year ended 31 December 2013

	Hong Kong HK$'000	PRC HK$'000	Total HK$'000
Segment revenue — external	3,983,350	4,504,160	8,487,510
Segment profit (loss)	182,580	(158,306)	24,274
Gain on fair value change of an investment property			40,000
Gain on disposal of an available-for-sale investment (reclassified from other comprehensive income upon disposal)			1,264
Rental income from an investment property			19,765
Investment income			24,790
Finance costs			(361)
Profit before tax			109,732

6. Segment Information — continued

Segment revenues and results — continued

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned (loss incurred) by each segment without allocation of gain on fair value change of an investment property, gain on disposal of an available-for-sale investment (reclassified from other comprehensive income upon disposal), rental income from an investment property, investment income and finance costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Other segment information

For the year ended 31 December 2014

	Hong Kong HK$'000	**PRC HK$'000**	**Segment total HK$'000**
Amounts included in the measure of segment profit or loss:			
Depreciation	**80,399**	**114,795**	**195,194**
Impairment loss recognised in respect of property, plant and equipment	**—**	**31,393**	**31,393**
Loss on disposal of property, plant and equipment	**482**	**145**	**627**
Write-back of allowance for inventories	**(4,334)**	**—**	**(4,334)**

For the year ended 31 December 2013

	Hong Kong HK$'000	PRC HK$'000	Segment total HK$'000
Amounts included in the measure of segment profit or loss:			
Depreciation	83,203	113,395	196,598
Impairment loss recognised in respect of property, plant and equipment	24,000	101,370	125,370
Loss on disposal of property, plant and equipment	613	131	744
Allowance for inventories	436	506	942

6. Segment Information — continued

Geographical information

The information of the group's non-current assets by geographical location of assets other than available-for-sale investments and deferred tax assets are set out below:

	2014 HK$'000	2013 HK$'000
Hong Kong	**393,975**	1,009,992
PRC	**494,050**	567,015
	888,025	1,577,007

7. INVESTMENT INCOME

	2014 HK$'000	2013 HK$'000
Dividends from listed equity securities	**1,364**	1,354
Interest on bank deposits	**26,119**	23,436
	27,483	24,790

8. Pre-Operating Expenses

The amounts represent the set up costs for new stores. Included in pre-operating expenses for the year ended 31 December 2013 are staff costs of HK$6,248,000.

9. Finance Costs

	2014 HK$'000	2013 HK$'000
Interest on finance leases	**292**	361

10. Income Tax Expense

	2014 HK$'000	2013 HK$'000
The charges (credits) comprise:		
Current tax		
Hong Kong	**41,100**	40,540
Other regions in the PRC	**11,244**	8,431
	52,344	48,971
Overprovision in prior years		
Other regions in the PRC	**(5,296)**	(365)
	47,048	48,606
Deferred tax (note 22)		
Current year	**(7,014)**	(26,064)
Income tax expense for the year	**40,034**	22,542

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred tax liability in respect of the withholding tax on the undistributed earnings of subsidiaries during the year has been provided at the applicable tax rate.

10. Income Tax Expense — continued

The tax charge for the year can be reconciled from the profit before tax per the consolidated statement of profit or loss as follows:

	2014 **HK$'000**	2013 HK$'000
Profit before tax	**305,999**	109,732
Taxation at the applicable rate of 16.5%	**50,490**	18,106
Tax effect of expenses not deductible for tax purpose	**16,271**	19,110
Tax effect of income not taxable for tax purpose	**(23,267)**	(16,200)
Tax effect of tax losses not recognised	**—**	7,147
Utilisation of tax losses previously not recognised	**(1,161)**	—
Withholding tax on undistributed earning of a subsidiary (note 22)	**839**	—
Reversal of withholding tax on undistributed earning of a subsidiary (note 22)	**—**	(3,128)
Effect of different tax rates of entities operating in the PRC	**2,177**	(2,760)
Overprovision in prior years	**(5,296)**	(365)
Others	**(19)**	632
Income tax expense	**40,034**	22,542

11. Profit for the Year

	2014 HK$'000	2013 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**6,277**	5,343
Cash settled share-based payments	**—**	483
Exchange gain, net	**(5,306)**	(10,458)
Operating lease rentals in respect of rented premises (included in other expenses)		
— minimum lease payments	**960,932**	923,294
— contingent rent (Note)	**53,844**	58,258
	1,014,776	981,552
Retirement benefits scheme contributions	**101,787**	100,420
Royalties payable to the ultimate holding company	**49,815**	47,696
Rental income (included in other income)		
— minimum lease payments	**(513,237)**	(503,008)
— contingent rent (Note)	**(52,911)**	(48,912)
	(566,148)	(551,920)
Rental income from an investment property, net of negligible outgoing (included in other income)	**(19,820)**	(19,765)
(Write-back of) allowance for inventories (included in purchase of goods and changes in inventories)	**(4,334)**	942

Note: Contingent rent is calculated based on the excess of a percentage of turnover of the relevant operation that occupied the premises over the minimum lease payments as stated in the relevant rental agreements.

12. Directors' Emoluments

The emoluments paid or payable to each of the 15 (2013: 14) Directors and the Chief Executive were as follows:

For the year ended 31 December 2014

	Kazuhiko Yasukawa HK$'000	Yuki Habu HK$'000	Yoshiaki Mizushima HK$'000	Yoshinori Okuno HK$'000	Haruyoshi Tsuji HK$'000 (Note a)	Chan Pui Man, Christine HK$'000 (Note c)	Chak Kam Yuen HK$'000	Chan Yi Jen, Candi Anna HK$'000	Lo Miu Sheung, Betty HK$'000	Takashi Komatsu HK$'000 (Note a)	Lam Pei, Peggy HK$'000 (Note b)	Sham Sui Leung, Daniel HK$'000	Cheng Yin Ching, Anna HK$'000	Shao Kung Chuen HK$'000 (Note b)	Junichi Suzuki HK$'000	Chan Suk Jing HK$'000 (Note a)	Yutaka Agawa HK$'000	Total HK$'000
Fees	110	110	—	—	31	220	70	158	158	—	—	190	190	—	—	15	140	1,392
Other emoluments																		
Salaries and other benefits	—	—	1,246	3,016	—	1,839	1,097	—	—	318	—	—	—	—	1,828	367	—	9,711
Performance based bonus (Note e)	—	—	—	—	—	137	108	—	—	—	—	—	—	—	—	36	—	281
Cash-settled share-based payments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Contributions to retirement benefits schemes	—	—	—	82	—	96	68	—	—	39	—	—	—	—	—	15	—	300
Total	110	110	1,246	3,098	31	2,292	1,343	158	158	357	—	190	190	—	1,828	433	140	11,684

For the year ended 31 December 2013

Fees	—	—	—	—	140	220	45	85	21	—	75	190	190	115	—	70	140	1,291
Other emoluments Salaries and other benefits	—	—	—	3,148	—	1,375	723	—	—	1,631	—	—	—	—	1,691	962	—	9,530
Performance based bonus (Note e)	—	—	—	—	—	434	—	—	—	297	—	—	—	—	—	130	—	861
Cash-settled share-based payments	—	—	—	—	—	542	81	—	—	—	—	—	—	—	—	135	—	758
Contributions to retirement benefits schemes	—	—	—	76	—	93	53	—	—	45	—	—	—	—	—	65	—	332
Total	—	—	—	3,224	140	2,664	902	85	21	1,973	75	190	190	115	1,691	1,362	140	12,772

Notes:

(a) Directors resigned during the year ended 31 December 2014.

(b) Directors resigned during the year ended 31 December 2013.

(c) Ms. Chan Pui Man, Christine is the Managing Director ("MD") of the Company. The Board of Directors considered that the duties of the MD were of no difference from that of a Chief Executive Officer stipulated under Provision A. 2 of the Code of Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange. The management would regard that the term MD will have the same meaning as the Chief Executive Officer of the Company. For the years ended 31 December 2014 and 2013, Ms. Chan was MD of the Company.

(d) No Directors and Chief Executive waived any emoluments during each of the two years ended 31 December 2014 and 2013.

(e) The performance based bonus is determined by reference to the individual performance of the Directors. It is reviewed by the Remuneration Committee and approved by the Board of Directors.

13. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, two (2013: three) were Directors and a Chief Executive of the Company whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining three individuals (2013: two) were as follows:

	2014 HK$'000	2013 HK$'000
Salaries and other benefits	**5,317**	3,510
Performance based bonus	**254**	372
Contributions to retirement benefit schemes	**209**	46
	5,780	3,928

	2014 No. of employees	2013 No. of employees
Their emoluments were within the following bands:		
HK$1,500,001 to HK$2,000,000	**3**	2

Other than the emoluments of Directors (including a Chief Executive) and three (2013: two) senior management individuals of the Group disclosed in note 12 and above, the emoluments of the remaining senior management of the Group were within the following bands:

	2014 No. of employees	2013 No. of employees
HK$500,001 to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**1**	2

14. Dividends

	2014 HK$'000	2013 HK$'000
Final dividend paid for 2013 of 12.9 HK cents (2013: 9.7 HK cents for 2012) per ordinary share	**33,540**	25,220
Interim dividend paid for 2014 of 8.1 HK cents (2013: nil for 2013) per ordinary share	**21,060**	—
Special dividend paid for 2014 of 20.0 HK cents (2013: nil for 2013) per ordinary share	**52,000**	—
	106,600	25,220

The Board of Directors has recommended a final dividend of 26.2 HK cents per share (2013: 12.9 HK cents) to be paid on or before 18 June 2015, subject to shareholders' approval at the forthcoming annual general meeting on 20 May 2015.

15. Earnings Per Share

The calculation of basic earnings per share attributable to the owners of the Company is based on the Group's profit for the year attributable to owners of the Company of HK$257,565,000 (2013: HK$107,074,000) and on 260,000,000 (2013: 260,000,000) ordinary shares in issue during the year.

No diluted earnings per share have been presented as there are no potential ordinary shares in issue for both years.

16. Goodwill

	HK$'000
CARRYING AMOUNT	
At 1 January 2013, 31 December 2013 and 31 December 2014	**94,838**

The amount represents goodwill arising from the acquisition of an additional 35% interest in AEON South China (as defined in note 19) in 2008. AEON South China became a wholly-owned subsidiary of the Company subsequent to the additional acquisition.

The Group identifies the relevant retail stores business operated by AEON South China as the single CGU with synergy effect to which the goodwill of HK$94,838,000 is allocated.

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation uses cash flow projections with growth rates ranging from 0% to 4% based on financial budgets approved by management covering a 5-year period, and discount rate of 10%. The cash flows beyond 5-year period are extrapolated using a zero growth rate. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGU past performance and management's expectations for the market development. Management believe that the aggregate recoverable amount of the CGU exceed the aggregate carrying amount of the CGU. Accordingly, no impairment loss was recognised in the consolidated statement of profit or loss.

17. Property, Plant and Equipment

	Building fixtures HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP					
COST					
At 1 January 2013	1,456,078	607,166	7,975	41,018	2,112,237
Exchange adjustments	27,292	10,766	232	964	39,254
Additions	95,977	44,770	805	54,411	195,963
Transfer	58,539	7,107	283	(65,929)	—
Disposals/written off	(20,982)	(35,051)	(274)	—	(56,307)
At 31 December 2013	1,616,904	634,758	9,021	30,464	2,291,147
Exchange adjustments	**(2,982)**	**(1,131)**	**(30)**	**(175)**	**(4,318)**
Additions	**15,165**	**30,384**	**394**	**64,853**	**110,796**
Transfer	**61,872**	**18,709**	**—**	**(80,581)**	**—**
Disposals/written off	**(18,833)**	**(20,569)**	**(1,007)**	**—**	**(40,409)**
At 31 December 2014	**1,672,126**	**662,151**	**8,378**	**14,561**	**2,357,216**
DEPRECIATION AND IMPAIRMENT					
At 1 January 2013	836,700	397,345	4,747	—	1,238,792
Exchange adjustments	19,224	7,143	140	—	26,507
Provided for the year	129,460	65,876	1,262	—	196,598
Eliminated on disposal/written off	(20,750)	(34,308)	(273)	—	(55,331)
Impairment losses recognised	124,213	1,157	—	—	125,370
At 31 December 2013	1,088,847	437,213	5,876	—	1,531,936
Exchange adjustments	**(1,995)**	**(697)**	**(19)**	**—**	**(2,711)**
Provided for the year	**124,455**	**69,707**	**1,032**	**—**	**195,194**
Eliminated on disposal/written off	**(17,841)**	**(20,498)**	**(1,007)**	**—**	**(39,346)**
Impairment losses recognised	**28,196**	**3,197**	**—**	**—**	**31,393**
At 31 December 2014	**1,221,662**	**488,922**	**5,882**	**—**	**1,716,466**
CARRYING VALUES					
At 31 December 2014	**450,464**	**173,229**	**2,496**	**14,561**	**640,750**
At 31 December 2013	528,057	197,545	3,145	30,464	759,211

As at 31 December 2014, the carrying values of furniture, fixture and equipment of the Group included an amount of approximately HK$2,726,000 (2013: HK$3,789,000) in respect of assets held under a finance lease.

17. Property, Plant and Equipment — continued

	Building fixtures HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
THE COMPANY					
COST					
At 1 January 2013	647,247	276,994	954	6,913	932,108
Additions	20,177	15,726	—	3,368	39,271
Transfer	6,283	1,875	—	(8,158)	—
Disposals/written off	(20,021)	(28,415)	—	—	(48,436)
At 31 December 2013	653,686	266,180	954	2,123	922,943
Additions	13,238	14,461	—	9,019	36,718
Transfer	4,400	1,059	—	(5,459)	—
Disposals/written off	(17,231)	(11,444)	—	—	(28,675)
At 31 December 2014	654,093	270,256	954	5,683	930,986
DEPRECIATION AND IMPAIRMENT					
At 1 January 2013	307,170	186,705	656	—	494,531
Provided for the year	57,815	25,150	238	—	83,203
Eliminated on disposal/written off	(19,873)	(27,918)	—	—	(47,791)
Impairment losses recognised	24,000	—	—	—	24,000
At 31 December 2013	369,112	183,937	894	—	553,943
Provided for the year	52,994	27,345	60	—	80,399
Eliminated on disposal/written off	(17,211)	(10,604)	—	—	(27,815)
At 31 December 2014	404,895	200,678	954	—	606,527
CARRYING VALUES					
At 31 December 2014	249,198	69,578	—	5,683	324,459
At 31 December 2013	284,574	82,243	60	2,123	369,000

17. Property, Plant and Equipment — continued

Certain stores of the Group and the Company have been experiencing recurring losses or performing below budget. The Management considered there were impairment indicators and hence conducted impairment assessment on the relevant stores, which constitutes individual CGU for the purpose of impairment assessment. The recoverable amounts of the relevant assets have been determined on the basis of value in use of the stores to which the relevant assets belong to. The value in use calculations use cash flow projections based on the latest financial budgets approved by the Company's management covering a period of 5 years, together with an extension period to the end of the relevant leases of the building fixtures with zero growth rate, and at a discount rate of 7% or 10%. Cash flow projections during the budget period were based on the expected gross margins during the budget period and the budgeted margins have been determined based on past performance and management's expectations for the market development. Accordingly, an impairment loss of HK$31,393,000 (2013: HK$125,370,000) and nil (2013: HK$24,000,000) has been recognised in respect of property, plant and equipment of the Group and the Company respectively, which have been allocated to the building fixtures and furniture, fixtures and equipment of property, plant and equipment.

As at 31 December 2014, accumulated impairment loss on property, plant and equipment of the Group and the Company is HK$214,958,000 (2013: HK$185,447,000) and HK$73,016,000 (2013: HK$73,016,000), respectively.

18. Investment Property and Asset Classified as Held for Sale

THE GROUP AND THE COMPANY

	Medium-term lease investment property in Hong Kong HK$'000
FAIR VALUE	
At 1 January 2013	510,000
Unrealised gain on property revaluation recognised in profit or loss	40,000
At 31 December 2013	550,000
Unrealised gain on property revaluation recognised in profit or loss	79,000
Transfer to asset classified as held for sale (Note (a))	(629,000)
At 31 December 2014	—

Note:

(a) On 23 October 2014, the Group entered into a sale and purchase agreement with a third party pursuant to which the Group agreed to sell and the purchaser agreed to purchase the Group's investment property, Wilson Logistics Centre, located at Nos. 24–28 Kung Yip Street, Kwai Chung, New Territories, Hong Kong (Kwai Chung Town Lot No. 289) with a registered site area of about 30,665 square feet, for a consideration of HK$633,800,000 (the "Disposal"). As at the end of the reporting period, the Disposal has yet to be completed and accordingly, the Group has reclassified the investment property amounting to HK$629,000,000 (net of directly attributable cost of HK$4,800,000) as "Asset classified as held for sale" in compliance with the relevant accounting standard, HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The related deposit received on the Disposal amounting to HK$63,380,000 has been classified as "Liability associated with asset classified as held for sale".

The fair value of the Group's and the Company's asset classified as held for sale at 31 December 2014 has been arrived based on quoted bid price in an active market which is the recent transaction price of the Disposal. Therefore, the Group's and the Company's asset classified as held for sale is categorised into Level 1 of the fair value hierarchy.

For the year ended 31 December 2013, the fair value of the Group's and the Company's investment property has been arrived at on the basis of valuation carried out on that date by Savills Valuation and Professional Services Limited, an independent qualified professional valuer not connected with the Group and the Company. Savills Valuation and Professional Services Limited is a member of Institute of Valuers.

18. Investment Property and Asset Classified as Held for Sale — continued

The fair value of the investment property was determined based on the income capitalisation approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of property. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighborhood. The discount rate was determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in Hong Kong and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's and the Company's investment property. In estimating the fair value, the highest and best use of the property is its current use.

The major inputs used in the fair value measurement of the Group's and the Company's investment property as at 31 December 2013 are as follows:

• Fair value hierarchy	Level 3
• Valuation technique(s) and key input(s)	Income capitalisation approach with monthly market rent and capitalisation rate as the key inputs.
• Significant unobservable input(s)	(i) Monthly market rent, taking into account location, headroom, loading capacity, age and condition, of approximately HK$6 per sq.ft which is on gross floor area basis; and (ii) Capitalisation rate of 3.75%.
• Relationship of unobservable inputs to fair value	The higher the fair value, when (i) the higher the monthly market rent; or (ii) the lower the capitalisation rate.
• Sensitivity	When all the other variables were held constant, the fair value of the Group's and the Company's investment property would (i) increase/decrease by HK$28,000,000 if the market rent to the valuation model is 5% higher/lower; or (ii) decrease by HK$30,000,000/increase by HK$40,000,000, if the capitalisation rate to the valuation model is 25 basis points higher/lower.

19. Investments in Subsidiaries

	THE COMPANY	
	2014	2013
	HK$'000	HK$'000
Unlisted investments, at cost	**347,962**	347,962
Less: impairment loss	**(150,824)**	(150,824)
	197,138	197,138

A subsidiary of the Company has been experiencing recurring losses and performing below budget. The Directors considered that there were impairment indicators and hence conducted impairment assessment on the investment in the relevant subsidiary. The amount of impairment is measured as the difference between the asset's carrying amount and its recoverable amount. The recoverable amount is higher of value in use and fair value less costs to sell. Value in use is the estimated future cash flows discounted to their present value using an appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the subsidiary. The recoverable amount of the relevant subsidiary is estimated by Directors based on the expected future cash flows to be generated from the operation of the subsidiary. That calculation uses cash flow projections with financial budgets approved by management covering a 5-year period, and discount rate of 10%. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which include budgets sales and gross margin, such estimation is based on the subsidiary's past performance and management's expectation for the market development. As at 31 December 2014, accumulated impairment loss of HK$150,824,000 (2013: HK$150,824,000) had been recognised.

Particulars of the Group's subsidiaries at the end of each reporting period are as follows:

Name	Form of business structure	Place of registration or operation/ principal place of business	Paid up registered/ ordinary share capital	Proportion of ownership interest directly held by the Company 2014 & 2013	Proportion of voting power held by the Company 2014 & 2013	Proportion ownership of interest held by a non-controlling interest 2014 & 2013	Proportion of voting power held by a non-controlling interest 2014 & 2013	Profit (loss) allocated to a non-controlling interest 2014 HK$'000	Profit (loss) allocated to a non-controlling interest 2013 HK$'000	Accumulated non-controlling interests 2014 HK$'000	Accumulated non-controlling interests 2013 HK$'000	Principal activities
Guangdong AEON Teem Co., Ltd. ("Guangdong AEON")	Sino-foreign equity joint venture	PRC	RMB146,070,000 (2013: RMB146,070,000)	65%	66%	35%	34%	8,400	(19,884)	161,249	153,326	Retail stores
AEON South China Co., Ltd. ("AEON South China")	Wholly-owned foreign enterprise	PRC	RMB212,800,000 (2013: RMB212,800,000)	100%	100%	—	—	N/A	N/A	N/A	N/A	Retail stores
Jusco Stores (Hong Kong) Co., Limited	Incorporated	Hong Kong	HK$1,000 (2013: HK$1,000)	100%	100%	—	—	N/A	N/A	N/A	N/A	Inactive

19. Investments in Subsidiaries — continued

Summarised financial information in respect of Guangdong AEON that has a material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2014 **HK$'000**	2013 HK$'000
Current assets	**1,493,925**	1,551,446
Non-current assets	**282,232**	280,646
Current liabilities	**1,292,706**	1,371,698
Non-current liabilities	**14,611**	14,163
Equity attributable to owners of the Company	**307,591**	292,905
Non-controlling interest	**161,249**	153,326

19. Investments in Subsidiaries — continued

	Year ended 2014 HK$'000	2013 HK$'000
Revenue	**3,421,898**	3,211,205
Expenses	**3,397,896**	3,268,016
Profit (loss) for the year	**24,002**	(56,811)
Profit (loss) attributable to owners of the Company	**15,602**	(36,927)
Profit (loss) attributable to a non-controlling interest	**8,400**	(19,884)
Profit (loss) for the year	**24,002**	(56,811)
Other comprehensive (expense) income attributable to owners of the Company	**(4,595)**	3,908
Other comprehensive (expense) income attributable to a non-controlling interest	**(477)**	5,081
Other comprehensive (expense) income for the year	**(5,072)**	8,989
Total comprehensive income attributable to owners of the Company	**11,007**	110,982
Total comprehensive income (expense) attributable to a non-controlling interest	**7,923**	(14,803)
Total comprehensive income for the year	**18,930**	96,179
Dividends paid to a non-controlling interest	**—**	5,167
Net cash inflow from operating activities	**19,746**	38,918
Net cash inflow (outflow) from investing activities	**162,844**	(249,544)
Net cash outflow from financing activities	**—**	(14,583)
Net cash inflow (outflow)	**182,590**	(225,209)

20. Loan to a Subsidiary

Loan to a subsidiary is unsecured and interest bearing at 4% per annum.

The loan is repayable annually by three equal installments of RMB10,000,000 (approximately HK$12,681,000) each with the first repayment due in May 2015.

As at the end of the reporting period, the Group assessed the recoverable amount of the loan and identified an impairment loss of HK$12,681,000 and such amount has been charged to the profit or loss. The impairment amount is estimated based on the expected future cash flows from the subsidiary.

21. Available-for-Sale Investment

	THE GROUP AND THE COMPANY	
	2014	2013
	HK$'000	HK$'000
Equity securities:		
Listed shares in Hong Kong at fair value	**23,245**	26,980

The listed shares in Hong Kong represents an investment in a fellow subsidiary of HK$23,045,000 (2013: HK$26,980,000).

The fair value of equity securities have been determined based on the quoted market bid prices available on the stock exchange.

22. Deferred Taxation

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior reporting periods:

	THE GROUP				
	Accelerated (tax) accounting depreciation	**Provision for staff costs and other expenses**	**Other temporary differences**	**Undistributed profits of subsidiaries**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2013	(13,201)	33,543	517	(7,140)	13,719
Exchange adjustments	289	1,036	—	—	1,325
Credit (charge) to profit or loss	23,770	(951)	117	3,128	26,064
At 31 December 2013	10,858	33,628	634	(4,012)	41,108
Exchange adjustments	**(75)**	**(80)**	**—**	**—**	**(155)**
Credit (charge) to profit or loss	**192**	**7,661**	**—**	**(839)**	**7,014**
At 31 December 2014	**10,975**	**41,209**	**634**	**(4,851)**	**47,967**

22. Deferred Taxation — continued

The following is the analysis of the deferred tax balances for financial reporting purposes:

	THE GROUP	
	2014 **HK$'000**	2013 HK$'000
Deferred tax assets	**57,318**	52,634
Deferred tax liabilities	**(9,351)**	(11,526)
	47,967	41,108

At the end of the reporting period, the Group had unused tax losses of HK$21,297,000 (2013: HK$86,750,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams for the relevant subsidiaries.

	THE GROUP	
	2014 **HK$'000**	2013 HK$'000
The tax losses above will expire as follows:		
31 December 2014	**—**	56,082
31 December 2018	**21,297**	30,668
	21,297	86,750

	THE COMPANY			
	Accelerated (tax) accounting depreciation HK$'000	**Other temporary differences** HK$'000	**Undistributed profits of subsidiaries** HK$'000	**Total** HK$'000
At 1 January 2013	(13,201)	517	(7,140)	(19,824)
Credit to profit or loss	5,053	117	3,128	8,298
At 31 December 2013	(8,148)	634	(4,012)	(11,526)
Credit (charge) to profit or loss	**3,014**	**—**	**(839)**	**2,175**
At 31 December 2014	**(5,134)**	**634**	**(4,851)**	**(9,351)**

The Company has no other significant unrecognised temporary difference at the end of the reporting period.

23. Pledged Bank Deposits

	2014 Non-current HK$'000	2014 Current HK$'000	2013 Non-current HK$'000	2013 Current HK$'000
Bank deposits were pledged for the following purpose:				
As guarantee to:				
— landlords for rental deposits	**28,949**	**2,462**	25,642	3,746
As requirement by the relevant PRC regulatory body for cash received from prepaid value cards sold	**328**	**16,224**	—	15,202
	29,277	**18,686**	25,642	18,948

24. Inventories

During the year, the Directors have considered the market performance and the expected net realisable value of the inventories. As a result, the Group and the Company have written-back the allowance for inventories of HK$4,334,000 (2013: made allowance for inventories of HK$942,000) and HK$4,334,000 (2013: made allowance for inventories of HK$436,000), respectively and included in "Purchases of goods and changes in inventories".

25. Trade Receivables

The Group and the Company do not have a defined fixed credit policy as its major trade receivables arise from credit card sales.

The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	THE GROUP		THE COMPANY	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Within 30 days	**32,622**	35,251	**15,938**	19,591
31–60 days	**94**	—	**—**	—
Over 60 days	**504**	—	**—**	—
	33,220	35,251	**15,938**	19,591

25. Trade Receivables — continued

The Group's and the Company's revenue is generated mainly from cash and credit card sales. The average credit period on credit cards sales is 10 days. The balance of trade receivables within due dates mainly represents trade receivables arising from credit card sales. No default of settlement is expected by reference to past experience. Usually, there are no significant overdue debtors at the end of reporting period. Trade receivables on overdue debtors are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience, if any.

As at 31 December 2014 and 2013, the Group and the Company do not have any trade receivable balance that were past due.

26. Time Deposits

The Group

As at 31 December 2014, time deposits represent Renminbi-denominated time deposits amounting to HK$6,313,000 with an original maturity of three months or more to five years. The average effective interest rate of Renminbi-denominated time deposits was 2.82% per annum. The deposits will expire in April 2015. Accordingly, the amount is classified as a current asset.

As at 31 December 2013, time deposits represented Renminbi-denominated time deposits amounting to HK$223,410,000 and United States dollar-denominated time deposit amounting to HK$155,294,000 with an original maturity of three months or more to five years. The average effective interest rate of Renminbi-denominated and United States dollar-denominated time deposits was 2.90% and 1.30% per annum, respectively.

The Company

As at 31 December 2013, time deposits represented United States dollar-denominated time deposit amounting to HK$155,294,000 with an original maturity of three months or more to five years. The average effective interest rate of United States dollar-denominated time deposits was 1.30% per annum.

27. Other Assets

The Group's and the Company's other assets include other receivables, prepayments and deposits, amounts due from subsidiaries and fellow subsidiaries and bank balances.

The amounts due from subsidiaries are trade-related, unsecured and interest free. The amounts are aged within 30 days based on the invoice date at end of respective reporting periods.

The amounts due from fellow subsidiaries are trade-related, unsecured, interest free and with credit term of 15 to 35 days (2013: 15 to 35 days). The amounts are aged within 35 days based on the invoice date and not yet due at the end of the respective reporting periods.

Bank balances comprise cash held by the Group and the Company and short term bank deposits with an original maturity of three months or less. Bank balances carry interest at market rates which range from 0.01% to 5.50% (2013: 0.01% to 5.50%) per annum.

27. Other Assets — continued

The Group's and the Company's bank balances and cash that are denominated in currencies other than the functional currencies of the respective group entities and the Company are set out below:

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**240**	243	**—**	—
United States dollars	**169,938**	172,963	**169,938**	172,963
Japanese Yen	**343**	2,171	**343**	2,171
Renminbi	**166,763**	166,522	**166,763**	166,522

28. Trade Payables

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting periods.

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
0 to 60 days	**1,231,450**	1,228,223	**549,832**	549,586
61 to 90 days	**85,290**	106,112	**70,794**	67,074
Over 90 days	**106,046**	134,887	**30,421**	32,250
	1,422,786	1,469,222	**651,047**	648,910

The average credit period on the purchases of goods is 60 days (2013: 60 days).

29. Obligation Under a Finance Lease

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under a finance lease				
Within one year	**1,126**	1,129	**913**	836
In more than one year but not more than two years	**1,970**	1,129	**1,813**	916
In more than two years but not more than five years	**—**	1,977	**—**	1,819
	3,096	4,235	**2,726**	3,571
Less: Future finance charges	**(370)**	(665)		
Present value of a lease obligation	**2,726**	3,570		
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(913)**	(836)
Amount due for settlement after 12 months			**1,813**	2,735

The obligation under a finance lease is denominated in Renminbi which carries interest at fixed rate of 9.2% (2013: 9.2%) per annum and is repayable within five years.

30. Other Financial Liabilities

The Group's and the Company's other financial liabilities include other payables and accrued charges, amounts due to fellow subsidiaries and ultimate holding company.

Included in the Group's other payables and accrued charges are deferred revenue in relation to customer loyalty programmes and monies received from customers in relation to prepaid store-valued cards of HK$18,513,000 (2013: HK$15,856,000) and HK$584,641,000 (2013: HK$647,068,000) respectively.

The amounts due to fellow subsidiaries and ultimate holding company are trade-related, unsecured, interest free and with credit term of 60 to 90 days (2013: 60 to 90 days). The amounts are aged within 60 days based on the invoice date at the end of respective reporting period.

31. Share Capital

	Number of shares	HK$'000
Authorised:		
At 1 January 2013, 31 December 2013 and 1 January 2014		
Ordinary shares of HK$0.20 each	350,000,000	70,000
At 31 December 2014	N/A (Note)	N/A (Note)
Issued and fully paid:		
At 1 January 2013, 31 December 2013 and 1 January 2014		
Ordinary shares of HK$0.20 each	260,000,000	52,000
At 31 December 2014		
Ordinary shares of no par (Note)	260,000,000	115,158

Note: The Company has no authorised share capital and its shares have no par since the commencement of the new Hong Kong Companies Ordinance (i.e. 3 March 2014).

32. Share Premium and Reserves

	Share premium HK$'000	Investment revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
THE COMPANY				
At 1 January 2013	63,158	28,122	1,330,221	1,421,501
Loss on fair value changes of available-for-sale investments recognised directly in equity	—	(2,074)	—	(2,074)
Reclassified to profit or loss upon disposal of available-for-sale investment	—	(1,264)	—	(1,264)
Profit for the year	—	—	210,788	210,788
Total comprehensive income for the year	—	(3,338)	210,788	207,450
Dividends	—	—	(25,220)	(25,220)
Unclaimed dividends forfeited	—	—	184	184
At 31 December 2013	63,158	24,784	1,515,973	1,603,915
Loss on fair value changes of available-for-sale investments recognised directly in equity	**—**	**(3,943)**	**—**	**(3,943)**
Profit for the year	**—**	**—**	**249,074**	**249,074**
Total comprehensive income for the year	**—**	**(3,943)**	**249,074**	**245,131**
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (Note)	**(63,158)**	**—**	**—**	**(63,158)**
Dividends	**—**	**—**	**(106,600)**	**(106,600)**
Unclaimed dividends forfeited	**—**	**—**	**58**	**58**
At 31 December 2014	**—**	**20,841**	**1,658,505**	**1,679,346**

Note: The Company has no authorised share capital and its shares have no par since the commencement of the new Hong Kong Companies Ordinance (i.e. 3 March 2014).

33. Capital Commitments

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated and the Company's financial statements	**15,709**	25,278	**7,397**	1,145
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for in the consolidated and the Company's financial statements	**87,717**	51,276	**7,612**	23,712

34. Operating Leases

The Group and the Company as lessee:

At the end of the reporting period, the Group and the Company had commitments for future minimum lease payments in respect of rented premises under non-cancellable operating leases, which fall due as follows:

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**845,902**	848,913	**475,604**	476,291
In the second to fifth year inclusive	**2,330,188**	2,544,352	**1,339,161**	1,462,153
Over five years	**928,762**	1,292,998	**743,560**	1,011,918
	4,104,852	4,686,263	**2,558,325**	2,950,362

In addition to the above, (i) over 90% (2013: over 90%) of the leases of the Group and over 80% (2013: over 80%) of the leases of the Company are subject to contingent rents based on a fixed percentage of the annual gross turnover and receipts in excess of the minimum lease payments; and (ii) the Group is also subject to a maximum lease commitment of a sum of approximately HK$6,188,000 (2013: HK$8,460,000) to a landlord which is a third party under the circumstance of early termination of lease agreements between the landlord and certain related companies covering a lease period of five years starting from 2012.

Operating lease payments represent rentals payable by the Group and the Company for its stores and staff quarters. Leases of stores are negotiated for terms ranging from one to fourteen years and rentals are fixed for one to three years. Leases of staff quarters are negotiated for terms ranging from one to two years and rentals are fixed for one to two years.

34. Operating Leases — continued

The Group and the Company as lessor:

At the end of the reporting period, the Group and the Company had contracted with a tenant for its investment property and with licensees for floor areas in the stores for the following future minimum lease payments under non — cancellable operating leases for each of the following period:

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**386,563**	420,628	**145,722**	173,690
In the second to fifth year inclusive	**369,595**	551,118	**22,050**	67,958
Over five years	**22,240**	32,483	**—**	—
	778,398	1,004,229	**167,772**	241,648

The leases are negotiated for terms ranging from one to fifteen years. In addition to the minimum lease payments, the Group and the Company are entitled to receive contingent rent based on a fixed percentage of turnover of the licensees in excess of the minimum lease payments as stated in the relevant rental agreements.

35. Cash-Settled Share-Based Payment Transactions

The Company's cash-settled share-based payment scheme was adopted for the primary purpose of providing incentives to Directors and eligible employees. The Company issued to eligible persons under the scheme share appreciation rights (the "SARs") that require the Company to pay the intrinsic value of the SARs to the employee at the date of exercise.

In March 2014, the Company has cancelled the scheme and the details of the SARs during the year were as follows:

For the year ended 31 December 2014

				Number of underlying SARs						
Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1.1.2014	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited during the year	Reclassified during the year	Outstanding at 31.12.2014
Directors										
25.9.2009	15.236	1.6.2008 to 31.5.2009	1.6.2009 to 31.5.2015	**4,800**	—	—	**(4,800)**	—	—	—
	15.236	1.6.2008 to 31.5.2010	1.6.2010 to 31.5.2015	**4,800**	—	—	**(4,800)**	—	—	—
	15.236	1.6.2008 to 31.5.2011	1.6.2011 to 31.5.2015	**6,400**	—	—	**(6,400)**	—	—	—
	13.500	25.9.2009 to 24.9.2010	25.9.2010 to 24.9.2016	**13,200**	—	—	**(13,200)**	—	—	—
	13.500	25.9.2009 to 24.9.2011	25.9.2011 to 24.9.2016	**13,200**	—	—	**(13,200)**	—	—	—
	13.500	25.9.2009 to 24.9.2012	25.9.2012 to 24.9.2016	**17,600**	—	—	**(17,600)**	—	—	—
1.9.2010	14.260	1.9.2010 to 31.8.2011	1.9.2011 to 31.8.2017	**17,400**	—	—	**(17,400)**	—	—	—
	14.260	1.9.2010 to 31.8.2012	1.9.2012 to 31.8.2017	**17,400**	—	—	**(17,400)**	—	—	—
	14.260	1.9.2010 to 31.8.2013	1.9.2013 to 31.8.2017	**24,800**	—	—	**(24,800)**	—	—	—

35. Cash-Settled Share-Based Payment Transactions — continued

For the year ended 31 December 2014 — continued

				Number of underlying SARs						
Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1.1.2014	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited during the year	Reclassified during the year	Outstanding at 31.12.2014
Directors — continued										
1.9.2011	17.900	1.9.2011 to 31.8.2012	1.9.2012 to 31.8.2018	34,800	—	—	(34,800)	—	—	—
	17.900	1.9.2011 to 31.8.2013	1.9.2013 to 31.8.2018	34,800	—	—	(34,800)	—	—	—
	17.900	1.9.2011 to 31.8.2014	1.9.2014 to 31.8.2018	46,400	—	—	(46,400)	—	—	—
31.8.2012	22.290	31.8.2012 to 30.8.2013	31.8.2013 to 30.8.2019	53,700	—	—	(53,700)	—	—	—
	22.290	31.8.2012 to 30.8.2014	31.8.2014 to 30.8.2019	53,700	—	—	(53,700)	—	—	—
	22.290	31.8.2012 to 30.8.2015	31.8.2015 to 30.8.2019	71,600	—	—	(71,600)	—	—	—
30.8.2013	13.636	30.8.2013 to 29.8.2014	30.8.2014 to 29.8.2020	78,450	—	—	(78,450)	—	—	—
	13.636	30.8.2013 to 29.8.2015	30.8.2015 to 29.8.2020	78,450	—	—	(78,450)	—	—	—
	13.636	30.8.2013 to 29.8.2016	30.8.2016 to 29.8.2020	104,600	—	—	(104,600)	—	—	—
Employees										
1.9.2010	14.260	1.9.2010 to 31.8.2011	1.9.2011 to 31.8.2017	1,200	—	—	(1,200)	—	—	—
	14.260	1.9.2010 to 31.8.2012	1.9.2012 to 31.8.2017	1,200	—	—	(1,200)	—	—	—
	14.260	1.9.2010 to 31.8.2013	1.9.2013 to 31.8.2017	3,200	—	—	(3,200)	—	—	—
1.9.2011	17.900	1.9.2011 to 31.8.2012	1.9.2012 to 31.8.2018	3,600	—	—	(3,600)	—	—	—
	17.900	1.9.2011 to 31.8.2013	1.9.2013 to 31.8.2018	7,200	—	—	(7,200)	—	—	—
	17.900	1.9.2011 to 31.8.2014	1.9.2014 to 31.8.2018	9,600	—	—	(9,600)	—	—	—
31.8.2012	22.290	31.8.2012 to 30.8.2013	31.8.2013 to 30.8.2019	5,100	—	—	(5,100)	—	—	—
	22.290	31.8.2012 to 30.8.2014	31.8.2014 to 30.8.2019	5,100	—	—	(5,100)	—	—	—
	22.290	31.8.2012 to 30.8.2015	31.8.2015 to 30.8.2019	6,800	—	—	(6,800)	—	—	—
30.8.2013	13.636	30.8.2013 to 29.8.2014	30.8.2014 to 29.8.2020	7,800	—	—	(7,800)	—	—	—
	13.636	30.8.2013 to 29.8.2015	30.8.2015 to 29.8.2020	7,800	—	—	(7,800)	—	—	—
	13.636	30.8.2013 to 29.8.2016	30.8.2016 to 29.8.2020	10,400	—	—	(10,400)	—	—	—
				745,100	—	—	(745,100)	—	—	—

35. CASH — SETTLED SHARE — BASED PAYMENT TRANSACTIONS — continued

For the year ended 31 December 2013

				Number of underlying SARs					
Date of grant	Exercise price HK$	Vesting period	Exercisable period	Outstanding at 1.1.2013	Granted during the year	Exercised during the year	Forfeited during the year	Reclassified during the year	Outstanding at 31.12.2013
Directors									
25.9.2009	15.236	1.6.2008 to 31.5.2009	1.6.2009 to 31.5.2015	—	—	—	—	4,800	4,800
	15.236	1.6.2008 to 31.5.2010	1.6.2010 to 31.5.2015	—	—	—	—	4,800	4,800
	15.236	1.6.2008 to 31.5.2011	1.6.2011 to 31.5.2015	—	—	—	—	6,400	6,400
	13.500	25.9.2009 to 24.9.2010	25.9.2010 to 24.9.2016	6,000	—	—	—	7,200	13,200
	13.500	25.9.2009 to 24.9.2011	25.9.2011 to 24.9.2016	6,000	—	—	—	7,200	13,200
	13.500	25.9.2009 to 24.9.2012	25.9.2012 to 24.9.2016	8,000	—	—	—	9,600	17,600
1.9.2010	14.260	1.9.2010 to 31.8.2011	1.9.2011 to 31.8.2017	9,600	—	—	—	7,800	17,400
	14.260	1.9.2010 to 31.8.2012	1.9.2012 to 31.8.2017	9,600	—	—	—	7,800	17,400
	14.260	1.9.2010 to 31.8.2013	1.9.2013 to 31.8.2017	14,400	—	—	—	10,400	24,800
1.9.2011	17.900	1.9.2011 to 31.8.2012	1.9.2012 to 31.8.2018	27,000	—	—	—	7,800	34,800
	17.900	1.9.2011 to 31.8.2013	1.9.2013 to 31.8.2018	27,000	—	—	—	7,800	34,800
	17.900	1.9.2011 to 31.8.2014	1.9.2014 to 31.8.2018	36,000	—	—	—	10,400	46,400
31.8.2012	22.290	31.8.2012 to 30.8.2013	31.8.2013 to 30.8.2019	50,400	—	—	—	3,300	53,700
	22.290	31.8.2012 to 30.8.2014	31.8.2014 to 30.8.2019	50,400	—	—	—	3,300	53,700
	22.290	31.8.2012 to 30.8.2015	31.8.2015 to 30.8.2019	67,200	—	—	—	4,400	71,600
30.8.2013	13.636	30.8.2013 to 29.8.2014	30.8.2014 to 29.8.2020	—	78,450	—	—	—	78,450
	13.636	30.8.2013 to 29.8.2015	30.8.2015 to 29.8.2020	—	78,450	—	—	—	78,450
	13.636	30.8.2013 to 29.8.2016	30.8.2016 to 29.8.2020	—	104,600	—	—	—	104,600
Employees									
25.9.2009	15.236	1.6.2008 to 31.5.2009	1.6.2009 to 31.5.2015	4,800	—	—	—	(4,800)	—
	15.236	1.6.2008 to 31.5.2010	1.6.2010 to 31.5.2015	4,800	—	—	—	(4,800)	—
	15.236	1.6.2008 to 31.5.2011	1.6.2011 to 31.5.2015	6,400	—	—	—	(6,400)	—
	13.500	25.9.2009 to 24.9.2010	25.9.2010 to 24.9.2016	7,200	—	—	—	(7,200)	—
	13.500	25.9.2009 to 24.9.2011	25.9.2011 to 24.9.2016	7,200	—	—	—	(7,200)	—
	13.500	25.9.2009 to 24.9.2012	25.9.2012 to 24.9.2016	9,600	—	—	—	(9,600)	—
1.9.2010	14.260	1.9.2010 to 31.8.2011	1.9.2011 to 31.8.2017	9,000	—	—	—	(7,800)	1,200
	14.260	1.9.2010 to 31.8.2012	1.9.2012 to 31.8.2017	9,000	—	—	—	(7,800)	1,200
	14.260	1.9.2010 to 31.8.2013	1.9.2013 to 31.8.2017	13,600	—	—	—	(10,400)	3,200
1.9.2011	17.900	1.9.2011 to 31.8.2012	1.9.2012 to 31.8.2018	11,400	—	—	—	(7,800)	3,600
	17.900	1.9.2011 to 31.8.2013	1.9.2013 to 31.8.2018	15,000	—	—	—	(7,800)	7,200
	17.900	1.9.2011 to 31.8.2014	1.9.2014 to 31.8.2018	20,000	—	—	—	(10,400)	9,600
31.8.2012	22.290	31.8.2012 to 30.8.2013	31.8.2013 to 30.8.2019	8,400	—	—	—	(3,300)	5,100
	22.290	31.8.2012 to 30.8.2014	31.8.2014 to 30.8.2019	8,400	—	—	—	(3,300)	5,100
	22.290	31.8.2012 to 30.8.2015	31.8.2015 to 30.8.2019	11,200	—	—	—	(4,400)	6,800
30.8.2013	13.636	30.8.2013 to 29.8.2014	30.8.2014 to 29.8.2020	—	7,800	—	—	—	7,800
	13.636	30.8.2013 to 29.8.2015	30.8.2015 to 29.8.2020	—	7,800	——	—		7,800
	13.636	30.8.2013 to 29.8.2016	30.8.2016 to 29.8.2020	—	10,400	——	—		10,400
				457,600	287,500	—	—	—	745,100

35. Cash-Settled Share-Based Payment Transactions — continued

At 31 December 2013, the fair value of the SARs was determined using the Binomial model based on the following assumptions:

- Risk free interest rate based on the Hong Kong government bond with maturity matches with the contractual term of the SARs
- Expected volatility based on the historical share price movement of the Company over the period that consistent with the remaining contractual life of the SARs
- Dividend yield of 2% to 2.75% as referenced to the past dividend yields
- Number of steps 100 nodes
- Exercise multiple 2.2 times

At 31 December 2013, the Group has recorded liabilities of HK$769,000, which was included in other payables and accrued charges.

36. Retirement Benefits Schemes

The Company participates in the Mandatory Provident Fund Schemes ("MPF Schemes") registered under the Mandatory Provident Fund Ordinance in December 2001. Contributions paid or payable for the MPF Schemes for the year amounting to HK$16,788,000 (2013: HK$16,558,000) are charged to the consolidated statement of profit or loss for the year. The contributions represent contributions payable to the MPF Schemes by the Company in accordance with government regulations. In addition to the mandatory contributions, the contributions also include voluntary contributions at rates specified in the rules of the MPF Scheme for certain employees who make voluntary contributions.

The Company also operates a defined contribution provident fund scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in funds under the control of trustees. The contributions amounting to HK$4,245,000 (2013: HK$4,405,000) charged to the consolidated statement of profit or loss represent contributions payable to the funds by the Company at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Company are reduced by the amount of forfeited contributions.

The employees employed in the PRC subsidiaries are members of the state — managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute to the retirement benefits schemes based on a certain percentage of their payroll to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the required contributions under the schemes. Contributions paid or payable for these retirement benefits schemes for the year are HK$80,754,000 (2013: HK$79,457,000).

37. Capital Risk Management

The Group and the Company manage its capital to ensure that entities in the Group and the Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's and the Company's overall strategy remains unchanged from prior year.

The capital structure of the Group and the Company consists of debt, which includes the Group's obligation under a finance lease (note 29), equity attributable to owners of the Group and the Company, comprising issued share capital, reserves and retained earning.

The Group's and Company's management review the capital structure on a regular basis. As a part of this review, the Directors consider the cost of capital and the risks associated with the issued share capital. Based on recommendations of the Directors, the Group and the Company will balance its overall capital structure through the payment of dividends, as well as the issue of new debt or the redemption of existing debt.

38. Financial Instruments

(a) Categories of financial instruments

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Loans and receivables (including cash and cash equivalents)	**2,660,896**	2,643,861
Available -for-sale financial assets	**23,245**	26,980
Financial liabilities at amortised cost	**2,083,347**	2,198,319

	THE COMPANY	
	2014	2013
	HK$'000	HK$'000
Loans and receivables (including cash and cash equivalents)	**1,343,710**	1,221,076
Available -for-sale financial assets	**23,245**	26,980
Financial liabilities at amortised cost	**1,036,432**	1,078,325

38. Financial Instruments — continued

(b) Financial risk management objectives and policies

The Directors have overall responsibility for the establishment and oversight of the Group's and the Company's risk management framework. The management manages and monitors these risk exposures to ensure that appropriate measures are implemented on a timely and effective manner.

The Group's and the Company's risk management policies are established to identify and analyse the risks faced by the Group and the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Group's and the Company's activities. The Group and the Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Directors monitors and manages the financial risks relating to the operations of the Group and the Company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group's audit committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

The Group and the Company do not enter into or trade financial instruments, including derivative financial instruments, for hedging or speculative purpose.

There has been no change to the Group's and the Company's exposure to market risks or the manner in which it manages and measures the risks in 2014.

(c) Foreign currency risk management

Certain of the Group's and the Company's purchases are denominated in foreign currencies other than the functional currencies of the operations to which they relate. They expose the Group and the Company to foreign currency risk and the Group and the Company currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

THE GROUP

	Assets		Liabilities	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Hong Kong dollars	**240**	243	**—**	36,649
United States dollars	**169,938**	172,963	**5,910**	5,631
Japanese Yen	**343**	2,171	**17,372**	17,103
Renminbi	**166,763**	166,522	**—**	—

38. Financial Instruments — continued

(c) Foreign currency risk management — continued

THE COMPANY

	Assets		Liabilities	
	2014 **HK$'000**	2013 HK$'000	**2014** **HK$'000**	2013 HK$'000
United States dollars	**169,938**	172,963	**5,910**	5,631
Japanese Yen	**343**	2,171	**17,372**	17,103
Renminbi	**192,125**	166,522	**—**	—

Foreign currency sensitivity

The following table indicates the approximate change in the Group's and Company's profit for the year in response to reasonably possible changes in the foreign exchange rates to which the Group and the Company have significant exposure at the end of the reporting periods.

THE GROUP

	2014		2013	
	Increase (decrease) in foreign exchange rates %	**Increase (decrease) in profit before tax HK$'000**	Increase (decrease) in foreign exchange rates %	Increase (decrease) in profit before tax HK$'000
Hong Kong	**1%**	**2**	1%	(369)
	(1%)	**(2)**	(1%)	369
United States dollars	**1%**	**1,640**	1%	1,786
	(1%)	**(1,640)**	(1%)	(1,786)
Japanese Yen	**10%**	**(1,703)**	10%	(1,927)
	(10%)	**1,703**	(10%)	1,927
Renminbi	**10%**	**16,676**	10%	16,652
	(10%)	**(16,676)**	(10%)	(16,652)

38. Financial Instruments — continued

(c) Foreign currency risk management — continued

Foreign currency sensitivity — continued

THE COMPANY

	2014		2013	
	Increase (decrease) in foreign exchange rates	**Increase (decrease) in profit before tax**	Increase (decrease) in foreign exchange rates	Increase (decrease) in profit before tax
	%	**HK$'000**	%	HK$'000
United States dollars	**1%**	**1,640**	1%	786
	(1%)	**(1,640)**	(1%)	(786)
Japanese Yen	**10%**	**(1,703)**	10%	(1,927)
	(10%)	**1,703**	(10%)	1,927
Renminbi	**10%**	**19,213**	10%	16,652
	(10%)	**(19,213)**	(10%)	(16,652)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities' exposure to currency risk for non-derivative financial instruments in existence at that date, and that all other variables remain constant.

The stated changes represent the management's assessment of reasonably possible changes in foreign exchange rates. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' profit or loss 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 analysis is performed on the same basis for 2013.

(d) Interest rate risk management

The Group is exposed to cash flow interest rate risk as the Group's bank balances and the Company's bank balances are subject to floating interest rate. The Group and the Company analyse its interest rate exposure on a dynamic basis, but the Group and the Company did not use floating-to-fixed interest rate swaps in managing its cash flow interest rate risk. However, from time to time, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest rate exposure.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate obligation under a finance lease (note 29). The management will take appropriate measures to manage interest rate exposure if interest rate fluctuates significantly. The management considers the fair value interest rate risk to the Group is low.

The Group's and the Company's exposure to interest rates and financial liabilities are detailed in the liquidity risk management section of this note.

38. Financial Instruments — continued

(d) Interest rate risk management — continued

Interest rate sensitivity

Sensitivity analysis on bank balances is not presented as the management considers that the Group's and the Company's exposure to interest rate fluctuation is insignificant.

(e) Other price risk

The Group and the Company are exposed to equity price risks through its equity investments. Equity investments are held for strategic rather than trading purposes. The Group and the Company do not actively trade these investments. The management will monitor the price movements and take appropriate actions when it is required.

Equity price sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risks in respect of AFS equity investments at the reporting date. The measure of price sensitivity is based on the actual observed historical changes of one-year interval to estimate the 1-day historical volatility. The use of a 1-day holding period assumes that the positions can be unwound in one trading day. If the volatility of the equity price of the available-for-sale investments had been 5% (2013: 6%) higher/lower while all other variables were held constant, the investment revaluation reserve would increase/decrease by approximately HK$82,000 (2013: increase/decrease by approximately HK$144,000) for the Group and the Company, principally as a result of the changes in fair value of AFS equity investments.

(f) Credit risk management

The credit risk represents the trade receivables and amount due from fellow subsidiaries. Credit risk for the trade receivable is limited as the Group's and the Company's revenue are generated mainly from cash and credit card sales. Where transactions are conducted other than on a cash basis, the Group practices stringent credit review.

The credit term for the amount due from fellow subsidiaries are made in accordance with the relevant agreements and there are no significant overdue debts as at the end of the reporting period.

The Group and the Company have no significant concentrations of credit risk and trade receivables represent mainly credit card receivable from individual owned stores.

The credit risk on bank deposits is less because the Directors consider that the counterparties are financially sound.

38. Financial Instruments — continued

(g) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Directors, which has built an appropriate liquidity risk management framework for the management of the Group's and the Company's short, medium and long-term funding and liquidity management requirements. The Group and the Company manage liquidity risk by maintaining adequate reserves, working capital and banking facilities.

The following tables detail the Group's and the Company's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

THE GROUP

	Weighted average effective interest rate	6 months or less	6–12 months	>1–<2 years	>2–<5 years	Total undiscounted cash flows amount	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2014							
Non-interest bearing	—	**2,079,948**	**3,399**	**—**	**—**	**2,083,347**	**2,083,347**
Obligation under a finance lease	9.20	**563**	**563**	**1,126**	**844**	**3,096**	**2,726**
		2,080,511	**3,962**	**1,126**	**844**	**2,086,443**	**2,086,073**
2013							
Non-interest bearing	—	2,198,319	—	—	—	2,198,319	2,198,319
Obligation under a finance lease	9.20	565	564	1,129	1,977	4,235	3,570
		2,198,884	564	1,129	1,977	2,202,554	2,201,889

THE COMPANY

	Weighted average effective interest rate	6 months or less	6–12 months	>1–<2 years	Total undiscounted cash flows amount	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2014						
Non-interest bearing	—	**1,036,432**	**—**	**—**	**1,036,432**	**1,036,432**
2013						
Non-interest bearing	—	1,078,325	—	—	1,078,325	1,078,325

38. Financial Instruments — continued

(h) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's and the Company's financial statements approximate to their fair values.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Available-for-sale financial assets				
Listed equity securities	**23,245**	**—**	**—**	**23,245**

	2013			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Available-for-sale financial assets				
Listed equity securities	26,980	—	—	26,980

There were no transfers between Level 1 and 2 in the current and last year.

39. RELATED PARTY TRANSACTIONS

During the year, the Group and the Company entered into the following transactions with related parties:

Capacity	Nature of transaction	THE GROUP 2014 HK$'000	THE GROUP 2013 HK$'000	THE COMPANY 2014 HK$'000	THE COMPANY 2013 HK$'000
Fellow subsidiaries	Commission for credit facilities provided to the customers	**13,896**	14,146	**13,896**	14,146
	Franchise fee, consumable expenses and purchase of machines	**466**	319	**466**	319
	Other income	**1,760**	1,186	**547**	603
	Outsourcing service expenses	**10,737**	11,463	**—**	—
	Purchase of goods	**260,099**	278,172	**155,909**	170,611
	Recharge of administrative expenses	**40**	45	**—**	—
	Reimbursement income of administrative expenses	**12,459**	4,760	**—**	—
	Rental income	**17,327**	15,301	**12,626**	12,588
	Sales of goods	**—**	432	**—**	—
	Service fee expense	**81,828**	71,746	**7,558**	8,031
	Consultancy fee	**2,019**	338	**808**	63
Subsidiaries	Dividend income	**—**	—	**—**	9,626
	Management fee income	**—**	—	**5,706**	5,976
	Royalty income	**—**	—	**28,301**	25,375
	Supply chain management service fee	**—**	—	**—**	—
	Loan interest income	**—**	—	**742,263**	—
Ultimate holding company	Royalty expenses	**49,815**	47,696	**49,815**	47,696
Non-controlling shareholders of the subsidiaries*	Advertising expenses	**3,705**	3,665	**—**	—
	Rental expenses, management fees and utility expenses	**63,931**	60,686	**—**	—

* Non-controlling shareholders have significant influence over the subsidiaries.

Outstanding balances as at the end of reporting periods arising from the above transactions with related parties were as set out in the statements of financial position except for the following balance, which is included in other receivables, prepayments and deposits:

39. Related Party Transactions — continued

THE GROUP

	2014 **HK$'000**	2013 HK$'000
Amounts due from non — controlling shareholders of the subsidiaries (included in other receivables, prepayments and deposits)	**5,969**	6,720

Compensation of key management personnel

The Group's key management personnel are all Directors, details of their remuneration are disclosed in note 12.

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

FINANCIAL SUMMARY

The Group

	For the year ended 31 December				
	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	**2014** **HK$'000**
RESULTS					
Revenue	6,106,485	6,686,387	7,377,228	8,487,510	**8,815,758**
Profit before tax	401,577	569,862	298,238	109,732	**305,999**
Income tax expense	(81,547)	(115,457)	(47,393)	(22,542)	**(40,034)**
Profit for the year	320,030	454,405	250,845	87,190	**265,965**

	At 31 December				
	2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	**2014** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	3,840,291	4,639,626	5,055,356	5,217,040	**5,239,953**
Total liabilities	(2,384,099)	(2,876,900)	(3,192,246)	(3,287,954)	**(3,156,516)**
	1,456,192	1,762,726	1,863,110	1,929,086	**2,083,437**
Equity attributable to:					
Owners of the Company	1,310,665	1,578,777	1,689,814	1,775,760	**1,922,188**
Non-controlling interests	145,527	183,949	173,296	153,326	**161,249**
	1,456,192	1,762,726	1,863,110	1,929,086	**2,083,437**