恒基兆業發展有限公司
HENDERSON INVESTMENT LIMITED
Stock Code: 97

Annual Report 2014

Corporate Profile

Listed in Hong Kong since 1972, Henderson Investment Limited is a subsidiary of Henderson Land Development Company Limited, a leading property development group in Hong Kong. Following completion of the acquisition of the Citistore business on 1 December 2014, the Company has been engaged in both the retailing business in Hong Kong and the infrastructure business in mainland China.

Contents

2	Group Structure
3	Chairman's Statement
7	Business Model and Strategic Direction
8	Management Discussion and Analysis
13	Five Year Financial Summary
14	Corporate Governance Report
24	Report of the Directors
43	Biographical Details of Directors and Senior Management
47	Independent Auditor's Report
49	Financial Statements
100	Corporate Information
101	Notice of Annual General Meeting

Forward-Looking Statements

This annual report contains certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board of Directors of the Company regarding the industry and markets in which it operates. These forward-looking statements are subject to risks, uncertainties and other factors beyond the Company's control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.

Group Structure

Henderson Land Group Structure

Market capitalisation as at 31 December 2014
Henderson Land Development Company Limited: HK$163 billion
Six listed companies of Henderson Land Group: HK$381 billion

Henderson Land Development Company Limited

Investment holding, property development and investment in Hong Kong and mainland China, hotel operation, project and property management, construction and provision of finance

33.33%

Hong Kong Ferry (Holdings) Company Limited

Property development and investment

69.27%

Henderson Investment Limited

Department store operation in Hong Kong and infrastructure in mainland China

41.51%

The Hong Kong and China Gas Company Limited

Production and distribution of gas in Hong Kong and mainland China

45.08%

Miramar Hotel and Investment Company, Limited

Hotel and serviced apartment, property rental, food and beverage, and travel

62.39%

Towngas China Company Limited

Sale and distribution of liquefied petroleum gas and natural gas in mainland China

Note: all percentage shareholdings shown above were figures as of 31 December 2014.

Chairman's Statement

Dear Shareholders

On behalf of the Board, I am pleased to present my report on the operations of the Group for the financial year ended 31 December 2014.

Completion of Very Substantial Acquisition of Companies in Retailing Business

In order to diversify the business and revenue sources, a wholly-owned subsidiary of the Company entered into an agreement with the parent company of the Company – Henderson Land Development Company Limited ("Henderson Land") on 5 September 2014, pursuant to which such subsidiary agreed to acquire Henderson Land's retailing operation in Hong Kong under the name "Citistore" for a consideration of HK$934.5 million. With over 20 years of proven track record since its establishment in 1989, such retailing operation has built a strong brand that is trusted among the consuming public in Hong Kong.

Following completion of the acquisition on 1 December 2014, the Group is engaged in both the retailing business in Hong Kong and the infrastructure business in mainland China.

Loss and Net Asset Value Attributable to Shareholders

The Group loss attributable to equity shareholders for the year ended 31 December 2014 amounted to HK$7 million, translating into a loss per share of HK 0.2 cents (2013: Profit attributable to equity shareholders was HK$10 million, translating into earnings per share of HK 0.3 cents).

During the year under review, no toll revenue was recognised as the toll fee payment in respect of the Group's infrastructure business remained provisionally suspended pending the outcome of its arbitration case over the toll fee collection right of Hangzhou Qianjiang Third Bridge. Meanwhile, post-tax profit contribution of HK$21 million arising from the retailing business against its turnover of HK$105 million for the month of December 2014 was recognised following the completion of the Group's acquisition of the Citistore business on 1 December 2014. After taking into account the direct costs of the infrastructure business in mainland China (comprising mainly the amortisation of the intangible operating right of the toll bridge and repairs and maintenance costs) and an exchange loss due to the depreciation of the Renminbi against the Hong Kong dollar, a slight loss attributable to equity shareholders of HK$7 million was recorded by the Group for the year ended 31 December 2014.

At 31 December 2014, the net asset value attributable to equity shareholders amounted to approximately HK$1,303 million or HK$0.43 per share.

Dividends

The Board recommends the payment of a final dividend of HK 2.0 cents per share to shareholders whose names appear on the Register of Members of the Company on Wednesday, 10 June 2015, and such final dividend will not be subject to any withholding tax in Hong Kong. Including the interim dividend of HK 2.0 cents per share already paid, the total dividend for the year ended 31 December 2014 will amount to HK 4.0 cents per share (2013: HK 4.0 cents per share), which is in line with the intended level of dividends following the completion of the aforesaid acquisition pursuant to the announcement dated 5 September 2014 issued by the Company. Final dividend will be distributed to shareholders on Tuesday, 16 June 2015.

Citistore

Business Review

(I) Infrastructure business

For the Group’s infrastructure business in mainland China, the core asset is its 60% interest in Hangzhou Qianjiang Third Bridge in Zhejiang Province, which is a major trunk route linking Beijing and Fujian Province. It is located on National Highway No.104 in Zhejiang Province, spanning approximately 5.8 km over the Qiantangjiang River in Hangzhou and connecting the urban parts of Southern Hangzhou, Xiaoshan and Binjiang. The toll bridge is also an important nodal point for access to major roads leading to the Hangzhou Airport.

For the year ended 31 December 2014, Hangzhou Qianjiang Third Bridge recorded a 24% year-on-year decrease in traffic volume mainly due to the closure of its south link bridge since 15 April 2014 following the commencement of the neighbouring road construction works. As a result, the total toll revenue (after deduction of PRC business tax) for the year under review was HK$235 million, representing a decrease of HK$83 million or 26% from HK$318 million for the corresponding year ended 31 December 2013. The south link bridge would resume normal operation upon the anticipated completion of the road construction works by the end of 2016.

Commencing from 20 March 2012, payment of the toll fee in respect of Hangzhou Qianjiang Third Bridge to a joint venture company of the Group was provisionally suspended. Consequential upon the failure of the relevant authority to put forward any formal proposal or compensation offer regarding the toll fee collection right, for the sake of prudence, the toll revenue commencing from 20 March 2012 has not been recognised in the accounts of the Group. The total toll revenue (after deduction of PRC business tax) not being recognised by the Group up to 31 December 2014 amounted to HK$808 million.

The above issue of toll fee collection right is subject to arbitration by China International Economic and Trade Arbitration Commission (“CIETAC”).

Issue of Collection Right and Development of its Arbitration

The joint venture company on 17 September 2012 filed an arbitration application with CIETAC against 杭州市市區公共停車場(庫)建設發展中心 (Hangzhou City Urban Public Carpark Construction & Development Centre, formerly known as 杭州市城市“四自”工程道路綜合收費管理處 or Hangzhou City “Sizi” Engineering & Highway General Toll Fee Administration Office, alias the “Hangzhou Toll Office”) as the first respondent and Hangzhou Municipal People’s Government as the second respondent for an arbitration award that, inter alia, the first respondent and the second respondent should continue to perform their obligations under the collection agreement by paying toll fees of Hangzhou Qianjiang Third Bridge to the joint venture company and be liable for the damages for the breach of contract and the relevant outstanding toll fees together with the legal and arbitration costs incurred.

CIETAC had on 12 November 2012 confirmed its acceptance to administer the above arbitration case and on 26 August 2013 finalised the composition of an arbitration tribunal. Arbitration proceedings commenced on 14 April 2014 but no conclusion has been reached. The arbitration tribunal considered that both parties should pursue further negotiations to seek a settlement plan. The joint venture company has already written to Hangzhou Municipal People’s Government accordingly. In July 2014, the arbitration tribunal requested both parties to submit their own settlement plans for mediation. A mediation meeting has been scheduled to be held in Hangzhou on 31 March 2015.

The Group does not believe that the provisional suspension of payment of toll fee from the Hangzhou Toll Office to the joint venture company commencing from 20 March 2012 has any legal or contractual basis as the Group has obtained a legal opinion from an independent PRC law firm that the toll fee collection right of Hangzhou Qianjiang Third Bridge enjoyed by the joint venture company should be for the same period of 30 years as the operating right enjoyed by the joint venture company. Based on such advice, amortization and calculation of the recoverable amount of the intangible operating right in the consolidated financial statements of the Group are on the basis that both the operating right and the toll fee collection right of Hangzhou Qianjiang Third Bridge last for a period of 30 years expiring on 19 March 2027. There is, however, uncertainty as to any further response of the authorities and/

Citistore

or Hangzhou Municipal Bureau of Communications and the outcome of the arbitration case. Based on the future development of the aforesaid, the Group would have to reconsider the remaining useful life and/or the recoverable amount of the intangible operating right.

(II) Retailing business

Following the completion of the aforesaid acquisition on 1 December 2014, the retailing operation has become another major business of the Group. Currently, it operates six department stores under the name "Citistore" and a specialty store under the name "id:c" in Hong Kong.

All six "Citistore" department stores are located in densely-populated residential districts (namely, Tsuen Wan, Yuen Long, Ma On Shan, Tseung Kwan O, Tai Kok Tsui and Tuen Mun) with easy accessibility by public transport and they aim to provide customers with a "one-stop" shopping convenience through a vast selection of merchandise ranging from apparel and cosmetics, to foods, confectionery, luggage, furniture, toys, appliances, kitchenware and other housewares at reasonable and competitive prices. The "id:c" specialty store offers a collection of apparel brands from Japan and Korea. With its strategic location in Tsim Sha Tsui, a key shopping area, the store is well positioned to target local shoppers and tourists.

A total of 19 properties comprising retail outlets, warehouses, and office premises have been rented for the Group's retailing business with a total gross floor area of approximately 580,000 square feet. The retail outlets have been operating under long-term lease arrangements, with most of the leases being for a term of nine years.

Retail outlets	Location	Store opening date	Lettable area* (sq.ft.)	Leases expiring in
Citistore Branches				
Tsuen Wan	City Landmark II	December 1989	135,362	September 2023
Yuen Long	Citimall	August 1995	52,223	September 2023
Ma On Shan	Sunshine City Plaza	December 1997	68,203	September 2023
Tseung Kwan O	Metro City Phase II	December 2000	58,775	September 2023
Tai Kok Tsui	Metro Harbour Plaza	September 2006	84,667	June 2017
Tuen Mun	North Wing, Trend Plaza	April 2013	17,683	September 2023
id:c	Miramar Shopping Centre	December 2005	4,107	October 2017

* *As at 31 December 2014*

For 2014 as a whole, the value of total retail sales in Hong Kong decreased by 0.2% due to the slackening in visitor spending. Nevertheless, by serving the daily household needs of the targeted consumers, the retailing operation under "Citistore" has been able to achieve stable growth for both its turnover and profit after tax for the year ended 31 December 2014:

	For the year ended 31 December 2014		For the year ended 31 December 2013	
	Turnover HK$ million	Profit after tax HK$ million	Turnover HK$ million	Profit after tax HK$ million
Sale of goods	**431**	**34**	399	30
Rental income from consignment and concessionaire counters	**436**	**108**	408	103
Total:	**867**	**142**	807	133

However, as the acquisition was completed on 1 December 2014, only its turnover and profit after tax for the month of December 2014, which amounted to HK$105 million and HK$21 million respectively, were recognised in the financial statements of the Group during the year under review.

Corporate Finance

The consideration for the aforesaid acquisition, in the sum of HK$934.5 million, was fully settled by the end of December 2014.

At 31 December 2014, the Group has no bank borrowings (2013: Nil) and its net cash and bank balances amounted to HK$402 million (2013: HK$1,185 million).

Prospects

Looking ahead, Hong Kong's retail environment is expected to remain challenging given the continuing rise in operating costs, as well as intensifying competition within the industry and weaker spending by mainland tourists. The Group will try hard to raise the sales performance of this newly-acquired retail operation and strengthen its cost controls.

The Group will also follow up closely on the development of the arbitration case and continue to pursue further negotiations with the relevant PRC authority with a view to achieving a settlement relating to the toll fee collection right of Hangzhou Qianjiang Third Bridge that is in the interests of the Group and its shareholders as a whole.

Appreciation

I would like to take this opportunity to express my gratitude to my fellow directors for their wise counsel, and to thank all our staff for their dedication and hard work.

Lee Shau Kee
Chairman

Hong Kong, 23 March 2015

Business Model and Strategic Direction

In order to enhance its resilience to fluctuations in the business environment, the Group has diversified its business and revenue sources by acquiring the department store operation "Citistore" during the year. Hence, the Group is currently engaged in infrastructure investment in the mainland China and department store operation in Hong Kong.

Infrastructure Investment

As narrated in detail in the Business Review section of the Chairman's Statement, the Group has been engaged in infrastructure business in mainland China by way of its 60% interest in Hangzhou Qianjiang Third Bridge in Zhejiang Province, a major trunk route linking Beijing and Fujian Province. The payment of the toll fee in respect of Hangzhou Qianjiang Third Bridge to the joint venture company of the Group is being suspended and is the subject matter of the arbitration in progress against the governmental authorities in mainland China. The Group will take any necessary actions to protect the interest of the joint venture company.

Department Store Operation

Business Model

Strong Brand

The department store operation comprises six department stores operating under the name "Citistore" and one specialty store operating under the name "id:c". "Citistore" is an established brand with more than 20 years of operating track record and a strong brand that is trusted among the consuming public in Hong Kong.

Stable income and profitability

With strategic store location and diversified product range, the department store operation targets on products offerings of daily necessities for which demand does not fluctuate significantly regardless of changes in the overall market conditions and hence achieves stable income and consistent improvements in profitability.

Strategic Direction

Strategic location

All six "Citistore" stores are strategically located in well established and densely-populated residential districts and are in close proximity to local transport hubs to balance convenience to their customers and cost efficiently. Such strategic store locations allow the retailing business of "Citistore" to penetrate its targeted consumers and in turn strengthen its competitive position in the market.

The "id:c" specialty store offering collection of apparel brands from Japan is located at the heart of Tsim Sha Tsui, a key shopping area, to target demand from local shoppers and tourists.

Effective merchandising strategy

As one of the merchandising strategies of "Citistore" is to source and purchase quality products which are not commonly offered by its competitors, the procurement team pays regular visits to mainland China and other countries with a view to discovering new suppliers and new products which are attractive to its consumers.

Diversified products and competitive prices

"Citistore" stores offer a diversified range of goods and merchandise, including apparel, cosmetics, housewares, foods and daily necessities, which enable customers to enjoy the convenience of a one-stop shopping experience for a wide variety of products at reasonable and competitive prices.

Financial review

The following discussions should be read in conjunction with the Company's audited consolidated financial statements for the year ended 31 December 2014.

Material acquisition and disposals

On 1 December 2014, the Group completed its acquisition of Citistore (Hong Kong) Limited ("Citistore HK"), which is engaged in the operation of department stores in Hong Kong under the name "Citistore" (the "Acquisition"). Further details of the Acquisition are set out in the Chairman's Statement ("Chairman's Statement") on pages 3 to 6 of the Company's annual report for the year ended 31 December 2014 of which this Financial Review forms a part.

As a result of the Acquisition and at 31 December 2014, the Group recognised, inter alia, (i) a goodwill on acquisition of HK$810 million; and (ii) trademarks relating to the operation of Citistore HK in the carrying amount of HK$51 million.

Save as disclosed above, the Group did not undertake any other significant acquisition or any disposal of subsidiaries or assets during the year ended 31 December 2014.

Results of operations

During the year ended 31 December 2014, the Group was engaged in (i) the infrastructure business in mainland China, being the operating right of a toll bridge, Hangzhou Qianjiang Third Bridge, in Hangzhou, Zhejiang Province; and (ii) the operation of department stores in Hong Kong under the name "Citistore" commencing from 1 December 2014.

(a) Corporate level and Infrastructure business in mainland China

For the reason that, as detailed in the Chairman's Statement, the Hangzhou Toll Office (as such term is defined in the Chairman's Statement) continued to provisionally suspend payment of the toll fee in respect of Hangzhou Qianjiang Third Bridge to the Group during the year ended 31 December 2014, no toll fee income was recognised in the Group's consolidated financial statements for the year ended 31 December 2014 (2013: Nil).

Nevertheless, for the year ended 31 December 2014, the Group recognised the following income and expenditures at its corporate level and in relation to the infrastructure business in mainland China:

(i) direct costs (comprising mainly the amortisation charge on the carrying amount of intangible operating right in relation to Hangzhou Qianjiang Third Bridge, and repairs and maintenance costs) of HK$51 million (2013: HK$39 million), the year-on-year increase of which is mainly attributable to the casual repair and replacement works of the component parts of Hangzhou Qianjiang Third Bridge during the year;

(ii) other income in the net amount of HK$25 million, comprising mainly bank interest income of HK$30 million which amount is nevertheless being offset by a net foreign exchange loss of HK$10 million as the Group converted its Renminbi (“RMB”) bank deposit in Hong Kong to become a Hong Kong dollar (“HKD”) bank deposit during the year ended 31 December 2014 at a contracted RMB/HKD exchange rate representing a depreciation of the RMB against the HKD by 1.66% when compared with the RMB/HKD exchange rate at 1 January 2014 (2013: HK$50 million, which comprised mainly bank interest income of HK$26 million and a net foreign exchange gain of HK$18 million in relation to the Group’s RMB bank deposit in Hong Kong for reason that the RMB appreciated against the HKD by 3.1% during the corresponding year ended 31 December 2013);

(iii) administrative expenses of HK$21 million (2013: HK$12 million), which include the professional fees of HK$7 million incurred by the Group in relation to the Acquisition (2013: Nil);

(iv) nil income tax charge for the year (2013: HK$3 million which mainly comprised an under-provided tax charge in respect of previous years); and

(v) non-controlling interests’ attributable share of loss for the year of HK$19 million (2013: HK$14 million), the year-on-year increase of which is mainly due to the non-controlling interests’ attributable share of the increased repairs and maintenance costs of Hangzhou Qianjiang Third Bridge for the year ended 31 December 2014 as referred to in (i) above.

As a result, the loss attributable to equity shareholders for the year ended 31 December 2014 amounted to HK$28 million (2013: profit attributable to equity shareholders of HK$10 million).

(b) Department store operation in Hong Kong

After the completion of the Acquisition on 1 December 2014, the Group recognised turnover and profit contributions from Citistore HK for the period from 1 December 2014 to 31 December 2014 (the “Period”). In this regard, the turnover, other revenue and expenditures of Citistore HK which were recognised by the Group during the Period are as follows:

(i) turnover of HK$105 million which comprises mainly the turnover derived from the sales of goods of HK$59 million and the rental income derived from consignment counters and concessionaire counters of HK$29 million and HK$16 million respectively;

(ii) direct costs of HK$73 million which comprise mainly the cost of inventories sold of HK$36 million, the rental and related expenses of the store outlets of HK$22 million, and the staff salaries and related expenses of the store outlets of HK$11 million;

(iii) other revenue of HK$3 million which comprises sponsorship fees, goods redemption income and sundry income;

(iv) selling and marketing expenses of HK$3 million which comprise advertising and promotion expenditures;

(v) administrative expenses of HK$7 million which comprise mainly salaries of the administrative staffs of HK$5 million; and

(vi) income tax charge of HK$4 million in relation to the provision for Hong Kong Profits tax for the Period.

As a result, for the year ended 31 December 2014, the Group recognised profit after taxation of HK$21 million during the Period which was contributed from Citistore HK.

Citistore HK, which is engaged in the operation of department stores in Hong Kong under the name “Citistore”, is the sole contributor of turnover and profit to the Group. The turnover and profit after taxation of Citistore HK for the year ended 31 December 2014 amounted to HK$867 million and HK$142 million respectively (2013: HK$807 million and HK$133 million respectively), representing an increase of 7% and 7% respectively over that for the corresponding year ended 31 December 2013.

The increase in turnover of Citistore HK, as referred to above, is mainly attributable to (i) the increase in turnover contribution from the Tuen Mun store, which previously operated as an “id:c” specialty store until after the completion of renovation works and thereby became a department store in April 2013; and (ii) the positive effect of the promotional events, improved merchandise mix and enhanced customer service standards of all the store outlets during the year ended 31 December 2014.

The increase in profit after taxation of Citistore HK, as referred to above, is mainly attributable to the same reasons which gave rise to the increase in turnover as described above. Nevertheless, certain one-off items were recognised by Citistore HK for both the years ended 31 December 2014 and 2013 and, excluding the financial effects of such one-off items, the profits after taxation of Citistore HK for the years ended 31 December 2014 and 2013 would have become as follows:

	Year ended 31 December		
	2014 **HK$ million**	2013 HK$ million	Increase
Profit after taxation after one-off items	**142**	133	+7%
(Less)/Add:			
Financial effects of one-off items (net of taxation) –			
One-off compensation income receivable in relation to the early surrender of the tenancy lease of Level 1 of the Tseung Kwan O Store	**–**	(7)	
Net gain upon the reversal of rent-free amortization on the unexpired lease terms of all the premises of Citistore HK prior to the new lease agreements which became effective under a framework agreement dated 15 October 2014 between the Company and Henderson Land Development Company Limited	**(17)**	–	
Certain professional fees and other expenses incurred by Citistore HK in relation to the Acquisition	**4**	–	
Profit after taxation before one-off items	**129**	126	+2%

Financial resources, liquidity and loan maturity profile

At 31 December 2014, the Group had no bank borrowings (2013: Nil). The Group had net cash and bank balances of HK$402 million at 31 December 2014 (2013: HK$1,185 million). The decrease in the Group's net cash and bank balances during the year ended 31 December 2014 is largely attributable to the cash outflow in funding the consideration of HK$934.5 million payable by the Group pursuant to the Acquisition.

During the year ended 31 December 2014, the Group did not recognise any finance costs (2013: Nil).

Based on the Group's net cash and bank balances of HK$402 million at 31 December 2014, the Group has adequate financial resources in meeting the funding requirements for its ongoing operations as well as its future expansion.

Treasury and financial management

The Group's financing and treasury activities are centrally managed at the corporate level. At 31 December 2014, the Group was not a contractual party to any arrangements in relation to any derivative financial instruments for speculative or hedging purposes. The Group monitors closely its interest rate exposure (in the event that the Group shall enter into new bank borrowings) and foreign exchange rate exposure (in relation to its investment in the infrastructure business in mainland China which is denominated in Renminbi and not hedged) and will consider hedging these exposures should the need arise.

Apart from the foregoing, the Group did not have any material exposures to interest rates or foreign exchange rates at 31 December 2014.

Charge on assets

Assets of the Group were not charged to any parties at 31 December 2014 and 31 December 2013.

Capital commitments

At 31 December 2014, the Group had capital commitments contracted for but not provided for in the amount of HK$2 million, being in relation to the leasehold improvements and furniture and equipment of Citistore HK (2013: Nil).

Contingent liabilities

At 31 December 2014 and 31 December 2013, the Group did not have any contingent liabilities.

Employees and remuneration policy

At 31 December 2014, the Group had 717 (2013: 58) full-time employees and 176 (2013: Nil) part-time employees. The increase in the number of full-time employees and part-time employees is attributable to the contribution from Citistore HK after the completion of the Acquisition as follows:

	Full-time employees		**Part-time employees**	
	2014	2013	**2014**	2013
Corporate level and infrastructure business in mainland China	**56**	58	**–**	–
Citistore HK	**661**	–	**176**	–
Total	**717**	58	**176**	–

In relation to the Group's full-time employees at the corporate level and in relation to the infrastructure business in mainland China, the remuneration of the employees is in line with the market and commensurate with the level of pay in the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees include medical insurance, retirement scheme, training programmes and education subsidies.

In relation to Citistore HK, the remuneration packages for the full-time employees typically comprise basic salaries, certain allowances, medical benefits and discretionary year-end bonuses, while remuneration packages for part-time employees typically comprise basic salaries and certain allowances. A defined contribution retirement plan is provided by Citistore HK towards the Mandatory Provident Fund for eligible employees in Hong Kong, while due to historical factors, long-time employees of Citistore HK receive the benefit of contributions under the Occupational Retirement Schemes Ordinance ("ORSO"). On-going training programme is also offered to all the employees of Citistore HK.

Total staff costs for the year ended 31 December 2014 amounted to HK$22 million (2013: HK$6 million), which comprised staff costs (other than directors' remuneration) for the year of HK$21 million (2013: HK$5 million) and directors' remuneration for the year of HK$1 million (2013: HK$1 million). The increase in the Group's total staff costs is attributable to the contribution from Citistore HK after the completion of the Acquisition as follows:

	2014 **HK$ million**	2013 HK$ million
Corporate level and infrastructure business in mainland China	**7**	6
Citistore HK	**15**	–
Total	**22**	6

Five Year Financial Summary

	Note	Year ended 31 December				
		2010 HK$ million	**2011 HK$ million**	**2012 HK$ million**	**2013 HK$ million**	**2014 HK$ million**
Profit/(loss) for the year	1	163	108	25	10	(7)
		HK cents	**HK cents**	**HK cents**	**HK cents**	**HK cents**
Earnings/(loss) per share	1	5.3	3.5	0.8	0.3	(0.2)
Dividends per share	1	4.0	4.0	4.0	4.0	4.0
		At 31 December				
	Note	**2010 HK$ million**	**2011 HK$ million**	**2012 HK$ million**	**2013 HK$ million**	**2014 HK$ million**
Fixed assets		2	1	1	1	71
Intangible operating right		479	454	415	394	361
Net asset value	1	1,615	1,633	1,536	1,433	1,303
		HK$	**HK$**	**HK$**	**HK$**	**HK$**
Net asset value per share	1	0.53	0.54	0.50	0.47	0.43

Note:

1. *The profits/(loss), earnings/(loss), dividends and net asset values shown or referred to above were all attributable to equity shareholders of the Company.*

Corporate Governance Report

The Board of Directors of the Company (the “Board”) is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2014.

1) Commitment to Corporate Governance

The Company acknowledges the importance of good corporate governance practices and procedures and regards a pre-eminent board of directors, sound internal controls and accountability to all shareholders as the core elements of its corporate governance principles. The Company endeavours to ensure that its businesses are conducted in accordance with rules and regulations, and applicable codes and standards.

2) Corporate Governance Code

During the year ended 31 December 2014, the Company has complied with the applicable code provisions set out in the Corporate Governance Code (the “CG Code”) as stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), with the exception that the roles of the chairman and the chief executive officer of the Company have not been segregated as required by code provision A.2.1 of the CG Code. The Company is of the view that it is in the best interest of the Company that Dr Lee Shau Kee, with his profound expertise in business, shall continue in his dual capacity as the Chairman and Managing Director.

3) Board of Directors

a) Responsibilities of and Support for Directors

The Board has the responsibility for management of the Company, which includes formulating business strategies, and directing and supervising the Company’s affairs, approving interim reports and annual reports, announcements and press releases of interim and final results, considering dividend policy, approving the issue, allotment or disposal, or grant of options, in respect of securities or debentures of the Company and reviewing the effectiveness of the internal control system which includes reviewing the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company’s accounting and financial reporting function. The Board makes broad policy decisions and has delegated the responsibility for detailed considerations to the standing committee of the Board (the “Standing Committee”).

The day-to-day management, administration and operation of the Company are delegated to the management team. The Board gives clear directions to the management as to their powers of management, and circumstances in which the management should report back.

Every Director ensures that he gives sufficient time and attention to the affairs of the Company. Each Director shall disclose to the Company at the time of his appointment the directorships held in listed companies or nature of offices held in public organisations and other significant commitment, with the identity of such listed companies or organisations. The Company has also requested Directors to provide in timely manner any change on such information. Each Director is also required to disclose to the Company his time commitment. The details of the Directors’ time commitment are disclosed under the sub-paragraph “Directors’ Time Commitments and Trainings” below.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Directors will be notified of code provision amendment updates in respect of the CG Code so as to be kept abreast of latest code provision requirements and be assisted in fulfilling their responsibilities. The Directors are also provided with monthly updates which contain periodic financials with summaries of key events, outlook and business related matters of the Group. The monthly updates present a balanced and understandable assessment of the Company's performance and position. The Non-executive Directors and Independent Non-executive Directors may take independent professional advice at the Company's expense in carrying out their functions, after making a request to the Board.

b) Corporate Governance Function

The Board has undertaken the corporate governance function as required under the CG Code. The terms of reference of the corporate governance as set out in the CG Code have been approved by the Board for adoption. The terms of reference of Corporate Governance Function are available on the Company's website.

c) Board Composition

The Board currently comprises ten members, as detailed below:

Executive Directors	**Independent Non-executive Directors**
Lee Shau Kee *(Chairman and Managing Director)*	Kwong Che Keung, Gordon
Lee Ka Kit *(Vice Chairman)*	Ko Ping Keung
Lam Ko Yin, Colin *(Vice Chairman)*	Wu King Cheong
Lee Ka Shing *(Vice Chairman)*	Leung Hay Man
Li Ning *(appointed on 1 December 2014)*	
Lee Tat Man	

The biographical details of the Directors are set out on pages 43 to 45 of this Annual Report. Dr Lee Shau Kee is the father of Dr Lee Ka Kit and Mr Lee Ka Shing, the father-in-law of Mr Li Ning, and the brother of Mr Lee Tat Man. Save as aforesaid, none of the members of the Board is related to one another. A List of Directors and their Role and Function is available on the Company's website.

The term of office of all Non-executive Directors (including Independent Non-executive Directors) has been fixed for a specific term of not more than three years. They are subject to retirement by rotation and re-election at the Company's Annual General Meeting ("AGM") in accordance with the Articles of Association of the Company ("Articles").

During the year ended 31 December 2014, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. The Company has also met the requirement of at least one-third of members of the Board being Independent Non-executive Directors.

The Company has received confirmation in writing of independence from each of the Independent Non-executive Directors and considers them to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgement. The Board considers that each of the Independent Non-executive Directors brings his own relevant expertise to the Board.

d) Appointment and Re-election of Directors

The Board is empowered under the Articles to appoint any person, as a Director, either to fill a casual vacancy on or to be an additional member of the Board. Only the most suitable candidates who are experienced and competent and able to fulfill the fiduciary duties and exercise reasonable care, skill, and diligence would be recommended to the Board for selection. Appointments are first considered by the Nomination Committee in accordance with its terms of reference and the Company's board diversity policy, and recommendation of the Nomination Committee are then put to the Board for decision.

In accordance with the Articles, new appointments to the Board are subject to re-election by shareholders at the next following AGM. Furthermore, the nearest one-third of the Directors, including those appointed for a specific term, will retire from office by rotation but are eligible for re-election by shareholders at the AGM and the Board will ensure that every Director is subject to retirement by rotation at least once every three years. Each director was appointed by a letter of appointment setting out the key terms and conditions of his appointment.

During the year, Mr Li Ning was appointed as an Executive Director of the Company with effect from 1 December 2014.

The appointment of Independent Non-executive Directors adheres to the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules. Mr Leung Hay Man ("Mr Leung") had previous directorships falling within the independence guideline in Rule 3.13(7) of the Listing Rules, among the factors affecting independence:

(i) Mr Leung owns a company ("Consultancy Co") which used to provide general consultancy services to Hong Kong Ferry (Holdings) Company Limited ("HKF"), a 33.33% owned associated company of Henderson Land Development Company Limited ("HLD"), the holding company of the Company, for years. The Consultancy Co has stopped providing services to HKF and no service fee has been paid by HKF to it as from June 2012. Given that the consultancy fee paid by HKF was insignificant and immaterial, the Company considers that such services rendered in the past have no bearing on his independence.

(ii) Prior to his re-designation as an Independent Non-executive Director in August 2012, he was a Non-executive Director of the Company, HLD and HKF, involving no active management role. The Company considers that in view of no active management role, his previous directorships have no bearing on his independence.

e) Board Meetings

i) Number of Meetings and Directors' Attendance

The Board meets from time to time and at least four times a year to discuss and exchange ideas on the affairs of the Company. During the year ended 31 December 2014, the Board held five meetings to approve interim/final results announcements and interim/annual reports, to determine the level of dividends, to discuss significant issues and the general operation of the Company and to approve matters and transactions specifically reserved to the Board for its decision. The attendance of the Directors is set out in the table on page 20.

During the year, the Independent Non-executive Directors held a meeting themselves. In addition, the Chairman held a meeting with the Independent Non-executive Directors without the Executive Directors present in accordance with the CG Code.

ii) Practices and Conduct of Meetings

Notices of regular Board meetings are given to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given. Meeting agenda and accompanying Board papers are sent to all Directors in a timely manner and at least 3 days before the Board/committee meetings.

The Company Secretary of the Company is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final signed version is open for Directors' inspection with copies sent to all Directors for their records.

f) Conflict of Interest

If a director on the issuer level has a material interest in a matter to be considered by the Board, a physical meeting will be held to discuss the matter instead of seeking Directors' written consent by way of circulation of written resolution. In accordance with the Articles, such Director who considered to be materially interested in the matter shall abstain from voting and not be counted in the quorum.

g) Director's and Officer's Liability Insurance

Director's and officer's liability insurance has been arranged to indemnify the Directors and senior management against any potential liability arising from the Company's business activities which such Directors and senior management may be held liable.

The Company also keeps Directors indemnified against any claims to the fullest extent permitted by the applicable laws and regulations arising out of Directors' proper discharge of duties except for those attributable to any gross negligence or wilful misconduct.

h) Directors' Time Commitments and Trainings

The Company has received confirmation from each Director that he had sufficient time and attention to the affairs of the Company for the year. Directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, with the identity of the public companies and organisations and an indication of the time involved. Directors are encouraged to participate in professional, public and community organisations. They are also reminded to notify in a timely manner the Company of any change of such information. In respect of those Directors who stand for re-election at the 2015 AGM, all their directorships held in listed public companies in the past three years are set out in the circular of general mandates. Other details of Directors are set out in the biographical details of Directors on pages 43 to 45 of this Annual Report.

During the year, arrangements were made for speakers delivering talks and presentations to Directors of the Company on relevant topics with emphasis on the roles, functions and duties of directors as well as corporate governance. Talks arranged during the year included the topics of taxation related to properties ("房地產行業稅務更新－增值稅改革的影響及香港稅務最新概況") and overview of Competition Ordinance. Monthly legal and regulatory updates are provided to the Directors for their reading. Directors are also encouraged to attend outside talks and seminars to enrich their knowledge in discharging their duties as a director. On a regular basis, information of seminars organised by professional bodies are provided to the Directors, and the seminar enrolments are handled by the company secretarial department.

According to the training records provided by the Directors to the Company, all Directors participated in continuous professional development in 2014 which comprised attending seminars and talks, and reading legal and regulatory updates and other reference materials.

4) Board Committees

The Board has four Board Committees, namely, the Standing Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. The Standing Committee of the Board operates as a general management committee with delegated authority from the Board.

The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

a) Audit Committee

The Audit Committee was established in December 1998 and reports to the Board. The members of the Audit Committee are:

Independent Non-executive Directors

Kwong Che Keung, Gordon *(Chairman)*
Ko Ping Keung
Wu King Cheong
Leung Hay Man

The Chairman has the appropriate professional qualifications as required under the Listing Rules. None of the members of the Audit Committee was a former partner of the Company's existing external auditors within one year immediately prior to the dates of their respective appointments. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of public companies. The Board expects the Committee members to exercise independent judgment in conducting the business of the Committee.

The written terms of reference include the authority and duties of the Audit Committee and amongst its principal duties are the review and supervision of the Company's financial reporting process and internal control procedures. The terms of reference of the Audit Committee are available on the Company's website.

The Audit Committee held three meetings during the year ended 31 December 2014. The major work performed by the Audit Committee in respect of the year ended 31 December 2014 included reviewing and recommending the re-appointment of external auditor, approving the terms of engagement (including the remuneration) of the external auditor and the audit plan, reviewing the unaudited interim report and interim results announcement for the six months period ended 30 June 2014, reviewing the audited financial statements and final results announcement for the year ended 31 December 2013, reviewing the work of the Group's internal audit department and assessing the effectiveness of the Group's systems of risk management and internal control. The Audit Committee also discussed with the management to ensure that the Company is having adequate resources, qualified and experienced staff of the accounting and financial reporting function, training programmes and budget.

b) Remuneration Committee

The Remuneration Committee which was established in January 2005 comprises:

Executive Directors	Independent Non-executive Directors
Lee Shau Kee	Wu King Cheong *(Chairman)*
Lam Ko Yin, Colin	Kwong Che Keung, Gordon
	Ko Ping Keung

Each member is sufficiently experienced and is appropriately skilled in the issues of determining executive compensations in public companies. The Board expects the committee members to exercise independent judgement in conducting the business of the committee.

The written terms of reference include the specific duties of determining, with delegated responsibility, the remuneration package of the individual Executive Director and senior management and making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management. The terms of reference of the Remuneration Committee are available on the Company's website.

During the year ended 31 December 2014, the Remuneration Committee held a meeting to review the salary structure of the employees of the Company and the level of salary increment for 2015 as well as the remuneration of senior management staff and the Directors with reference to the remuneration level of directors of comparable listed companies.

Particulars of the Directors' remuneration disclosed pursuant to the Hong Kong Companies Ordinance and Appendix 16 of the Listing Rules are set out in note 9 to the financial statements on pages 73 and 74 while the analysis of the senior management's remuneration by band is set out on page 75. The Director's fees are fixed at the rate of HK$20,000 per annum for each Director and in case of each member of the Audit Committee an additional remuneration at the rate of HK$180,000 per annum until the Company in general meetings otherwise determines. Other emoluments shall from time to time be determined by the Board with reference to the Directors' duties and responsibilities and subject to a review by the Remuneration Committee.

c) Nomination Committee

The Nomination Committee which was established in December 2011 comprises:

Executive Directors	Independent Non-executive Directors
Lee Shau Kee *(Chairman, in his absence, Ko Ping Keung, acting as Chairman)*	Kwong Che Keung, Gordon
Lam Ko Yin, Colin	Ko Ping Keung
	Wu King Cheong

Each member is sufficiently experienced and is appropriately skilled in the issues of the nomination of directors to the Board. The Company has provided the Nomination Committee with sufficient resources to perform its duties. Nomination Committee may seek independent professional advice, at the Company's expense, to perform its responsibilities.

The written terms of reference include the specific duties of reviewing of the structure, size and composition of the Board with due regards to the board diversity policy and to make recommendation on any proposed changes to the Board to complement the Company's corporate policy. The board diversity policy provides that selection of candidates will be based on a range of diversity perspectives, which would include but not be limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The terms of reference of the Nomination Committee are available on the Company's website.

During the year ended 31 December 2014, the Nomination Committee held two meetings to assess the independence of Independent Non-executive Director of the Company, review the size and composition of the Board and the board diversity policy. After the above review, the Nomination Committee considered that the board diversity policy was appropriate and effective. In addition, the Nomination Committee made recommendation to the Board for the appointment of Mr Li Ning as an Executive Director of the Company.

d) Attendance Record at Board Meeting, Committees' Meeting and General Meeting

The attendance of the individual Director at the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee and General Meeting during the year ended 31 December 2014 is set out in the following table:

	No. of meetings attended/No. of meetings held					
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	Extraordinary General Meeting
Executive Directors:						
Lee Shau Kee *(Chairman and Managing Director)*	4/4 [1]	N/A	1/1	2/2	1/1	N/A
Lee Ka Kit	4/4 [1]	N/A	N/A	N/A	1/1	N/A
Lam Ko Yin, Colin	5/5	N/A	1/1	2/2	1/1	1/1
Lee Ka Shing	4/4 [1]	N/A	N/A	N/A	1/1	N/A
Li Ning	1/1 [2]	N/A	N/A	N/A	N/A	N/A
Lee Tat Man	4/4 [1]	N/A	N/A	N/A	1/1	N/A
Independent Non-executive Directors:						
Kwong Che Keung, Gordon	5/5	3/3	1/1	2/2	1/1	1/1
Ko Ping Keung	5/5	3/3	1/1	2/2	1/1	1/1
Wu King Cheong	5/5	3/3	1/1	2/2	1/1	0/1
Leung Hay Man	5/5	3/3	N/A	N/A	1/1	1/1

Remarks:

1. *One board meeting was to consider the connected transactions and continuing connected transactions in which Dr Lee Shau Kee, Dr Lee Ka Kit, Mr Lee Ka Shing, and Mr Lee Tat Man were deemed to have material interest. The aforesaid directors were not counted to the quorum of such meeting.*

2. *Subsequent to his appointment as Executive Director, there was only one Board meeting held.*

5) Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2014, which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the statutory requirements and applicable accounting standards.

The statement of the Auditor of the Company about their reporting responsibilities on the financial statements of the Company is set out in the Auditor's Report on pages 47 and 48.

6) Auditor's Remuneration

For the year ended 31 December 2014, the Auditor(s) of the Company and its subsidiaries received approximately HK$1.9 million for audit and audit related services (2013: HK$0.9 million) and HK$0.7 million for non-audit services (2013: HK$0.2 million). The non-audit services rendered were to review the financial information in relation to the Group's consolidated interim financial statements for the six months period ended 30 June 2014 as well as tax services, corporate and advisory services and other reporting services.

7) Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). Having made specific enquiries, the Company confirms that all Directors have complied with the required standards as set out in the Model Code.

8) Continuing Connected Transactions and Connected Transactions

The Independent Non-executive Directors and the Auditor of the Company conducted reviews on the continuing connected transactions as disclosed in the Report of the Directors of this Annual Report. The Independent Non-executive Directors would also review those connected transactions that are subject to the announcement requirements under the Listing Rules.

9) Inside Information Policy

The Board has approved and adopted the Inside Information Policy in December 2012 which contains the guidelines to the directors, officers and all relevant employees (likely possessing the unpublished Inside Information) of the Group to ensure that the Inside Information of the Group is to be disseminated to public in equal and timely manner in accordance with the applicable laws and regulations. The Inside Information Policy has been posted on the Company's website.

10) Internal Controls

The Board is responsible for ensuring sound and effective internal control systems to safeguard the shareholders' interests and the Company's assets.

The Internal Audit Department of the Company, which reports directly to the Audit Committee and is independent of the Company's daily operations, is responsible for conducting regular audit on the major activities of the Company. Its objective is to ensure that all material controls, including financial, operational and compliance controls and risk management functions are in place and functioning effectively.

During the year, the Board has reviewed, through the Audit Committee, and considered that the Group's internal control systems are effective. It is also considered that the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function are adequate.

In addition, an email link was set up in the webpage of the intranet of the Company for employees to express their opinion or concern about the Group's operations directly to the Vice Chairman.

11) Company Secretary

The company secretary is to support the Board by ensuring that there is good information flow and the board policy and procedures are strictly followed. The company secretary is responsible for advising the Board on governance matters and also facilitating the induction and professional development of Directors.

During the year, the company secretary has taken no less than 15 hours of relevant professional training.

12) Shareholder Rights and Investor Relations

The Board is committed to maintaining an on-going dialogue with shareholders and providing timely disclosure of information concerning the Group's material developments to shareholders and investors.

The AGM of the Company provide a forum for communication between the shareholders and the Board. The notice of the AGM is despatched to all shareholders at least 20 clear business days prior to such AGM. The chairmen of all Board Committees are invited to attend the AGM. The Chairman of the Board and the chairmen of all the Board Committees, or in their absence, other members of the respective Committees, are available to answer questions at the AGM. The Auditor is also invited to attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor's independence. The Company's policy is to involve shareholders in the Company's affairs and to communicate with them about the activities and prospects face-to-face at the AGM.

Pursuant to the Listing Rules, any vote of shareholders at a general meeting will be taken by poll. Detailed procedures for conducting a poll will be explained to the shareholders at the general meeting to ensure that shareholders are familiar with such voting procedures. The poll results will be posted on the websites of The Stock Exchange of Hong Kong Limited and the Company on the business day following the general meeting. Moreover, separate resolution will be proposed by the chairman of a general meeting in respect of each substantially separate issue.

Under Section 566 of the Companies Ordinance, shareholders representing at least 5% of the total voting rights of all the shareholders having a right to vote at the general meetings are entitled to send a request to the Company to convene a general meeting. Such requisition must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. The request may be sent to the Company in hard copy form or in electronic form and must be authenticated by the shareholder(s) making it and deposited at the registered office of the Company or sent to the Company's email address at ir@hld.com. Besides, in relation to an annual general meeting which a company is required to hold, Sections 615 and 616 of the Companies Ordinance provide that shareholders representing at least 2.5% of the total voting rights of all shareholders of the company having a right to vote on the resolution at the annual general meeting or at least 50 shareholders having a right to vote on the resolution at the annual general meeting, may request the company to circulate a notice of the resolution for consideration at the annual general meeting, by sending a request, which must be authenticated by the shareholder(s) making it, in a hard copy form or in electronic form. Such request must be deposited at the registered office of the Company or sent to the Company's email address at ir@hld.com.

Shareholders may make enquiries to the Board by contacting the Company either through the Share Registrar's hotline 2980 1333 or email at is-enquiries@hk.tricorglobal.com or directly by raising questions at general meetings.

The Company has also maintained a Shareholders' Communication Policy to handle enquiries put to the Board and contact details have been provided so as to enable such enquiries be properly directed. The Shareholders' Communication Policy is available on the Company's website.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular communication and dialogue with shareholders, investors and analysts. Enquiries from investors are dealt with in an informative and timely manner.

As a channel to further promote effective communication, the Group maintains a website at http://www.hilhk.com where the Company's announcements and press releases, business developments and operations, financial information, corporate governance code and other information are posted.

Report of the Directors

The Directors have pleasure in submitting to shareholders their annual report together with the audited financial statements for the year ended 31 December 2014.

Principal Activities

The Company is an investment holding company and the principal activities of its subsidiaries during the year were investment holding, infrastructure business and department store operation upon the completion of the very substantial acquisition as mentioned below.

An analysis of the Group's turnover and contribution from operations by business and geographical segments, is set out in note 12 to the financial statements on pages 77 to 79.

Subsidiaries

Particulars of the principal subsidiaries of the Company as at 31 December 2014 are set out on page 99.

Group Loss

The loss of the Group for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 49 to 99.

Dividends

An interim dividend of HK 2.0 cents per share was paid on 25 September 2014. The Directors have recommended the payment of a final dividend of HK 2.0 cents per share to shareholders whose names appear on the Register of Members of the Company on Wednesday, 10 June 2015, and such dividend will not be subject to any withholding tax in Hong Kong. Final dividend will be distributed to shareholders on Tuesday, 16 June 2015.

Fixed Assets

Particulars of the movements in fixed assets during the year are set out in note 16 to the financial statements on page 81.

Bank Loans

As at 31 December 2014, the Group had no bank borrowings.

Reserves

Particulars of the movements in reserves during the year are set out in note 30 to the financial statements on pages 92 and 93.

Share Capital

Details of the Company's share capital are set out in note 30 to the financial statements on pages 92 and 93.

Group Financial Summary

The results, assets and liabilities of the Group for the last five years ended 31 December 2014 are summarised on page 13.

Directors' Remuneration

Particulars of the Directors' remuneration disclosed pursuant to the predecessor Companies Ordinance and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited are set out in note 9 to the financial statements on pages 73 and 74.

Directors

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

Executive Directors

Dr Lee Shau Kee *(Chairman and Managing Director)*
Dr Lee Ka Kit *(Vice Chairman)*
Dr Lam Ko Yin, Colin *(Vice Chairman)*
Lee Ka Shing *(Vice Chairman)*
Li Ning *(appointed on 1 December 2014)*
Lee Tat Man

Independent Non-executive Directors

Kwong Che Keung, Gordon
Professor Ko Ping Keung
Wu King Cheong
Leung Hay Man

Mr Li Ning, who was appointed as Executive Director of the Company on 1 December 2014, being the new Director appointed after the 2014 annual general meeting, will retire in accordance with Article 99 of the Company's Articles of Association at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

Dr Lam Ko Yin, Colin, Mr Lee Tat Man and Mr Leung Hay Man will retire by rotation at the forthcoming annual general meeting in accordance with Article 116 of the Company's Articles of Association and Corporate Governance Code and, being eligible, offer themselves for re-election.

Disclosure of Interests

Directors' Interests in Shares

As at 31 December 2014, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or which were notified to the Company or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Ordinary Shares (unless otherwise specified)
Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Investment Limited	Lee Shau Kee	1			2,115,274,943		2,115,274,943	69.41
	Lee Ka Kit	1				2,110,868,943	2,110,868,943	69.27
	Lee Ka Shing	1				2,110,868,943	2,110,868,943	69.27
	Li Ning	1		2,110,868,943			2,110,868,943	69.27
	Lee Tat Man	2	6,666				6,666	0.00
Henderson Land Development Company Limited	Lee Shau Kee	3	9,654,499		2,069,542,665		2,079,197,164	69.30
	Lee Ka Kit	3				2,068,405,010	2,068,405,010	68.94
	Lee Ka Shing	3				2,068,405,010	2,068,405,010	68.94
	Li Ning	3		2,068,405,010			2,068,405,010	68.94
	Lee Tat Man	4	136,788				136,788	0.00
Henderson Development Limited	Lee Shau Kee	5			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00
	Lee Shau Kee	6			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
	Lee Shau Kee	7	35,000,000 (Non-voting Deferred Shares)		15,000,000 (Non-voting Deferred Shares)		50,000,000 (Non-voting Deferred Shares)	100.00
	Lee Ka Kit	5				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Kit	6				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Kit	7				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Lee Ka Shing	5				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Shing	6				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Shing	7				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00

Ordinary Shares (unless otherwise specified) (continued)
Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
	Li Ning	5		8,190 (Ordinary A Shares)			8,190 (Ordinary A Shares)	100.00
	Li Ning	6		3,510 (Non-voting B Shares)			3,510 (Non-voting B Shares)	100.00
	Li Ning	7		15,000,000 (Non-voting Deferred Shares)			15,000,000 (Non-voting Deferred Shares)	30.00
Heyield Estate Limited	Lee Shau Kee	8			100		100	100.00
	Lee Ka Kit	8				100	100	100.00
	Lee Ka Shing	8				100	100	100.00
	Li Ning	8		100			100	100.00

Save as disclosed above, none of the Directors or Chief Executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations as defined in the SFO.

Share Option Schemes

The Company and its subsidiaries have no share option schemes.

Arrangements to Purchase Shares or Debentures

At no time during the year ended 31 December 2014 was the Company or any of its holding companies, subsidiary companies or fellow subsidiaries a party to any arrangement 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.

Substantial Shareholders' and Others' Interests

As at 31 December 2014, the interests and short positions of every person, other than Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long Positions

	No. of shares in which interested	% Interest
Substantial Shareholders:		
Rimmer (Cayman) Limited (Note 1)	2,110,868,943	69.27
Riddick (Cayman) Limited (Note 1)	2,110,868,943	69.27
Hopkins (Cayman) Limited (Note 1)	2,110,868,943	69.27
Henderson Development Limited (Note 1)	2,110,868,943	69.27
Henderson Land Development Company Limited (Note 1)	2,110,868,943	69.27
Kingslee S.A. (Note 1)	2,110,868,943	69.27
Banshing Investment Limited (Note 1)	843,249,284	27.67
Markshing Investment Limited (Note 1)	602,398,418	19.77
Covite Investment Limited (Note 1)	363,328,900	11.92
Persons other than Substantial Shareholders:		
Gainwise Investment Limited (Note 1)	217,250,000	7.13

Notes:

1. *Of these shares, (i) 843,249,284 shares, 602,398,418 shares, 363,328,900 shares, 217,250,000 shares and 84,642,341 shares were respectively owned by Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited, Gainwise Investment Limited and Darnman Investment Limited, all of which were wholly-owned subsidiaries of Kingslee S.A. which was 100% held by Henderson Land Development Company Limited ("HL") which in turn was 68.88% held by Henderson Development Limited ("HD"); and (ii) 3,000,000 shares and 1,406,000 shares were respectively owned by Tako Assets Limited and Thommen Limited, both were wholly-owned subsidiaries of Hong Kong Ferry (Holdings) Company Limited ("HKF") in which Dr Lee Shau Kee together with HL held 33.55%. Hopkins (Cayman) Limited ("Hopkins") as trustee of a unit trust (the "Unit Trust") owned all the issued ordinary shares of HD. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"), as trustees of respective discretionary trusts, held units in the Unit Trust. The entire issued share capital of Hopkins, Rimmer and Riddick were owned by Dr Lee Shau Kee. Dr Lee Shau Kee was taken to be interested in these shares by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in these shares by virtue of the SFO.*

2. *Mr Lee Tat Man was the beneficial owner of these shares.*

3. *Of these shares, Dr Lee Shau Kee was the beneficial owner of 9,654,499 shares, and for the remaining 2,069,542,665 shares, (i) 897,168,664 shares were owned by HD; (ii) 181,419,512 shares were owned by Richbond Investment Limited which was a wholly-owned subsidiary of HD; (iii) 230,452,102 shares were owned by Cameron Enterprise Inc.; 495,425,632 shares were owned by Believegood Limited which was wholly-owned by South Base Limited; 94,937,415 shares were owned by Prosglass Investment Limited which was wholly-owned by Jayasia Investments Limited; 87,358,640 shares were owned by Fancy Eye Limited which was wholly-owned by Mei Yu Ltd.; 73,049,536 shares were owned by Spreadral Limited which was wholly-owned by World Crest Ltd.; and Cameron Enterprise Inc., South Base Limited, Jayasia Investments Limited, Mei Yu Ltd. and World Crest Ltd. were wholly-owned subsidiaries of Yamina Investment Limited which in turn was 100% held by HD; (iv) 6,779,146 shares were owned by Superfun Enterprises Limited, a wholly-owned subsidiary of The Hong Kong and China Gas Company Limited ("China Gas") which was 41.51% held by HL, which in turn was taken to be 68.88% held by HD; (v) 1,814,363 shares were owned by Fu Sang Company Limited ("Fu Sang"); and (vi) 774,618 shares and 363,037 shares were respectively owned by Tako Assets Limited and Thommen Limited, both were wholly-owned subsidiaries of HKF in which Dr Lee Shau Kee together with HL held 33.55%. Dr Lee Shau Kee was taken to be interested in HD as set out in Note 1, Fu Sang (all the issued ordinary shares of which were owned by Hopkins as trustee of the unit Trust), China Gas and HL by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in these shares by virtue of the SFO.*

4. *Mr Lee Tat Man was the beneficial owner of these shares.*

5. *These shares were held by Hopkins as trustee of the Unit Trust.*

6. *These shares were held by Hopkins as trustee of the Unit Trust.*

7. *Of these shares, Dr Lee Shau Kee was the beneficial owner of 35,000,000 shares, and Fu Sang owned the remaining 15,000,000 shares.*

8. *Of these shares, (i) 80 shares were owned by Tactwin Development Limited, a wholly-owned subsidiary of HL; (ii) 10 shares were owned by Henderson Finance Company Limited, a wholly-owned subsidiary of HD; and (iii) 5 shares each were owned by Perfect Bright Properties Inc. and Furnline Limited, and Jetwin International Limited was the sole holder of A shares of each of Perfect Bright Properties Inc. and Furnline Limited (the "A Shares") with the A Shares being entitled to all their interests and, liable for all liabilities in Heyield Estate Limited. Triton (Cayman) Limited as trustee of a unit trust owned all the issued share capital of Jetwin International Limited. Triumph (Cayman) Limited and Victory (Cayman) Limited, as trustees of respective discretionary trusts, held units in the unit trust. The entire share capital of Triton (Cayman) Limited, Triumph (Cayman) Limited and Victory (Cayman) Limited were owned by Dr Lee Shau Kee who was taken to be interested in such shares by virtue of the SFO. As discretionary beneficiaries of the discretionary trusts holding units in such unit trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in such shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in these shares by virtue of the SFO.*

Interests in Contracts and Connected Transactions and Continuing Connected Transactions

Acquisition Agreement

During the year under review, the Group entered into the following connected transaction and continuing connected transactions and arrangements as described below with persons who are “connected persons” for the purpose of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”):

As disclosed in the announcements of the Company dated 5 September 2014 and 1 December 2014 respectively, Newmarket International Limited (the “Purchaser”), a wholly-owned subsidiary of the Company entered into an acquisition agreement with Henderson Land Development Company Limited (“HLD”, together with its subsidiaries, the “HLD Group”) on 5 September 2014, pursuant to which the Purchaser agreed to acquire from the HLD Group a certain group of companies which are principally engaged in department store operations under the name “Citistore” (“Citistore Group”) at a consideration of HK$934,500,000 (the “Acquisition”), the completion of which took place on 1 December 2014 (the “Completion Date”). As HLD is the controlling shareholder and holding company of the Company, and thus a connected person of the Company, the Acquisition constituted a very substantial acquisition and a connected transaction of the Company. Camay Investment Limited, Citistore (Hong Kong) Limited (“Citistore HK”), Puretech Investment Limited became the wholly-owned subsidiaries of the Company upon the Completion Date.

Existing HLD Tenancy Agreements

Citistore HK, a member of the Citistore Group (the acquisition of which was completed on 1 December 2014, as described above) entered into certain tenancy agreements and licence agreements as tenant with subsidiaries of HLD as landlord in respect of the following properties on 15 October 2014 (collectively, the “Existing HLD Tenancy Agreements”), which constitute the continuing connected transactions of the Company, as more particularly described in the circular dated 17 October 2014:

(i) office premises in City Landmark 1 at 68 Chung On Street, Tsuen Wan, New Territories, Hong Kong; and

(ii) various shopping mall premises in the Tsuen Wan, Yuen Long, Ma On Shan, Tseung Kwan O and Tuen Mun districts of Hong Kong in respect of the operations of the department stores operated by the Citistore Group (the “Citistore Stores”).

The principal terms of the Existing HLD Tenancy Agreements are summarised below:

Premises	Term**Note 1* 1st Part of the Fixed Term – Duration and Basic Rent per month	2nd Part of the Fixed Term – Duration and Basic Rent per month	3rd Part of the Fixed Term – Duration and Basic Rent per month	Turnover Rent Provisions
(1) Tsuen Wan Branch of Citistore Stores at City Landmark II, 67– 95, Tsuen Wan Market Street, Tsuen Wan Town Lot No. 301				
Shop Nos. G9 – G12, G/F Lettable Area: 1,893 sq.ft.	1 October 2014 – 30 September 2017 *HK$370,000*	1 October 2017 – 30 September 2020 *7% increase in basic rent from the basic rent of each preceding year*	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term.*	8% of annual turnover (on an aggregate basis for all shop premises of the Tsuen Wan Citistore Store) Turnover rent payable instead of basic rent if higher than the basic rent payable
Shop Nos. G13-G16 and Shops G24-G29, G/F; Whole of 1/F; Portion of 2/F; Remaining Portion of 2/F; and Shops 301-303 on 3/F Lettable Area: 133,469 sq.ft.	1 October 2014 – 30 September 2017 *HK$5,369,444*	1 October 2017 – 30 September 2020 *7% increase in basic rent from the basic rent of each preceding year*	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term.*	8% of annual turnover (on an aggregate basis for all shop premises of the Tsuen Wan Citistore Store) Turnover rent payable instead of basic rent if higher than the basic rent payable
Shops G18A, G18B, G19-G23, G/F **Notes 1 & 2* Lettable Area: 2,951 sq.ft.	1 May 2015 – 30 September 2017 *HK$490,000*	1 October 2017 – 30 September 2020 *7% increase in basic rent from the basic rent of each preceding year*	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term.*	8% of annual turnover (on an aggregate basis for all shop premises of the Tsuen Wan Citistore Store) Turnover rent payable instead of basic rent if higher than the basic rent payable

Premises	1st Part of the Fixed Term – Duration and Basic Rent per month (Term*Note 1)	2nd Part of the Fixed Term – Duration and Basic Rent per month (Term*Note 1)	3rd Part of the Fixed Term – Duration and Basic Rent per month (Term*Note 1)	Turnover Rent Provisions
Shops G17, G/F **Notes 1 & 2* Lettable Area: 547 sq.ft.	1 October 2015 – 30 September 2017 *HK$110,000*	1 October 2017 – 30 September 2020 *7% increase in basic rent from the basic rent of each preceding year*	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term.*	8% of annual turnover (on an aggregate basis for all shop premises of the Tsuen Wan Citistore Store) Turnover rent payable instead of basic rent if higher than the basic rent payable
(2) Yuen Long Branch of Citistore Stores at Citimall, 1 Kau Yuk Road, Yuen Long, New Territories Yuen Long Town Lot No. 464				
Shop Nos 1-3, 35-39 & 48-49, 2/F Lettable Area: 4,296 sq.ft.	1 October 2014 – 30 September 2017 *HK$305,000*	1 October 2017 – 30 September 2020 *7% increase in basic rent from the basic rent of each preceding year*	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term.*	8% of annual turnover (on an aggregate basis for all shop premises of the Yuen Long Citistore Store) Turnover rent payable instead of basic rent if higher than the basic rent payable
Whole of 3/F and 4/F Lettable Area: 47,927 sq.ft.	Phase I: 1 October 2014 – 30 June 2015 *HK$1,128,000* Phase II: 1 July 2015 – 30 September 2017 *HK$1,297,000*	1 October 2017 – 30 September 2020 *7% increase in basic rent from the basic rent of each preceding year*	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term.*	8% of annual turnover (on an aggregate basis for all shop premises of the Yuen Long Citistore Store) Turnover rent payable instead of basic rent if higher than the basic rent payable
Shop Nos 31-34, 40-42 and 45-47, 2/F **Notes 1 & 2* Lettable Area: 2,586 sq.ft.	13 November 2015 – 30 September 2017 *HK$275,000*	1 October 2017 – 30 September 2020 *7% increase in basic rent from the basic rent of each preceding year*	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term.*	8% of annual turnover (on an aggregate basis for all shop premises of the Yuen Long Citistore Store) Turnover rent payable instead of basic rent if higher than the basic rent payable

	Term*Note 1			
Premises	**1st Part of the Fixed Term – Duration and Basic Rent per month**	**2nd Part of the Fixed Term – Duration and Basic Rent per month**	**3rd Part of the Fixed Term – Duration and Basic Rent per month**	**Turnover Rent Provisions**
(3) Ma On Shan Branch of Citistore Stores at Sunshine City Plaza, Ma On Shan, Sha Tin Town Lot No. 307 *Note 5				
Shop No. 3048, Level 3 Lettable Area: 54,748 sq.ft.	Phase I: 1 October 2014 – 30 June 2015 *HK$1,259,204* Phase II: 1 July 2015 – 30 September 2017 *HK$1,448,000*	1 October 2017 – 30 September 2020 *7% increase in basic rent from the basic rent of each preceding year*	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term.*	8% of annual turnover (if higher than the basic rent payable)
Shop Nos. 3043-44 and 3045-47, Level 3 Lettable Area: 5,997 sq.ft.	1 October 2014 – 30 September 2017 *HK$304,750*	1 October 2017 – 30 September 2020 *7% increase in basic rent from the basic rent of each preceding year*	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term.*	Nil
Shop Nos. 3057– 3058, Level 3 Lettable Area: 814 sq.ft.	1 October 2014 – 30 September 2017 *HK$58,068*	1 October 2017 – 30 September 2020 *7% increase in basic rent from the basic rent of each preceding year*	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term.*	Nil
Shop No. 3059, Level 3 Lettable Area: 1,478 sq.ft.	1 October 2014 – 30 September 2017 *HK$89,436*	1 October 2017 – 30 September 2020 *7% increase in basic rent from the basic rent of each preceding year*	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term.*	Nil

Premises	Term**Note 1* 1st Part of the Fixed Term – Duration and Basic Rent per month	2nd Part of the Fixed Term – Duration and Basic Rent per month	3rd Part of the Fixed Term – Duration and Basic Rent per month	Turnover Rent Provisions
Shop 2110, Level 2 **Notes 1 & 4* Lettable Area: 5,166 sq.ft.	1 October 2014 – 26 April 2015 *HK$110,000*	Not applicable	Not applicable	Nil
(4) Tseung Kwan O Branch of Citistore Stores at Metro City Phase II, Tseung Kwan O Town Lot No. 27				
Shop Nos. 2047-51, Level 2 **Notes 2 & 6* Lettable Area: 42,680 sq.ft.	Phase I: 1 October 2014 – 30 November 2014 *HK$861,740* Phase II: 1 December 2014 – 30 September 2017 *HK$947,920*	1 October 2017 – 30 September 2020 *HK$1,184,900*	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the monthly basic rent immediately payable prior to the expiration of the second part of the fixed term.*	9.5% of annual turnover (on an aggregate basis for all shop premises of the Tseung Kwan O Citistore Store) Turnover rent payable instead of basic rent if higher than the basic rent payable
Shop Nos. 2054-56, Level 2 Lettable Area: 12,703 sq.ft.	1 October 2014 – 30 September 2017 *HK$300,000*	1 October 2017 – 30 September 2020 *7% increase in basic rent from the basic rent of each preceding year*	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term.*	9.5% of annual turnover (on an aggregate basis for all shop premises of the Tseung Kwan O Citistore Store) Turnover rent payable instead of basic rent if higher than the basic rent payable
Shop Nos. 2063-65 on Level 2 Lettable Area: 3,392 sq.ft.	1 October 2014 – 30 September 2017 *HK$186,560*	1 October 2017 – 30 September 2020 *7% increase in basic rent from the basic rent of each preceding year*	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term.*	9.5% of annual turnover (on an aggregate basis for all shop premises of the Tseung Kwan O Citistore Store) Turnover rent payable instead of basic rent if higher than the basic rent payable

Premises	Term*Note 1 1st Part of the Fixed Term – Duration and Basic Rent per month	2nd Part of the Fixed Term – Duration and Basic Rent per month	3rd Part of the Fixed Term – Duration and Basic Rent per month	Turnover Rent Provisions
(5) Tuen Mun Branch of Citistore Stores at North Wing, Trend Plaza, Tuen Mun Town Lot No. 282				
Portion of L3, North Wing Lettable Area: 17,683 sq.ft.	1 October 2014 – 30 September 2017 *HK$890,000*	1 October 2017 – 30 September 2020 *7% increase in basic rent from the basic rent of each preceding year*	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term.*	8% of annual turnover of the Tuen Mun Citistore Store shop premises Turnover rent payable if higher than the basic rent payable
(6) The Offices of Citistore HK Offices				
Whole of 8/F and 9/F., City Landmark I, No. 68 Chung On Street, Tsuen Wan, Town Lot No. 328, New Territories **Note 1* Lettable Area: 22,724 sq.ft. * expressed in terms of gross floor area	Phase I: 1 October 2014 – 31 July 2015 *HK$386,308* Phase II: 1 August 2015 – 30 September 2017 *HK$420,394*	1 October 2017 – 30 September 2020 *HK$483,567*	Not applicable	Not applicable

**Notes:*

1. *Except in respect of those tenancy agreements marked by *Note 1, all Existing HLD Tenancy Agreements have a fixed term of nine years, from 1 October 2014 – 30 September 2023.*

2. *Each of these tenancy agreements provides for a rent-free period of 3 months.*

3. *This tenancy agreement provides for a rent-free period of 6 months.*

4. *All basic rents set out in the table above are exclusive of management fees, air conditioning charges, promotional levies and government rates (as applicable), save for the tenancy agreement marked *Note 4. Please also see Note 6 below. The amounts of the basic rents (including the agreed adjustments of those amounts for subsequent periods after the first part of the fixed term) under the tenancy agreements have been determined after taking into account a number of factors, including the district, size and location of the relevant premises, the anticipated rise in market rental levels, the affordability of the rental to Citistore HK, the parties' commitment to a long nine-year tenancy term, the contribution of Citistore HK as the major anchor tenant in the relevant shopping mall, and (where applicable) the inclusion of turnover rent provisions in the tenancy agreements.*

5. *In respect of the existing premises of the Ma On Shan branch of the Citistore Stores, the monthly basic rent payable in respect of the second and third parts of the fixed term are set out above for illustrative purposes. It is anticipated that, in the year 2017, the relocation arrangements between Citistore HK and the relevant landlord(s) under the current tenancy arrangements for the Ma On Shan branch of the Citistore Stores shall come into effect, and accordingly, the rental payment arrangements described above would not apply, and the following lease arrangements shall apply:*

Premises	**Term**	**Rent payable per month (HK$)**	**Turnover Rent Provisions**
The relocated premises on Level 3 of Sunshine City Plaza, No. 18 On Luk Street, Shatin, New Territories Lettable Area: Between 55,784 sq.ft. and 68,180 sq.ft. of lettable area, or otherwise as mutually agreed between the parties	The lease commencement date shall be subject to the progress of renovation works at Sunshine City Plaza, but shall not be in any event later than 31 May 2017 (or such other date as may be mutually agreed between the parties). In any event, the fixed term of this tenancy arrangement shall expire on 30 September 2023. **Note 3*	<u>Up to 30 September 2017</u>: 23.00 per sq.ft. of lettable area <u>From 1 October 2017 – 30 September 2018</u>: 24.61 per sq.ft. of lettable area <u>From 1 October 2018 – 30 September 2019</u>: 26.33 per sq.ft. of lettable area <u>From 1 October 2019 – 30 September 2020</u>: 28.17 per sq.ft. of lettable area <u>From 1 October 2020 – 30 September 2023</u>: Open market rent as agreed between the parties, which shall be no less than the monthly rent payable for the month of September 2020, and no more than 115% of the average of the monthly basic rent payable from 1 October 2017 – 30 September 2020.	8% of annual turnover Turnover rent payable instead of basic rent if higher than the basic rent payable The turnover rent element shall not apply during the period of renovation works on Level 3, Sunshine City Plaza, and the monthly basic rent shall be reduced by HK$11 per sq.ft. of lettable area.

6. *The basic rent for this tenancy agreement is inclusive of management fees, air-conditioning charges and promotion levy (if any).*

7. *The turnover rent as referred to in the respective Existing HLD Tenancy Agreements calculated on the relevant turnover, in case of being lower than the relevant basic rent, shall not be payable.*

Framework Agreement

With a view to ensuring that all tenancy and licensing transactions between relevant members of the HLD Group and Citistore HK comply with Chapter 14A of the Listing Rules, the Company entered into the Framework Agreement with HLD on 15 October 2014, which took effect from the Completion Date and is for a term commencing from the Completion Date to 30 September 2023 (both days inclusive).

The Framework Agreement stipulates that all tenancy and licensing transactions between relevant members of the HLD Group and relevant members of the Group must be (i) on normal commercial terms with reference to prevailing market terms; (ii) in the ordinary and usual course of business of such relevant members of the Group; and (iii) comparable to the rates at which the relevant members of the HLD Group lease or license the use of similar premises to other tenants or licensees which are independent third parties, at or around the relevant time, and will be on terms which are no less favourable to such relevant members of the Group than those offered by members of the HLD Group to its then existing tenants or licensees of similar premises which are independent third parties. Under the Framework Agreement, all the Existing HLD Tenancy Agreements are treated and regarded as having been made pursuant to the Framework Agreement from the Completion Date onwards.

Pursuant to the Framework Agreement, it was agreed, among other things, that members of the Group may lease and/or license various premises from members of the HLD Group, as they may mutually agree from time to time.

Each of the Company and HLD will, and will procure their respective subsidiaries to, enter into individual leasing and licensing agreements in respect of certain premises in Hong Kong during the term thereof on terms that are in line with the terms of the Framework Agreement. Each of such individual lease or licence agreements will set out specific terms of the leases or licences (as applicable), including but not limited to particulars of the premises, rental or licence fees (as applicable) and other fees payable and the payment terms thereof, which shall be determined principally by arms' length negotiations with reference to the prevailing market rents and/or licensing fees of similar premises in the relevant areas from time to time.

The terms of each such tenancy or licensing agreement made under the Framework Agreement shall be determined according to the following procedures:

(i) In respect of new rental or licensing arrangements between members of the HLD Group and members of the Group, the respective proposed parties to these rental arrangements shall enter into arms' length negotiations.

(ii) In respect of renewal of existing rental or licensing arrangements by the exercise of options in respect of such arrangements, the relevant members of the HLD Group and relevant members of the Group shall negotiate in accordance with the terms and conditions of the existing lease or license regarding the exercise of options.

(iii) During the negotiations with respect to new or renewal rental or licensing arrangements, the relevant members of the HLD Group and the relevant members of the Group shall have regard to the pricing policy as set out in the Framework Agreement (the "Pricing Policy"). Under the Pricing Policy, the rent, license fees, and other terms of each tenancy and licensing transaction under the Framework Agreement should be determined by taking into account the particular circumstances of the proposed arrangement, including but not limited to the district, vicinity, size and location of the premises concerned, the business to be carried on at such premises, the proposed length of the term of lease or license, as well as the possible contribution, if any, of the potential tenant to the building or shopping mall in which such relevant premises are located. Such circumstances shall be considered with reference to market comparables as may be obtained from the Land Registry of Hong Kong or from enquiries with property agencies.

(iv) Should the parties to new or renewal rental or licensing arrangements reach a consensus, the relevant lease or licensing agreement will be finalised and entered into.

The Company has set annual caps for the maximum aggregate amount payable by the Group to the HLD Group under the Framework Agreement (including the amounts payable by the Group under the Existing HLD Tenancy Agreements and those under other tenancy and licensing arrangements that may be entered into with the HLD Group and those under other tenancy and licensing arrangements that may be entered into with the HLD Group):

Annual Caps in respect of all tenancy and licensing transactions for financial years ending 31 December:

Year	2014[1]	2015	2016	2017	2018	2019	2020	2021	2022	2023[2]
HK$ million	39	243	264	263	280	296	315	338	351	268

Notes:

(1) For the financial year ended 31 December 2014, only tenancy and licensing transaction amounts on and after Completion Date are counted towards and compared with the Annual Cap, as only transactions on and after Completion Date constituted connected transactions of the Company.

(2) For the financial year ending 31 December 2023, only tenancy and licensing transaction amounts during the period from 1 January 2023 to 30 September 2023 are counted towards and compared with the Annual Cap.

For the period from the Completion Date to 31 December 2014, the Group paid HK$21,240,000 representing the aggregate rents under the Framework Agreement (including the Existing HLD Tenancy Agreements) (collectively the "Framework Tenancy Transactions").

Other Continuing Connected Transactions

(A) Tenancy and Licence Agreements entered in with Hong Kong Ferry (Holdings) Company Limited ("HK Ferry") and Miramar Hotel and Investment Company, Limited ("Miramar")

As disclosed in the announcement dated 1 December 2014, Citistore HK as tenant leased certain department store premises at Metro Harbour Plaza, Tai Kok Tsui, Kowloon, Hong Kong (the "HKF Tenancy Agreement), and obtained licences of signages at such shopping mall from subsidiaries of HK Ferry (the "HKF Licence Agreement") (collectively the "HKF Tenancy and Licence Agreement") and leased shop premises at Miramar Shopping Centre in Tsim Sha Tsui, Kowloon from a subsidiary of Miramar (the "Miramar Tenancy Agreement"). As each of Miramar and HK Ferry is an associate of HLD and thus a connected person of the Company, the aforesaid tenancy and licence agreements constitute continuing connected transactions of the Company upon the Completion Date.

(i) On 28 March 2014, Citistore HK as tenant and Henderson Real Estate Agency Limited (as agent of Lenfield Limited and HKF Property Investment Limited, both being the subsidiaries of HK Ferry) as landlord entered into a tenancy agreement, pursuant to which Citistore HK rented Shop Nos. G01, Portion of G31, G35-G50, portion of G51, Portion of G52, G63-G74 and corridors and atrium on Ground Floor, and Shop Nos. 127-161 and corridors and toilets on Level 1, Metro Harbour Plaza, Tai Kok Tsui, Kowloon, Hong Kong for a term of three years from 1 July 2014 to 30 June, 2017 at a fixed monthly rent of HK$470,000, and if the annual gross turnover of the business of Citistore HK conducted at such premises without any deduction exceeds HK$120,000,000, then the turnover rent shall be 7% of the excess of such annual gross turnover over HK$120,000,000. The turnover rent shall be payable monthly in arrears and if the gross turnover of the business of Citistore HK does not exceed HK$10,000,000 in any month, no turnover rent shall be payable for that month but the deficit shall not be carried over to the next month. The turnover rent shall be reconciled on an annual basis. Other charges including Government rates of HK$18,900, air-conditioning charges of HK$230,530.40, management fee of HK$196,949.20 and promotion levy of HK$9,400 are required to be paid monthly.

(ii) On 28 March 2014, Citistore HK as licensee and Henderson Real Estate Agency Limited (as agent of Lenfield Limited and HKF Property Investment Limited) as licensor entered into a license agreements in respect of the licensing of three external wall signages at Metro Harbour Plaza at a licence fee of HK$1,800 per month and one signage at the entrance of Metro Harbour Plaza at a license fee of HK$660 per month for a fixed term of three years from 1 July 2014 to 30 June 2017 (inclusive).

(iii) On 8 October 2014, Citistore HK as tenant and Shahdan Limited as landlord, a subsidiary of Miramar entered into the tenancy agreement pursuant to which Citistore HK rented Shop 2004, 2nd Floor, Miramar Shopping Centre, 132 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong (the "Miramar Tenancy Agreement") for a term of three years from 3 October 2014 to 2 October 2017 at a rent of HK$290,000 per month together with an additional turnover rent for each period of twelve (12) months, which equals the amount of 10% of the turnover of Citistore HK's business at such Miramar's premises during the relevant twelve (12) months' period less the annual basic rent for the same twelve (12) months (applicable only where the aforesaid 10% of the turnover exceeds the aforesaid annual basic rent). Citistore HK is required to pay the Government rates of HK$26,700 per quarter, the monthly management and air-conditioning charges of HK$47,890.44 and monthly promotion contribution being 1% of the monthly basic rent. There are three rent free periods being one month commencing from 3 October in each of year 2014, 2015 and 2016.

(B) Cleaning Services Agreement and Gift Certificate Sales Agreement

Certain existing continuing transactions between Citistore HK and the HLD Group and associates of HLD, including the provision of cleaning services to Citistore HK by a subsidiary of HLD and the purchase of gift certificates of department stores or shops which may be redeemed for purchases ("Gift Certificates") from Citistore HK by members of the HLD Group and its associates, became continuing connected transactions of the Company upon the Completion Date.

(i) The Cleaning Services Agreement

On 1 December 2014, the Company and Broad Capital Limited, a member of the HLD Group, entered into a master agreement (the "Cleaning Services Agreement") for a term from 1 December 2014 to 30 November 2017 (inclusive) in relation to the provision of cleaning services to any subsidiary of the Group for fees to be settled on monthly basis. Under the Cleaning Services Agreement, the pricing and terms for transactions and agreements made pursuant to the Cleaning Services Agreement shall be determined by way of quotations obtained from Broad Capital Limited and from independent third party service providers and the consideration of the price and terms, historical working relationship, experience and the quality of services offered by the independent third party service providers and Broad Capital Limited. Broad Capital Limited may be engaged on terms similar to or better than those offered by such other service providers.

(ii) The Gift Certificate Sales Agreement

On 1 December 2014, the Company and HLD entered into a master agreement (the "Gift Certificate Sales Agreement") for a term from 1 December 2014 to 30 November 2017 (inclusive), pursuant to which HLD Group and its associates may purchase Gift Certificates from any member of the Group, at prices as from time to time quoted or offered for public purchase of the Gift Certificates. The purchase price of the Gift Certificates is to be settled within three months of the relevant purchase.

The maximum aggregate amounts payable by the Group under (i) the HKF Tenancy and Licence Agreement to HK Ferry group, (ii) the Miramar Tenancy Agreement to Miramar group and (iii) the Cleaning Services Agreement to HLD Group, and receivable by the Group under (iv) the Gift Certificate Sales Agreement from HLD Group and its associates, will not exceed the following caps:

Annual caps for the aggregate amount payable by the Group or receivable by the Group under the respective agreements	Financial year ended 31 December 2014[1] (HK$)	Financial year ending 31 December 2015 (HK$)	Financial year ending 31 December 2016 (HK$)	Financial year ending 31 December 2017[2] (HK$)
HKF Tenancy and Licence Agreement	1,000,000	13,200,000	13,200,000	6,000,000
Miramar Tenancy Agreement	360,000	5,000,000	5,000,000	4,000,000
The Cleaning Services Agreement	543,000	6,393,000	7,032,000	7,091,000
Gift Certificate Sales Agreement	1,000,000	6,000,000	6,000,000	6,000,000

Notes:

(1) *For the financial year ended 31 December 2014, only the transaction amounts on and after the Completion Date have been taken into account in setting this annual cap, as only those transactions occurring on and after Completion Date constituted connected transactions of the Company.*

(2) *For the financial year ending 31 December 2017, only the transaction amounts during the period from 1 January 2017 to 30 November 2017 have been taken into account in setting this annual cap, as the term of the Cleaning Services Agreement will end on 30 November 2017.*

For the year ended 31 December 2014, the Group paid HK$977,000 for transactions under the HKF Tenancy and Licence Agreement, HK$326,000 for transactions under the Miramar Tenancy Agreement and HK$447,000 for transactions under the Cleaning Services Agreement, and received HK$160,000 for transactions under the Gift Certificates Sales Agreement (together with other agreements mentioned in this paragraph, collectively the “Other Citistore Transactions”).

A committee of Independent Non-executive Directors of the Company has reviewed and confirmed that each of the Framework Tenancy Transactions and the Other Citistore Transactions are (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms; and (c) in accordance with the terms of the respective agreements relating to the transactions in question and are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Auditor of the Company has also confirmed that nothing has come to the Auditor’s attention that causes it to believe that the Framework Tenancy Transactions and the Other Citistore Transactions (a) have not been received the approval of the Board; (b) were not, in all material respects, in accordance with the pricing policies of the Group; (c) were not entered into in accordance with the relevant agreements governing such transactions, in all material respects; and (d) have exceeded the respective caps as aforesaid.

The Company’s Auditor was engaged to report on the Group’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The Auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this Annual Report in accordance with Rule 14A.56 of the Listing Rules. The Company has provided a signed copy of the said letter to the Stock Exchange.

The material related party transactions set out in note 36 to the financial statements on page 98 include transactions that constitute connected/continuing connected transactions for which the disclosure requirements under the Listing Rules have been met.

Save as disclosed above, no other contracts of significance to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the year end or at any time during the year.

Directors' Interests in Competing Business

For the year ended 31 December 2014, none of the Directors of the Company has interests in businesses which might compete with the Group.

Service Contracts

None of the Directors has a service contract with the Company or any of its subsidiaries which is of a duration exceeding three years or which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Purchase, Sale or Redemption of the Company's Listed Securities

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

Major Customers and Suppliers

For the year ended 31 December 2014:

(1) the aggregate amount of purchases attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases; and

(2) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

Management Discussion and Analysis

A management discussion and analysis of the Group's annual results is shown on pages 8 to 12.

Retirement Benefits Scheme

Details of the retirement benefits schemes participated by the Group's employees are shown in note 29 to the financial statements on page 91.

Public Float

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

Auditor

A resolution for the re-appointment of PricewaterhouseCoopers as Auditor of the Company is to be proposed at the forthcoming annual general meeting.

Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 14 to 23.

On behalf of the Board
Lee Shau Kee
Chairman

Hong Kong, 23 March 2015

Biographical Details of Directors and Senior Management

Executive Directors

Dr the Hon LEE Shau Kee, *GBM, DBA (Hon), DSSc (Hon), LLD (Hon)*, aged 86, is the founder of the Company. He has been the Chairman and Managing Director of the Company since 1975 and has been engaged in property development in Hong Kong for more than 55 years. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. He is the founder and the chairman and managing director of Henderson Land Development Company Limited ("Henderson Land"), the chairman of The Hong Kong and China Gas Company Limited, the vice chairman of Sun Hung Kai Properties Limited as well as a non-executive director of Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited, all of which are listed companies. He previously served as an independent non-executive director of The Bank of East Asia, Limited, a listed company, until his resignation on 24 April 2013. Dr Lee was awarded Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region in 2007. Dr Lee is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited, Henderson Land, Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited and Gainwise Investment Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. Dr Lee is the brother of Mr Lee Tat Man, the father of Dr Lee Ka Kit and Mr Lee Ka Shing and the father-in-law of Mr Li Ning.

Dr LEE Ka Kit, *JP, DBA (Hon)*, aged 51, a Member of the Standing Committee of the 12th National Committee of the Chinese People's Political Consultative Conference, has been an Executive Director and Vice Chairman of the Company since 1993. He was educated in the United Kingdom and has been primarily responsible for the development of the business of Henderson Land Group in the People's Republic of China since 1985. Dr Lee is the vice chairman of Henderson Development Limited ("Henderson Development"). He is also the vice chairman of Henderson Land Development Company Limited ("Henderson Land"), as well as a non-executive director of The Hong Kong and China Gas Company Limited and The Bank of East Asia, Limited, all of which are listed companies. He previously served as a non-executive director of Intime Department Store (Group) Company Limited (now known as Intime Retail (Group) Company Limited), a listed company, until his retirement on 31 May 2013. He was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region and awarded an Honorary University Fellowship by The University of Hong Kong in 2009 respectively. He was awarded an Honorary Degree of Doctor of Business Administration by Edinburgh Napier University in July 2014. Dr Lee is a director of Henderson Development and Henderson Land which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the son of Dr Lee Shau Kee, the brother of Mr Lee Ka Shing, the brother-in-law of Mr Li Ning and the relative of Mr Lee Tat Man.

Dr LAM Ko Yin, Colin, *FCILT, FHKIoD, DB (Hon)*, aged 63, has been an Executive Director of the Company since 1988 and Vice Chairman since 1993. He is also a member of the Remuneration Committee and the Nomination Committee of the Company. He holds a B.Sc. (Honours) degree from The University of Hong Kong and has over 40 years' experience in banking and property development. He is also the chairman of Hong Kong Ferry (Holdings) Company Limited, the vice chairman of Henderson Land Development Company Limited ("Henderson Land") as well as a non-executive director of The Hong Kong and China Gas Company Limited and an executive director of Miramar Hotel and Investment Company, Limited, all of which are listed companies. He is the Deputy Chairman of The University of Hong Kong Foundation for Educational Development and Research and a Director of Fudan University Education Development Foundation. Dr Lam was awarded an Honorary University Fellowship by The University of Hong Kong in 2008, and was conferred a degree of Doctor of Business (Honoris Causa) by Macquarie University in 2015. He is a Fellow of The Chartered Institute of Logistics and Transport in Hong Kong and a Fellow of The Hong Kong Institute of Directors. Dr Lam is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited, Henderson Land, Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited and Gainwise Investment Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

LEE Ka Shing, aged 43, a Committee Member of the 12th Beijing Committee, and previously a Committee Member of the 10th Guangxi Zhuangzu Zizhiqu Committee and of the 10th Foshan Committee, of the Chinese People's Political Consultative Conference, PRC, has been an Executive Director of the Company since 1993 and Vice Chairman since 2005. He was educated in Canada. Mr Lee is the vice chairman of Henderson Development Limited ("Henderson Development"). He is also the vice chairman of Henderson Land Development Company Limited ("Henderson Land"), chairman and chief executive officer of Miramar Hotel and Investment Company, Limited as well as a non-executive director of The Hong Kong and China Gas Company Limited, all of which are listed companies. He is a member of The Court of The Hong Kong Polytechnic University. Mr Lee is a director of Henderson Development, Henderson Land, Kingslee S.A., Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited and Gainwise Investment Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the son of Dr Lee Shau Kee, the brother of Dr Lee Ka Kit, the brother-in-law of Mr Li Ning and the relative of Mr Lee Tat Man.

LI Ning, *BSc, MBA*, aged 58, has been appointed an Executive Director of the Company since December 2014. He has been an Executive Director of Henderson Land Development Company Limited since 1992. He holds a B.Sc. degree from Babson College and an M.B.A. degree from the University of Southern California. Mr Li set up the business of Citistore Stores in 1989 and has been managing the business since then in the capacity as a director, being a veteran with 25 years' experience in the department store business. Mr Li is also an executive director of Hong Kong Ferry (Holdings) Company Limited, a listed company. He previously served as an Independent non-executive director of Glencore International plc, a listed company, until his resignation on 2 May 2013. Mr Li is the son-in-law of Dr Lee Shau Kee, the brother-in-law of Dr Lee Ka Kit and Mr Lee Ka Shing and the relative of Mr Lee Tat Man.

LEE Tat Man, aged 77, has been an Executive Director of the Company since 1972. He has been engaged in property development in Hong Kong for more than 35 years and is also a non-executive director of Henderson Land Development Company Limited ("Henderson Land"), a listed company. Mr Lee is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited and Henderson Land which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the brother of Dr Lee Shau Kee and the relative of Dr Lee Ka Kit, Mr Lee Ka Shing and Mr Li Ning.

Independent Non-executive Directors

KWONG Che Keung, Gordon, *FCA*, aged 65, has been an Independent Non-executive Director of the Company since 2004. He is also the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. He graduated from The University of Hong Kong with a bachelor's degree in social sciences in 1972 and qualified as a chartered accountant in England in 1977. He was a partner of Pricewaterhouse from 1984 to 1998 and an independent member of the Council of The Stock Exchange of Hong Kong from 1992 to 1997. He is an independent non-executive director of Henderson Land Development Company Limited ("Henderson Land"), Agile Property Holdings Limited, China COSCO Holdings Company Limited, China Power International Development Limited, Chow Tai Fook Jewellery Group Limited, CITIC Telecom International Holdings Limited, Global Digital Creations Holdings Limited, NWS Holdings Limited and OP Financial Investments Limited, all of which are listed companies. Mr Kwong previously served as an independent non-executive director of Quam Limited until 6 September 2012 and China Chengtong Development Group Limited until 1 November 2013. Henderson Land has discloseable interests in the Company under the provisions of the Securities and Future Ordinance.

Professor KO Ping Keung, *PhD, FIEEE, JP*, aged 64, has been an Independent Non-executive Director of the Company since 2004. He is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Professor Ko holds a Bachelor of Science (Honours) degree from The University of Hong Kong, a Doctor of Philosophy degree and a Master of Science degree from the University of California at Berkeley. He is an Adjunct Professor of Peking University and Tsinghua University and Emeritus Professor of Electrical & Electronic Engineering and the former Dean of the School of Engineering of The Hong Kong University of Science and Technology. He was the Vice Chairman of Electrical Engineering and Computer Science Department of the University of California at Berkeley in 1991 – 1993 and a member of Technical staff, Bell Labs, Holmdel, in 1982 – 1984. Professor Ko is an independent non-executive director of Henderson Land Development Company Limited ("Henderson Land"), a listed company. Henderson Land has discloseable interests in the Company under the provisions of the Securities and Future Ordinance.

WU King Cheong, *BBS, JP*, aged 64, has been an Independent Non-executive Director of the Company since 2005. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Mr Wu is the Life Honorary Chairman of The Chinese General Chamber of Commerce, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Permanent Honorary President of the Hong Kong Securities Association Limited. He is an executive director of Lee Cheong Gold Dealers Limited. He is also an independent non-executive director of Yau Lee Holdings Limited, Henderson Land Development Company Limited ("Henderson Land"), Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited, all of which are listed companies. Henderson Land has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

LEUNG Hay Man, *FRICS, FCIArb, FHKIS*, aged 80, has been a Director of the Company since 1977 and was re-designated as Non-executive Director in 2004. On 22 August 2012, Mr Leung was re-designated as Independent Non-executive Director of the Company. He is also a member of the Audit Committee of the Company. Mr Leung is a Chartered Surveyor. He is also an independent non-executive director of Henderson Land Development Company Limited ("Henderson Land"), Hong Kong Ferry (Holdings) Company Limited and The Hong Kong and China Gas Company Limited, all of which are listed companies. Henderson Land has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

Senior Management

LIU Cheung Yuen, Timon, *BEc, FCPA, CA (Aust), FCS, FCIS*, aged 57, joined the Henderson Land Group in 2005 and is presently the Company Secretary of the Group. Mr Liu graduated from Monash University, Australia with a bachelor's degree in Economics. He is a fellow of both the Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Chartered Secretaries, and an associate of The Institute of Chartered Accountants in Australia. He has many years' experience in accounting, auditing, corporate finance, corporate investment and development, and company secretarial practice.

WONG Wing Kee, Christopher, *BSc (Econ), FCA*, aged 52, joined the Henderson Land Group in June 2007 and is presently the General Manager of Accounts Department. Mr Wong graduated from The London School of Economics and Political Science, University of London and is a fellow of the Institute of Chartered Accountants in England & Wales. He has over 25 years of experience in accounting, auditing, investment banking and corporate finance in the United Kingdom and in Hong Kong. Prior to joining the Henderson Land Group, Mr Wong was the Chief Financial Officer of Kerry Properties Limited between December 2004 and May 2007.

Financial Statements

47 Independent Auditor's Report
49 Consolidated Statement of Profit or Loss
50 Consolidated Statement of Profit or Loss and Other Comprehensive Income
51 Balance Sheets
52 Consolidated Statement of Changes in Equity
53 Consolidated Cash Flow Statement
54 Notes to the Financial Statements
99 Principal Subsidiaries

Independent Auditor's Report

羅兵咸永道

To the shareholders of Henderson Investment Limited

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Henderson Investment Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 49 to 99, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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, 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 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 results and cash flows of the Group 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.

Emphasis of Matter

We draw attention to notes 3(a) and 17 to the consolidated financial statements which describe the uncertainties related to whether Hangzhou Municipal Bureau of Communications and/or other relevant government authorities would ultimately confirm that both the operating right and the toll fee collection right of Hangzhou Qianjiang Third Bridge last for a period of 30 years expiring on 19 March 2027, and to the outcome of the arbitration. Our opinion is not qualified in respect of this matter.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2015

Consolidated Statement of Profit or Loss

for the year ended 31 December 2014

	Note	2014 HK$ million	2013 HK$ million
Turnover	5	**105**	–
Direct costs		**(124)**	(39)
		(19)	(39)
Other revenue	6	**3**	–
Other income/other gains, net	7	**25**	50
Selling and marketing expenses		**(3)**	–
Administrative expenses		**(28)**	(12)
Loss from operations		**(22)**	(1)
Finance cost	8(a)	**–**	–
Loss before taxation	8	**(22)**	(1)
Income tax	11(a)	**(4)**	(3)
Loss for the year		**(26)**	(4)
Attributable to:			
Equity shareholders of the Company		**(7)**	10
Non-controlling interests		**(19)**	(14)
Loss for the year		**(26)**	(4)
		HK cents	HK cents
(Loss)/earnings per share – basic and diluted	15	**(0.2)**	0.3

The notes on pages 54 to 99 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 14.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2014

	2014 **HK$ million**	2013 HK$ million
Loss for the year	**(26)**	(4)
Other comprehensive income for the year:		
Item that may be reclassified subsequently to profit or loss:		
– Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	**(2)**	15
Total comprehensive income for the year	**(28)**	11
Attributable to:		
Equity shareholders of the Company	**(8)**	19
Non-controlling interests	**(20)**	(8)
Total comprehensive income for the year	**(28)**	11

The notes on pages 54 to 99 form part of these financial statements.

Balance Sheets

at 31 December 2014

		The Group		The Company	
	Note	**2014 HK$ million**	2013 HK$ million	**2014 HK$ million**	2013 HK$ million
Non-current assets					
Fixed assets	16	**71**	1	**–**	–
Intangible operating right	17	**361**	394	**–**	–
Trademarks	18	**51**	–	**–**	–
Goodwill	19	**810**	–	**–**	–
Investments in subsidiaries	20	**–**	–	**351**	351
Non-current receivable	21	**–**	10	**–**	–
Deferred tax asset	28	**1**	–	**–**	–
		1,294	405	**351**	351
Current assets					
Inventories	22	**55**	–	**–**	–
Trade and other receivables	23	**67**	78	**2**	5
Amounts due from affiliates	24	**–**	–	**1,687**	1,350
Cash and cash equivalents	25	**402**	1,185	**–**	–
		524	1,263	**1,689**	1,355
Current liabilities					
Trade and other payables	26	**296**	18	**7**	6
Amounts due to affiliates	27	**12**	–	**696**	303
Current taxation		**8**	1	**–**	–
		316	19	**703**	309
Net current assets		**208**	1,244	**986**	1,046
Total assets less current liabilities		**1,502**	1,649	**1,337**	1,397
Non-current liability					
Deferred tax liabilities	28	**16**	13	**–**	–
NET ASSETS		**1,486**	1,636	**1,337**	1,397
CAPITAL AND RESERVES	30				
Share capital	30(b)	**612**	609	**612**	609
Reserves		**691**	824	**725**	788
Total equity attributable to equity shareholders of the Company		**1,303**	1,433	**1,337**	1,397
Non-controlling interests		**183**	203	**–**	–
TOTAL EQUITY		**1,486**	1,636	**1,337**	1,397

Approved and authorised for issue by the Board of Directors on 23 March 2015.

Lee Shau Kee
Lee Tat Man
Directors

The notes on pages 54 to 99 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2014

	Attributable to equity shareholders of the Company						
	Share capital HK$ million	Capital reserve HK$ million	Exchange reserve HK$ million	Retained profits HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
At 1 January 2013	609	13	159	755	1,536	211	1,747
Changes in equity for 2013:							
Loss for the year	–	–	–	10	10	(14)	(4)
Other comprehensive income for the year	–	–	9	–	9	6	15
Total comprehensive income for the year	–	–	9	10	19	(8)	11
Final dividend approved in respect of the previous financial year (note 14(b))	–	–	–	(61)	(61)	–	(61)
Interim dividend declared in respect of the current financial year (note 14(a))	–	–	–	(61)	(61)	–	(61)
At 31 December 2013	609	13	168	643	1,433	203	1,636
At 1 January 2014	**609**	**13**	**168**	**643**	**1,433**	**203**	**1,636**
Changes in equity for 2014:							
Loss for the year	**–**	**–**	**–**	**(7)**	**(7)**	**(19)**	**(26)**
Other comprehensive income for the year	**–**	**–**	**(1)**	**–**	**(1)**	**(1)**	**(2)**
Total comprehensive income for the year	**–**	**–**	**(1)**	**(7)**	**(8)**	**(20)**	**(28)**
Final dividend approved in respect of the previous financial year (note 14(b))	**–**	**–**	**–**	**(61)**	**(61)**	**–**	**(61)**
Interim dividend declared in respect of the current financial year (note 14(a))	**–**	**–**	**–**	**(61)**	**(61)**	**–**	**(61)**
Transition to the no-par value regime on 3 March 2014	**3**	**(3)**	**–**	**–**	**–**	**–**	**–**
At 31 December 2014	**612**	**10**	**167**	**514**	**1,303**	**183**	**1,486**

The notes on pages 54 to 99 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2014

	Note	2014 HK$ million	2013 HK$ million
Operating activities			
Loss before taxation		**(22)**	(1)
Adjustments for:			
Interest income		**(32)**	(28)
Amortisation of intangible operating right		**31**	31
Depreciation		**2**	1
Net foreign exchange loss/(gain)		**10**	(18)
Operating loss before changes in working capital		**(11)**	(15)
Decrease in inventories		**11**	–
Decrease/(increase) in non-current receivable and trade and other receivables, net		**46**	(2)
Increase/(decrease) in trade and other payables		**38**	(5)
Increase in amounts due to affiliates		**7**	–
Cash generated from/(used in) operations		**91**	(22)
Net tax (paid)/refunded – outside Hong Kong		**(5)**	5
Net cash generated from/(used in) operating activities		**86**	(17)
Investing activities			
Acquisition of subsidiaries	32	**(772)**	–
Interest received		**35**	27
Additions to property, plant and equipment		**–**	(1)
Net cash (used in)/generated from investing activities		**(737)**	26
Financing activity			
Dividends paid to shareholders		**(122)**	(122)
Net cash used in financing activity		**(122)**	(122)
Net decrease in cash and cash equivalents		**(773)**	(113)
Cash and cash equivalents at 1 January		**1,185**	1,277
Effect of foreign exchange rate changes		**(10)**	21
Cash and cash equivalents at 31 December	25	**402**	1,185

The notes on pages 54 to 99 form part of these financial statements.

Notes to the Financial Statements

for the year ended 31 December 2014

1 General information

Henderson Investment Limited ("the Company") is incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the Company's registered office and principal place of business is 72-76/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

The principal activity of the Company during the year was investment holding and the principal activities of its subsidiaries during the year were investment holding, infrastructure and department store operation.

2 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32) in accordance with the transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "Group") is set out below.

(b) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements for the year ended 31 December 2014.

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*

  The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements as the Group does not qualify to be an investment entity.

- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*

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

- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

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

2 Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

In respect of the other developments, none of them has material impact on these financial statements.

The HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that, except for HKFRS 15 *Revenue from contracts with customers* (effective for accounting periods beginning on or after 1 January 2017) in relation to which it is not practicable to provide a reasonable estimate about the impact on the Group's financial statements until the Group performs a detailed review, the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

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

(c) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of these financial statements is the historical cost basis.

The preparation of these financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and key sources of estimation uncertainty are discussed in note 3.

2 Significant accounting policies (continued)

(d) Subsidiaries and non-controlling interests

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

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in subsidiaries not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interest either at fair value or at the non-controlling interest's proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(m)).

2 Significant accounting policies (continued)

(e) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the aggregate of the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group pursuant to the acquisition (if any). The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest in the acquiree recognised and previously held interest in the acquiree measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Where necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(f) Fixed assets and depreciation

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(m)).

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of fixed assets, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Leasehold improvements	Over the unexpired term of lease
– Furniture, equipment and motor vehicles	5 years

Where parts of an item of fixed assets have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually for indications of impairment.

2 Significant accounting policies (continued)

(g) Intangible operating right

Intangible operating right is stated at cost less accumulated amortisation and impairment losses (see note 2(m)).

Amortisation is provided to write off the cost of the intangible operating right using the straight-line method over its remaining life.

Intangible operating right is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses arising from derecognition of an intangible operating right are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(h) Trademarks

Trademarks are recognised at fair value at the acquisition date. Trademarks are recognised in relation to the Group's department store operation, and are stated at cost less accumulated amortisation and impairment losses (see note 2(m)). Amortisation is provided to write off the cost of the trademarks using the straight-line method over a period of 30 years, commencing from the financial year in which the trademarks are recognised in the Group's consolidated financial statements.

(i) Goodwill

Goodwill represents the excess of:

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

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

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on bargain purchase.

Goodwill is stated at cost less accumulated impairment losses (see note 2(m)). Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment.

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

2 Significant accounting policies (continued)

(j) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(k) Inventories

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

Cost is calculated using the weighted average cost formula and comprises all costs of purchase. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowances for impairment of doubtful debts (see note 2(m)).

2 Significant accounting policies (continued)

(m) Impairment of assets

(i) Impairment of trade and other receivables

Current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised. For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the estimated future cash flows, discounted at the asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of the asset).

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– fixed assets;

– intangible operating right;

– goodwill;

– trademarks: and

– investments in subsidiaries.

2 Significant accounting policies (continued)

(m) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, the recoverable amount of goodwill is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

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

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversal of impairment losses

An impairment loss, except for goodwill, is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the period or periods in which the reversals are recognised.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

2 Significant accounting policies (continued)

(p) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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

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

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which such deferred tax assets can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether the existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

2 Significant accounting policies (continued)

(q) Income tax (continued)

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

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

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

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

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

2 Significant accounting policies (continued)

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Toll fee income

Toll fee income is recognised when services are provided and the amount of revenue can be reliably measured, and when it is probable that future economic benefits will flow to the Group.

(ii) Sale of goods

Revenue arising from the sale of goods from department store operation is recognised when goods are delivered which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue is recognised after deduction of any trade discounts.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) Promotion income, sponsorship fees, goods redemption income and sundry income

Promotion income, sponsorship fees, goods redemption income and sundry income are recognised when services are provided.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(t) Translation of foreign currencies

Items included in the financial statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

2 Significant accounting policies (continued)

(t) Translation of foreign currencies (continued)

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

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

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

(u) Borrowing costs

Borrowing costs are expensed in profit or loss in the year in which they are incurred.

(v) Related parties

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

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

  (ii) has significant influence over the Group; or

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

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

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

  (ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).

  (iii) Both entities are joint ventures of the same third party.

  (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

2 Significant accounting policies (continued)

(v) Related parties (continued)

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

(vi) The entity is controlled or jointly controlled by a person identified in (a) above.

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

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

(w) Segment reporting

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

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

3 Accounting estimates and judgements

The key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are described below.

(a) Uncertainty related to the toll fee collection right period

As detailed in note 17 to these financial statements, at the date of issue of these financial statements, the Group is waiting for the People's Government of Zhejiang Province (浙江省人民政府) and the Zhejiang Province Department of Communications (浙江省交通運輸廳) (collectively, the "Authorities") to confirm that both the operating right and the toll fee collection right of Hangzhou Qianjiang Third Bridge (the "Bridge") last for a same period of 30 years and the outcome of the arbitration case.

3 Accounting estimates and judgements (continued)

(a) Uncertainty related to the toll fee collection right period (continued)

The Group has obtained legal opinion from an independent PRC law firm and has received firm advice that in respect of the Bridge, the toll fee collection right enjoyed by Hangzhou Henderson Qianjiang Third Bridge Company, Limited (the "Joint Venture Company") should be for the same period of 30 years as the operating right enjoyed by the Joint Venture Company. Based on such advice, amortisation and calculation of the recoverable amount of the intangible operating right in these financial statements are on the basis that both the operating right and the toll fee collection right of the Bridge last for a period of 30 years expiring on 19 March 2027. There is, however, uncertainty as to any further response of the Authorities and/or Hangzhou Municipal Bureau of Communications (杭州市交通運輸局) and the outcome of the arbitration case. Based on the future development of the aforesaid, the Group would have to reconsider the remaining useful life and/or the recoverable amount of the intangible operating right. These financial statements do not include any adjustment on the carrying amount of the intangible operating right that would result from the future development of the aforesaid.

(b) Impairment of receivables

If circumstances indicate that the carrying amounts of receivables may not be recoverable, an impairment loss may be recognised. The carrying amount of a receivable is reviewed regularly in order to assess whether the recoverable amount has declined below the carrying amount. The Group estimates the future cash flows from the receivable with reference to, among others, the age of the receivable, counterparties' creditworthiness and repayment history.

(c) Impairment of non-current asset

If circumstances indicate that the carrying amounts of intangible assets (including goodwill) may not be recoverable, the assets may be considered impaired and are tested for impairment. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the fair value less costs to sell and value in use. In determining the recoverable amount which requires significant judgements, the Group estimates the future cash flows to be derived from continuing use and ultimate disposal of the asset and applies an appropriate discount rate to these future cash flows.

(d) Income tax

The Group is subject to withholding income tax in relation to profit distributions from its investment projects in mainland China. Management has exercised the judgement that profits from the Group's investment projects in mainland China are recognised on an accrual basis, and the provision for withholding income tax has been made in the Group's financial statements accordingly. Where a different basis is adopted by the tax authorities in mainland China in assessing the Group's withholding income tax liability relating to the distribution of profits from the Group's investment projects in mainland China, the amount of the Group's withholding income tax liability may be different from the amount of the provision for withholding income tax made in the Group's financial statements.

3 Accounting estimates and judgements (continued)

(e) Recognition of deferred tax asset

At 31 December 2014, the Group has recognised a deferred tax asset in relation to the depreciation in excess of related depreciation allowances as set out in note 28(a). The realisability of deferred tax asset mainly depends on whether it is probable that future taxable profits or taxable temporary differences will be available against which related tax benefit under the deferred tax asset can be utilised. In cases where the actual future taxable profits or taxable temporary differences generated are less than expected, a reversal of deferred tax asset may arise, which will be recognised in profit or loss in the period in which such a reversal takes place.

4 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. These risks are monitored by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits, trade and other receivables and non-current receivable. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

In respect of trade and other receivables, credit terms given to counter-parties are generally based on the financial strength and repayment history of each counter-party. Normally, the Group does not obtain collateral from counter-parties. Ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise exposure to credit risk. Adequate impairment losses have been made for the estimated irrecoverable amounts.

Included in non-current receivable and trade and other receivables was the balance of consideration receivable (stated at present value) in relation to the disposal of the Group's toll fee collection rights of certain toll bridges during the year ended 30 June 2004. Management monitors the recovery of the balances closely and ensures that adequate impairment losses have been made for the estimated irrecoverable amounts.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets. The Group does not provide any guarantee which exposes the Group to credit risk.

4 Financial risk management and fair values (continued)

(b) Liquidity risk

The treasury function of the Group is arranged centrally to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table sets out the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash outflows (including interest payments computed using contractual rates or, if floating, based on rates prevailing at the balance sheet date) and the earliest date on which the Group can be required to pay:

	2014 Contractual undiscounted cash outflow				
	Within 1 year or on demand HK$ million	**More than 1 year but less than 2 years HK$ million**	**More than 2 years but less than 5 years HK$ million**	**Total HK$ million**	**Carrying amount HK$ million**
Trade and other payables	**294**	**2**	**–**	**296**	**296**
Amounts due to affiliates	**12**	**–**	**–**	**12**	**12**
	306	**2**	**–**	**308**	**308**

	2013 Contractual undiscounted cash outflow				
	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	Total HK$ million	Carrying amount HK$ million
Trade and other payables	18	–	–	18	18

(c) Interest rate risk

At 31 December 2014, the Group did not have any borrowings or liabilities which exposed the Group to significant interest rate risk. The Group monitors closely its interest rate exposure and will consider hedging significant interest rate exposure should the need arise. During the year, the Group did not enter into any interest rate hedging instruments.

4 Financial risk management and fair values (continued)

(d) Foreign currency risk

The Group's primary foreign currency exposure arises from the Group's operations in mainland China as the functional currency of these operations is Renminbi. Where appropriate and cost efficient, the Group seeks to finance these investments by Renminbi borrowings with reference to the future Renminbi funding requirements of the investment and the related returns to be generated therefrom. The Group will consider hedging such exposure should the need arise.

At 31 December 2014, there were balances between the Group's entities where the denomination is in a currency other than the functional currencies of the Group's entities to which they relate. The impact on the Group's loss after tax and total equity attributable to equity shareholders of the Company is not expected to be material in response to reasonably possible changes in the foreign exchange rates of the other currencies to which the Group is exposed.

(e) Fair values

Financial assets and liabilities are carried at amounts not materially different from their fair values at 31 December 2014 and 2013.

5 Turnover

Turnover represents (i) toll fee income, net of business tax, from infrastructure business in mainland China recognised by the Group during the year; and (ii) the sales value of goods to customers, rental income from consignment and concessionaire counters and promotion income recognised by the Group during the year. Turnover is analysed as follows:

	2014 HK$ million	2013 HK$ million
Toll fee income	**–**	–
Sale of goods	**59**	–
Rental income from consignment counters	**29**	–
Rental income from concessionaire counters	**16**	–
Promotion income	**1**	–
	105	–

In view of the uncertainty on the inflow of toll revenue to the Group as referred to in note 17, the Group did not recognise in these financial statements any toll fee income during the year (2013: HK$Nil).

5 Turnover (continued)

During the year, receipts from sale of goods by consignment and concessionaire counters collected by the Group on their behalf are as follows:

	2014 HK$ million	2013 HK$ million
Receipts from sale of goods by consignment counters	**102**	–
Receipts from sale of goods by concessionaire counters	**66**	–
	168	–

6 Other revenue

	2014 HK$ million	2013 HK$ million
Sponsorship fees	**1**	–
Goods redemption income	**1**	–
Sundry income	**1**	–
	3	–

7 Other income/other gains, net

	2014 HK$ million	2013 HK$ million
Bank interest income	**30**	26
Other interest income	**2**	2
Net foreign exchange (loss)/gain	**(10)**	18
Sundry income	**3**	4
	25	50

8 Loss before taxation

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

		2014 HK$ million	2013 HK$ million
(a)	**Finance cost:**		
	Interest on promissory note*	–	–

* *A promissory note, in the amount of HK$561 million and which bore interest at the rate of one-month Hong Kong Interbank Offered Rate plus 0.84 % per annum, was issued by a wholly-owned subsidiary of the Company to Henderson Land Development Company Limited on 1 December 2014 for the purpose of settling part of the consideration payable by the Group in relation to its acquisition of the entire share capital of Camay Investment Limited and its subsidiaries, namely Citistore (Hong Kong) Limited and Puretech Investment Limited (the "Acquisition"), which was completed on 1 December 2014. The promissory note was fully repaid by the Group on 22 December 2014.*

		2014 HK$ million	2013 HK$ million
(b)	**Directors' remuneration:**		
	Directors' fees, salaries, emoluments, other allowances and benefits	1	1

Details of the directors' remuneration are set out in note 9.

		2014 HK$ million	2013 HK$ million
(c)	**Staff costs (other than directors' remuneration):**		
	Salaries, wages and other benefits	21	5
	Contributions to defined contribution retirement plan	1	–
(d)	**Other items:**		
	Amortisation of intangible operating right	31	31
	Amortisation of trademarks	–	–
	Repairing cost of the toll bridge	14	2
	Depreciation	2	1
	Auditors' remuneration	3	1
	Operating lease charges in respect of rental premises	23	–
	Cost of inventories sold	36	–
	Rentals receivable (2013: Nil) less direct outgoings of HK$33 million (2013: Nil)**	(12)	–

** *Included contingent rental income of HK$25 million (2013: HK$Nil) during the year.*

9 Directors' remuneration

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	2014				
	Directors' fees HK$'000	Salaries, emoluments, other allowances and benefits HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors					
Dr Lee Shau Kee	**20**	**–**	**–**	**–**	**20**
Dr Lee Ka Kit	**20**	**–**	**–**	**–**	**20**
Dr Lam Ko Yin, Colin	**20**	**–**	**–**	**–**	**20**
Lee Ka Shing	**20**	**–**	**–**	**–**	**20**
Li Ning*	**2**	**–**	**–**	**–**	**2**
Lee Tat Man	**20**	**–**	**–**	**–**	**20**
Independent Non-executive Directors					
Kwong Che Keung, Gordon	**20**	**180**	**–**	**–**	**200**
Professor Ko Ping Keung	**20**	**180**	**–**	**–**	**200**
Wu King Cheong	**20**	**180**	**–**	**–**	**200**
Leung Hay Man	**20**	**180**	**–**	**–**	**200**
Total	**182**	**720**	**–**	**–**	**902**

* *Appointed as an Executive Director of the Company with effect from 1 December 2014.*

9 Directors' remuneration (continued)

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows: (continued)

	2013				
	Directors' fees HK$'000	Salaries, emoluments, other allowances and benefits HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors					
Dr Lee Shau Kee	20	–	–	–	20
Dr Lee Ka Kit	20	–	–	–	20
Dr Lam Ko Yin, Colin	20	–	–	–	20
Lee Ka Shing	20	–	–	–	20
Lee Tat Man	20	–	–	–	20
Independent Non-executive Directors					
Kwong Che Keung, Gordon	20	180	–	–	200
Professor Ko Ping Keung	20	180	–	–	200
Wu King Cheong	20	180	–	–	200
Leung Hay Man	20	180	–	–	200
Total	180	720	–	–	900

There was no arrangement under which a director has waived or agreed to waive any emoluments during the year.

Certain of the directors received remuneration from the Company's intermediate holding company for services provided to the Group. No apportionment has been made as the directors are of the opinion that it is impracticable to apportion the amounts between their services to the Company's intermediate holding company and its subsidiaries.

10 Emoluments of five highest paid individuals and senior management

(a) Emoluments of five highest paid individuals

Of the five individuals with the highest emoluments, none of them is a director for both the current year and prior year. Their emoluments are analysed as follows:

	2014 HK$ million	2013 HK$ million
Salaries, emoluments, other allowances and benefits	**3**	4
Discretionary bonuses	**1**	–
Retirement scheme contributions	**–**	–
	4	4

Their emoluments are within the following bands:

	Number of individuals	
	2014	2013
HK$1,000,000 or below	**4**	4
HK$1,000,001 to HK$2,000,000	**1**	1
	5	5

(b) Emoluments of senior management

Other than the emoluments of directors disclosed in note 9, the senior management whose profiles are set out in the section “Biographical Details of Directors and Senior Management” of the Company’s annual report for the year ended 31 December 2014 (of which these financial statements form a part) received no remunerations from the Group during the year (2013: Nil).

11 Income tax

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

	2014 HK$ million	2013 HK$ million
Current tax – Hong Kong		
– provision for the year	**4**	–
	4	–
Current tax – mainland China		
– provision for the year	**5**	3
– Under-provision in respect of prior years	**–**	2
	5	5
Deferred taxation		
– origination and reversal of temporary differences (note 28(a))	**(5)**	(2)
	(5)	(2)
	4	3

Provision for Hong Kong Profits Tax has been made at 16.5% (2013: 16.5%) on the estimated assessable profits for the year, taking into account a one-off reduction of 75% of the tax payable for the year of assessment 2013/14 subject to a ceiling of HK$10,000 allowed by the Hong Kong SAR Government for each business.

Taxation for subsidiaries outside Hong Kong is calculated at the rates prevailing in the relevant jurisdictions. In relation to the Group's operations in mainland China, the applicable principal income tax rate for the year ended 31 December 2014 was 25% (2013: 25%).

In addition, dividend distribution out of the retained profits of foreign-invested enterprises earned after 1 January 2008 is subject to withholding tax at a tax rate of 10% unless reduced by treaty. Under the tax treaty between Hong Kong and mainland China, the withholding tax rate applicable to the Group for the current year and the prior year is 5%.

11 Income tax (continued)

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2014 HK$ million	2013 HK$ million
Loss before taxation	**(22)**	(1)
Notional tax on loss before taxation, calculated at the Hong Kong Profits Tax rate of 16.5% (2013: 16.5%)	**(4)**	–
Tax effect of non-deductible expenses	**4**	1
Tax effect of current year's tax losses not recognised	**9**	6
Tax effect of non-taxable income	**(5)**	(6)
Under-provision in respect of prior years	**–**	2
Income tax	**4**	3

12 Segment reporting

The Group manages its businesses by a mixture of business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance, the Group has identified the following reportable segments.

Infrastructure : Investment in infrastructure projects in mainland China

Department store operation : Department store operation and management in Hong Kong

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

Revenue and expenses are allocated to the reportable segments with reference to revenues generated by those segments and the expenses incurred by those segments. Segment results form the basis of measurement used for assessing segment performance and represent profit or loss before bank and other interest income, finance cost, income tax and items not specifically attributed to individual reportable segments, such as unallocated head office and corporate expenses.

12 Segment reporting (continued)

(a) Results of reportable segments

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2014 is set out below:

	Company and its subsidiaries (before deducting non-controlling interests)		Attributable to non-controlling interests		Attributable to equity shareholders of the Company	
	Turnover HK$ million	Segment Results HK$ million	Turnover HK$ million	Segment Results HK$ million	Turnover HK$ million	Segment Results HK$ million
For the year ended 31 December 2014						
Infrastructure	–	(56)	–	(20)	–	(36)
Department store operation	105	25	–	–	105	25
	105	(31)	–	(20)	105	(11)
Bank and other interest income		32		1		31
Unallocated head office and corporate expenses, net		(23)		–		(23)
Loss from operations		(22)		(19)		(3)
Finance cost		–		–		–
Loss before taxation		(22)		(19)		(3)
Income tax		(4)		–		(4)
Loss for the year		(26)		(19)		(7)

No segmental information for the year ended 31 December 2013 was presented as the Group's turnover and trading results for that year were generated solely from its infrastructure business in mainland China, the turnover of which amounted to HK$Nil during that year and the loss from operation of which amounted to HK$41 million during that year.

12 Segment reporting (continued)

(b) Geographical information

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

	Revenue from external customers		Specified non-current assets	
	For the year ended 31 December		At 31 December	
	2014 HK$ million	2013 HK$ million	**2014 HK$ million**	2013 HK$ million
Hong Kong	**105**	–	**931**	–
Mainland China	**–**	–	**362**	395
	105	–	**1,293**	395
	(note 5)	(note 5)		

(c) Other segment information

	Amortisation and depreciation	
	For the year ended 31 December	
	2014 HK$ million	2013 HK$ million
Infrastructure	**31**	32
Department store operation	**2**	–
	33	32

13 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of HK$62 million (2013: HK$65 million) which has been dealt with in the financial statements of the Company.

14 Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2014 HK$ million	2013 HK$ million
Interim dividend declared and paid of HK2 cents (2013: HK2 cents) per share	**61**	61
Final dividend proposed after the balance sheet date of HK2 cents (2013: HK2 cents) per share	**61**	61
	122	122

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2014 HK$ million	2013 HK$ million
Final dividend in respect of the previous financial year, approved and paid during the year of HK2 cents (2013: HK2 cents) per share	**61**	61

15 (Loss)/earnings per share – basic and diluted

The calculation of basic and diluted (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of HK$7 million (2013: profit attributable to equity shareholders of the Company of HK$10 million) and 3,047,327,395 (2013: 3,047,327,395) ordinary shares, being the number of ordinary shares in issue throughout the year.

16 Fixed assets

The Group

	Leasehold improvements HK$ million	Furniture and equipment HK$ million	Motor vehicles HK$ million	Total HK$ million
Cost:				
At 1 January 2013	–	4	3	7
Additions	–	–	1	1
At 31 December 2013	–	4	4	8
Accumulated depreciation:				
At 1 January 2013	–	4	2	6
Charge for the year	–	–	1	1
At 31 December 2013	–	4	3	7
Net book value:				
At 31 December 2013	–	–	1	1
Cost:				
At 1 January 2014	**–**	**4**	**4**	**8**
Additions through acquisition of subsidiaries (note 32)	**66**	**6**	**–**	**72**
Disposals	**–**	**–**	**(1)**	**(1)**
At 31 December 2014	**66**	**10**	**3**	**79**
Accumulated depreciation:				
At 1 January 2014	**–**	**4**	**3**	**7**
Charge for the year	**2**	**–**	**–**	**2**
Written back on disposals	**–**	**–**	**(1)**	**(1)**
At 31 December 2014	**2**	**4**	**2**	**8**
Net book value:				
At 31 December 2014	**64**	**6**	**1**	**71**

17 Intangible operating right

The Group

	Toll bridge operating right	
	2014 **HK$ million**	2013 HK$ million
Cost:		
At 1 January	**957**	931
Exchange adjustment	**(3)**	26
At 31 December	**954**	957
Accumulated amortisation:		
At 1 January	**563**	516
Charge for the year	**31**	31
Exchange adjustment	**(1)**	16
At 31 December	**593**	563
Carrying amount:		
At 31 December	**361**	394

The toll bridge represents the Bridge (as referred to in note 3(a)) located in Hangzhou, Zhejiang Province, mainland China.

The Group was granted the operating right of the Bridge by the Hangzhou Foreign Economic Relations and Trade Commission (杭州市對外經濟貿易委員會) in 1997 and was further approved by National Development and Reform Commission (formerly known as State Development & Planning Committee) (發展和改革委員會(前稱為國家發展計劃委員會)) in 1999 for a period of 30 years from 20 March 1997 (commencement date of the Bridge's operation) to 19 March 2027 during which the Group has the rights of management and maintenance of the Bridge. However, the General Office of the People's Government of Zhejiang Province notified Zhejiang Province Department of Communications and other relevant government authorities in 2003 to provisionally fix the period for entitlement to toll fee in respect of 39 toll roads and highways in the province. In the case of the Bridge, which was also included in the list, the period was provisionally fixed at 15 years (from 20 March 1997 to 19 March 2012).

17 Intangible operating right (continued)

Furthermore, on 20 March 2012, the Joint Venture Company (as referred to in note 3(a)) received a letter dated 18 March 2012 from 杭州市市區公共停車場(庫)建設發展中心 (Hangzhou City Urban Public Carpark Construction & Development Centre, formerly known as 杭州市城市"四自"工程道路綜合收費管理處 or Hangzhou City "Sizi" Engineering & Highway General Toll Fee Administration Office) (the "Hangzhou Toll Office"), which is the relevant government body in Hangzhou to record the traffic flow and make payment of the toll fee of the Bridge pursuant to the terms of an agreement dated 5 February 2004 (the "Collection Agreement") entered into between the Joint Venture Company and the Hangzhou Toll Office, which stated that, because the General Office of the People's Government of Zhejiang Province in 2003 provisionally fixed the period of entitlement to toll fee in respect of the Bridge to end on 19 March 2012, they would, commencing from 20 March 2012, provisionally suspend payment of toll fee to the Joint Venture Company in respect of the Bridge. The Hangzhou Toll Office also stated in the letter that they would, in accordance with the terms of the Collection Agreement, continue to record the traffic flow of the Bridge and work with the Joint Venture Company. The Group had on 6 June 2012 received a letter from Hangzhou Municipal Bureau of Communications which stated that Hangzhou Municipal Bureau of Communications had been confirmed and assigned by Hangzhou Municipal People's Government (杭州市人民政府) to negotiate concretely with the Joint Venture Company and strive to properly deal with the related matters resulting from the abovementioned provisional suspension of the toll fee payment of the Bridge as soon as possible, and the corresponding compensation matters proposed by the Joint Venture Company would be dealt with in due course.

In view of the uncertainty on the inflow of the toll revenue to the Joint Venture Company, the Company's directors did not recognise in these financial statements the toll revenue (after deduction of mainland China business tax) during the period from 20 March 2012 (being the commencement date for the provisional suspension of the toll fee payment from the Hangzhou Toll Office to the Group) to 31 December 2014 of RMB648 million, or equivalent to HK$808 million. Accordingly, the Group did not recognise any toll income receivable from the Bridge collected on behalf of the Group by the Hangzhou Toll Office at 31 December 2014. For the year ended 31 December 2014, the total unrecognised toll revenue (after deduction of mainland China business tax) amounted to HK$235 million (2013: HK$318 million).

Besides, in order to protect the interest of the Joint Venture Company, the Joint Venture Company had, in accordance with the terms of the Collection Agreement, filed an arbitration application with China International Economic and Trade Arbitration Commission ("CIETAC", 中國國際經濟貿易仲裁委員會) on 17 September 2012 against the Hangzhou Toll Office and Hangzhou Municipal People's Government for an arbitration award that, inter alia, they should continue to perform their obligations under the Collection Agreement by paying toll fees of the Bridge to the Joint Venture Company and be liable for the damages for the breach of contract and the relevant outstanding toll fees together with the legal and arbitration costs incurred. CIETAC on 12 November 2012 confirmed its acceptance to administer the above arbitration case. The arbitration proceedings commenced on 14 April 2014 and no conclusion has been reached. The arbitration tribunal considered that both parties should pursue further negotiations to seek a settlement plan and the Joint Venture Company has already written to Hangzhou Municipal People's Government accordingly. In July 2014, the arbitration tribunal requested both parties to submit their own settlement plans for mediation and the mediation meeting was scheduled to be held in Hangzhou on 31 March 2015.

At the date of issue of these financial statements, the Group was waiting for the Authorities (as referred to in note 3(a)) to confirm that both the operating right and the toll fee collection right of the Bridge last for a same period of 30 years and the outcome of the arbitration case.

The amortisation charge for the year is included in "Direct costs" in the consolidated statement of profit or loss.

18 Trademarks

The Group

	2014 HK$ million	2013 HK$ million
Cost:		
At 1 January	**–**	–
Recognised upon the completion of the Acquisition (as referred to in note 8(a))	**51**	–
At 31 December	**51**	–
Accumulated amortisation:		
At 1 January	**–**	–
Charge for the year	**–**	–
At 31 December	**–**	–
Carrying amount:		
At 31 December	**51**	–

The Group has adopted the purchase price allocation method under the Acquisition, and has identified trademarks as an identifiable asset measured at fair value at the acquisition date based on the directors' valuation with reference to an independent valuation performed by a professional valuer. A deferred tax liability of HK$8 million arising from the fair value adjustment on business combination (i.e. in relation to the trademarks) was recognised at 31 December 2014 (see note 28(a)).

As referred to in note 2(m)(ii), trademarks are tested for impairment at the balance sheet date. The Directors have assessed that there was no impairment on trademarks at 31 December 2014.

The amortisation charge for the year is included in "Administrative expenses" in the consolidated statement of profit or loss.

19 Goodwill

The Group

	2014 HK$ million	2013 HK$ million
At 1 January	**–**	–
Recognised upon the completion of the Acquisition (as referred to in note 8(a))	**810**	–
At 31 December	**810**	–
	(note 32)	

As a result of the Acquisition, goodwill is recognised as an identifiable asset at fair value under the acquisition method of accounting in accordance with HKFRS 3 (Revised), *Business Combinations*. Goodwill is allocated to the Group's department store operation segment and is tested for impairment at the balance sheet date (see note 2 (m)(ii)).

19 Goodwill (continued)

Impairment assessment is carried out by determining the value in use of each cash-generating unit, or groups of cash-generating units. The value in use is represented by the net present value of future forecast net cash inflows of the cash generating unit(s) which is determined on the basis of the discounted cashflow model, which assumes (i) a growth rate of 5% in the annual forecast cash inflow for each financial year during the first five financial years; and (ii) a terminal value which is determined based on a flat annual forecast cash inflow subsequent to the fifth financial year into perpetuity in accordance with the perpetual growth model. The growth rate and the terminal value used are based on management's expectations of market development. A discount rate, which equals to the weighted average cost of capital of 11%, is used to determine the discount factor under the discounted cashflow model.

The Directors have assessed that there was no impairment on goodwill at 31 December 2014.

The recoverable amount calculated based on value in use exceeded the carrying value by HK$610 million. A rise of discount rate to 18% or a decrease of 11% in the annual forecast cash inflow for each financial year during the first five financial years, both changes taken in isolation, would remove the remaining headroom.

20 Investments in subsidiaries

	The Company	
	2014 HK$ million	2013 HK$ million
Unlisted shares, at cost	**351**	351

Details of the principal subsidiaries at 31 December 2014 are set out on page 99.

21 Non-current receivable

As referred to in note 4(a), non-current receivable represents the non-current portion of the balance of consideration receivable (stated at present value) in relation to the disposal of the Group's toll fee collection rights of certain toll bridges during the year ended 30 June 2004.

At 31 December 2014, the total balance of the consideration receivable was RMB42 million (equivalent to HK$53 million) (2013: RMB61 million (equivalent to HK$78 million)) to be settled by instalments of RMB16 million (equivalent to HK$20 million) per annum for the period from 28 October 2010 to 20 July 2015. At 31 December 2014, the current portion of the consideration receivable of HK$53 million (2013: HK$68 million) is included in "Trade and other receivables" (see note 23).

22 Inventories

The Group

Inventories in the consolidated balance sheet comprise:

	2014 HK$ million	2013 HK$ million
Finished goods	**55**	–

The analysis of the amount of inventories recognised as an expense and included in profit or loss (see note 8(d)) is as follows:

	2014 HK$ million	2013 HK$ million
Carrying amount of inventories sold	**37**	–
Write-down of inventories	**(1)**	–
	36	–

23 Trade and other receivables

	The Group		**The Company**	
	2014 HK$ million	2013 HK$ million	**2014 HK$ million**	2013 HK$ million
Trade debtors	**6**	–	**–**	–
Consideration receivable (note 21)	**53**	68	**–**	–
Deposits, prepayments and other receivables	**8**	10	**2**	5
	67	78	**2**	5

As referred to in note 17, the Group did not recognise any toll income receivable from the Bridge collected on behalf of the Group by the Hangzhou Toll Office at 31 December 2014.

At 31 December 2014, all of the trade and other receivables were expected to be recovered or recognised as expense within one year.

23 Trade and other receivables (continued)

(a) Ageing analysis

At the balance sheet date, the ageing analysis of trade debtors net of allowance for doubtful debts is as follows:

	The Group	
	2014 HK$ million	2013 HK$ million
Current or under 1 month overdue	**6**	–
More than 1 month overdue and up to 3 months overdue	**–**	–
More than 3 months overdue and up to 6 months overdue	**–**	–
More than 6 months overdue	**–**	–
	6	–

(b) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2014 HK$ million	2013 HK$ million
Neither past due nor impaired	**–**	–
Less than 1 month past due	**6**	–
Over 1 month but less than 3 months past due	**–**	–
	6	–
	6	–

Receivables which were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables which were past due but not impaired relate to customers who have a good track record of trading with the Group. Included in the consideration receivable of HK$53 million (2013: HK$68 million) above was an amount of RMB29 million (equivalent to HK$37 million) (2013: RMB25 million (equivalent to HK$31 million)) which related to an amount overdue for more than one year but was not impaired. Based on past experience, management considers that no impairment allowance is necessary as there has not been a significant change in credit quality and such amount is considered to be fully recoverable.

24 Amounts due from affiliates

	The Group		The Company	
	2014 **HK$ million**	2013 HK$ million	**2014** **HK$ million**	2013 HK$ million
Amounts due from subsidiaries	**–**	–	**1,687**	1,350
	–	–	**1,687**	1,350

Amounts due from subsidiaries are unsecured, interest-free and recoverable on demand.

25 Cash and cash equivalents

	The Group		The Company	
	2014 **HK$ million**	2013 HK$ million	**2014** **HK$ million**	2013 HK$ million
Short-term bank deposits	**291**	1,178	**–**	–
Cash at bank and in hand	**111**	7	**–**	–
Cash and cash equivalents in the consolidated balance sheet and the consolidated cash flow statement	**402**	1,185	**–**	–

Included in the cash and cash equivalents at 31 December 2014 were (i) an amount of HK$Nil (2013: HK$570 million) relating to bank deposits in Hong Kong denominated in Renminbi, being the currency other than the functional currency of the entities to which they relate; and (ii) a total sum being the equivalent of HK$86 million (2013: HK$92 million) which was maintained in mainland China and is subject to foreign exchange control regulations.

26 Trade and other payables

	The Group		The Company	
	2014 **HK$ million**	2013 HK$ million	**2014** **HK$ million**	2013 HK$ million
Trade creditors	**225**	1	**–**	–
Accrued expenses and other payables	**59**	17	**7**	6
Rental deposits	**12**	–	**–**	–
	296	18	**7**	6

At 31 December 2014, all of the trade and other payables were interest-free and repayable within one year or on demand except for an amount of HK$2 million (2013: Nil) which was expected to be settled after more than one year.

The ageing analysis of trade creditors of the Group at the balance sheet date is as follows:

	2014 **HK$ million**	2013 HK$ million
Due within 1 month or on demand	**206**	–
Due after 1 month but within 3 months	**19**	1
Due after 3 months but within 6 months	**–**	–
	225	1

27 Amounts due to affiliates

	The Group		The Company	
	2014 **HK$ million**	2013 HK$ million	**2014** **HK$ million**	2013 HK$ million
Amounts due to subsidiaries	**–**	–	**696**	303
Amounts due to fellow subsidiaries	**12**	–	**–**	–
	12	–	**696**	303

Amounts due to subsidiaries and fellow subsidiaries are unsecured, interest-free and repayable on demand.

28 Deferred tax asset and liabilities

(a) The Group

The components of deferred tax (asset)/liabilities of the Group recognised in the consolidated balance sheet and the movements during the year are as follows:

Deferred taxation arising from:	Depreciation in excess of the related depreciation allowances (note 32) HK$ million	Consideration receivable on disposal of toll fee collection right of toll bridges HK$ million	Withholding tax HK$ million	Fair value adjustment on business combination (note 18) HK$ million	Total HK$ million
At 1 January 2013	–	12	3	–	15
Credited to profit or loss (note 11(a))	–	(1)	(1)	–	(2)
At 31 December 2013	–	11	2	–	13
At 1 January 2014	**–**	**11**	**2**	**–**	**13**
Acquisition of subsidiaries (note 32)	**(1)**	**–**	**–**	**8**	**7**
Credited to profit or loss (note 11(a))	**–**	**(5)**	**–**	**–**	**(5)**
At 31 December 2014	**(1)**	**6**	**2**	**8**	**15**

	The Group	
	2014 HK$ million	2013 HK$ million
Net deferred tax asset recognised in the consolidated balance sheet	**(1)**	–
Net deferred tax liabilities recognised in the consolidated balance sheet	**16**	13
	15	13

(b) The Company

No deferred taxation has been recognised as the Company did not have significant temporary differences at 31 December 2014 and 2013.

29 Employee retirement benefits

The Group's employees employed under the jurisdiction of the Hong Kong Employment Ordinance participate in the Group's Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance (the "MPFO"). The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the Group and the employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Such contributions to the MPF Scheme vest immediately. In addition to the abovementioned minimum contribution, the Group provides certain voluntary top-up benefits to employees participating in the MPF Scheme, subject to a vesting scale. The portion of the employer's contributions to which the employees are not entitled and which has been forfeited can be used by the Group to reduce the future contributions. No forfeited contributions were utilised during the current year and the prior year. Furthermore, long-time employees of Citistore (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company, receive the benefit of contributions under the Occupational Retirement Schemes Ordinance ("ORSO") due to historical factors.

Employees of the subsidiaries in mainland China are members of the central pension scheme operated by the government of the People's Republic of China. The Group is required to contribute a certain percentage of employees' remuneration to the central pension scheme to fund the benefits. The only obligation for the Group with respect to the central pension scheme is the associated required contribution under the central pension scheme. Contributions to the scheme vest immediately.

30 Capital and reserves

(a) The Company

	Share capital HK$ million	Capital reserve HK$ million	Retained profits HK$ million	Total equity HK$ million
At 1 January 2013	609	3	842	1,454
Changes in equity for 2013:				
Profit for the year (note 13)	–	–	65	65
Final dividend approved in respect of the previous financial year (note 14(b))	–	–	(61)	(61)
Interim dividend declared in respect of the current financial year (note 14(a))	–	–	(61)	(61)
At 31 December 2013	609	3	785	1,397
At 1 January 2014	**609**	**3**	**785**	**1,397**
Changes in equity for 2014:				
Profit for the year (note 13)	**–**	**–**	**62**	**62**
Final dividend approved in respect of the previous financial year (note 14(b))	**–**	**–**	**(61)**	**(61)**
Interim dividend declared in respect of the current financial year (note 14(a))	**–**	**–**	**(61)**	**(61)**
Transition to the no-par value regime on 3 March 2014	**3**	**(3)**	**–**	**–**
At 31 December 2014	**612**	**–**	**725**	**1,337**

(b) Share capital

At 31 December 2013, 5,000,000,000 ordinary shares, with par value of HK$0.2 each, were authorised for issue. Under the new Hong Kong Companies Ordinance (Cap. 622) which became effective on 3 March 2014, the concepts of "authorised share capital" and "par value" no longer exist. As part of the transition to the no-par value regime, an attributable amount of HK$3 million being in the nature of share premium standing to the credit of the capital reserve account on 3 March 2014 has become part of the Company's share capital, under the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622). These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the members.

30 Capital and reserves (continued)

(b) Share capital (continued)

Movement of the Company's ordinary shares is set out below:

Ordinary shares, issued and fully paid	2014 Number of shares million	2014 HK$ million	2013 Number of shares million	2013 HK$ million
At 1 January 2014	**3,047**	**609**	3,047	609
Transition to the no-par value regime on 3 March 2014	**–**	**3**	–	–
At 31 December 2014	**3,047**	**612**	3,047	609

(c) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(t).

(d) Distributability of reserves

At 31 December 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$725 million (2013: HK$785 million). As stated in note 14(a), after the balance sheet date, the directors proposed a final dividend of HK2 cents (2013: HK2 cents) per share, amounting to HK$61 million (2013: HK$61 million). This dividend has not been recognised as a liability at the balance sheet date.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern so that the Group can continue to provide financial returns to shareholders, and by securing access to financing sources at reasonable costs.

The Group regularly reviews and manages its capital structure under the policy of prudent financial management. The Group maintains a financially sound capital position and, where appropriate, makes adjustments to its capital structure in the light of remarkable changes in the financial and capital markets and in economic conditions.

The Group monitors its capital structure on the basis of gearing ratio, which is one of the most commonly adopted measurement standards for capital management by companies engaged in investments in infrastructure projects and business operation such as the department store operation. Gearing ratio is calculated based on the net bank borrowings and shareholders' funds of the Group at the balance sheet date. At 31 December 2014, the Group maintained net cash and bank balances (after deducting the Group's total bank borrowings of HK$Nil (2013: HK$Nil)) of HK$402 million (2013: HK$1,185 million) and therefore the Group's gearing ratio was Nil (2013: Nil).

The Group was not subject to externally imposed capital requirements during the year and at the balance sheet date.

31 Material non-controlling interests

The total non-controlling interests at 31 December 2014 amounted to HK$183 million (2013: HK$203 million), of which HK$140 million (2013: HK$160 million) relates to the Joint Venture Company (as referred to in note 3(a)).

The principal place of business of the Joint Venture Company, being a subsidiary of the Group, is Qianjiang Third Bridge South Bank, Shangxingzhen, Binjiang District, Hangzhou, Zhejiang Province, the People's Republic of China and 40% of the registered capital of the Joint Venture Company is beneficially owned by non-controlling interest. The Joint Venture Company has non-controlling interest that is material to the Group.

Cash and short-term deposits of HK$32 million (2013: HK$54 million) were held by the Joint Venture Company in mainland China at 31 December 2014 and are subject to foreign exchange control regulations.

Summarised financial information in relation to the Joint Venture Company is disclosed below:

	2014 HK$ million	2013 HK$ million
Current assets	**34**	57
Non-current assets	**362**	395
Current liabilities	**(3)**	(3)
Revenue	**–**	–
Loss from continuing operations	**(53)**	(42)
Total comprehensive income	**(55)**	(33)
Dividend paid to non-controlling interest	**–**	–
Loss allocated to non-controlling interest of the Joint Venture Company during the year	**(20)**	(15)
Accumulated non-controlling interest of the Joint Venture Company at the end of the year	**140**	160
Cash flows of operating activities:		
Cash used in operations	**(23)**	(14)
Tax refunded – outside Hong Kong	**–**	7
Net cash used in operating activities	**(23)**	(7)
Net cash generated from investing activities	**1**	1
Net cash used in financing activities	**–**	–
Net decrease in cash and cash equivalents	**(22)**	(6)
Cash and cash equivalents at 1 January	**54**	59
Effect of foreign exchange rate changes	**–**	1
Cash and cash equivalents at 31 December	**32**	54

The information above is the amount before inter-company elimination but after certain adjustments arising from the Group's acquisition of its interest in the Joint Venture Company.

32 Acquisition of subsidiaries

The Group

The fair value of the assets acquired and the liabilities assumed for the subsidiaries under the Acquisition (as referred to in note 8(a)) were as follows:

	2014 HK$ million	2013 HK$ million
Fixed assets	**72**	–
Deferred tax asset	**1**	–
Trademarks	**51**	–
Inventories	**66**	–
Trade and other receivables	**27**	–
Amount due from an intermediate holding company	**100**	–
Amount due from a related company	**1**	–
Cash and cash equivalents	**63**	–
Trade and other payables	**(239)**	–
Amounts due to fellow subsidiaries	**(5)**	–
Current taxation	**(4)**	–
Deferred tax liability	**(8)**	–
Fair value of identifiable net assets	**125**	–
Goodwill (note 19)	**810**	–
Total consideration	**935**	–
Satisfied by:		
Cash consideration paid	**274**	–
Promissory note (see note 8(a))	**561**	–
Amount due from an intermediate holding company	**100**	–
	935	–
Net cash outflow in respect of the Acquisition:		
Cash consideration paid (*)	**(835)**	–
Cash and cash equivalents acquired	**63**	–
	(772)	–

(*) Including the full settlement on 22 December 2014 of the promissory note (see note 8(a)).

32 Acquisition of subsidiaries (continued)

The factors which constitute the goodwill arising from the Acquisition (see note 19) comprise, inter alia, (i) the diversification in the Group's business and revenue sources; (ii) the established track record of "Citistore" in Hong Kong which is operated by Citistore (Hong Kong) Limited with a proven track record of stable growth in turnover and profitability; and (iii) the future growth opportunities for the operation of "Citistore" through the listed platform offered by the Group.

Included in the Group's turnover of HK$105 million (see note 5) and the Group's loss for the year of HK$26 million for the year ended 31 December 2014 are the aggregate turnover of HK$105 million and the aggregate profit after taxation of HK$21 million generated during the period from 1 December 2014 to 31 December 2014 by Camay Investment Limited, Citistore (Hong Kong) Limited and Puretech Investment Limited, being the companies acquired by the Group pursuant to the Acquisition (as referred to in note 8(a)) which was completed on 1 December 2014.

Assuming the Acquisition had taken place and was completed on 1 January 2014 and therefore taking into account the aggregate turnover and the aggregate profit after taxation of Camay Investment Limited, Citistore (Hong Kong) Limited and Puretech Investment Limited for the year ended 31 December 2014, the Group's turnover and profit/(loss) for the year ended 31 December 2014 (as a combined entity) would have become as follows:

	Turnover HK$ million	Profit/(loss) for the year HK$ million
The Group (excluding the effect of the Acquisition)	–	(47)
Camay Investment Limited, Citistore (Hong Kong) Limited and Puretech Investment Limited	867	142
Total	867	95

Acquisition-related expenditures of HK$7 million have been charged to administrative expenses in the consolidated statement of profit or loss for the year ended 31 December 2014.

33 Commitments

At 31 December 2014, the Group had capital commitments in relation to fixed assets contracted for but not provided for in these financial statements which amounted to HK$2 million (2013: Nil).

34 Significant leasing arrangements

At 31 December 2014, the Group is both a lessor and a lessee under operating leases. Details of the Group's commitments under non-cancellable operating leases are set out as follows:

(a) Lessor

The Group leases out certain shop spaces under operating leases. The leases typically run for an initial period of one month to three years, with an option to renew the lease after that date at which time all terms are re-negotiated. Contingent rental income is calculated based on the excess of certain percentages of turnover of the relevant operation occupying the shop spaces over a fixed portion of the monthly rentals.

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

	2014 HK$ million	2013 HK$ million
Within 1 year	**121**	–
After 1 year but within 5 years	**9**	–
	130	–

(b) Lessee

The Group leases a number of building facilities under operating leases. The leases typically run for an initial period of one to nine years, with an option to renew the lease after that date at which time all terms are re-negotiated. Contingent rental expense is calculated based on the excess of certain percentages of turnover of the relevant operation over a fixed portion of the monthly rentals.

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2014 HK$ million	2013 HK$ million
Within 1 year	**200**	–
After 1 year but within 5 years	**853**	–
After 5 years	**842**	–
	1,895	–

35 Contingent liabilities

At 31 December 2014 and 2013, the Group did not have any contingent liabilities.

36 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions during the year:

(a) Transactions with fellow subsidiaries

Details of material related party transactions during the year between the Group and its fellow subsidiaries are as follows:

	2014 HK$ million	2013 HK$ million
Rental expenses payable	**21**	–

(b) Transactions with related companies

Details of material related party transactions during the year between the Group and its related companies are as follows:

	2014 HK$ million	2013 HK$ million
Rental expenses payable	**1**	–

Note: These transactions were carried out on normal commercial terms and in the ordinary course of business.

37 Non-adjusting post balance sheet event

After the balance sheet date, the directors proposed a final dividend, further details of which are set out in note 14(a).

38 Parent and ultimate controlling party

At 31 December 2014, the directors consider that the Company's parent and ultimate controlling party are Kingslee S.A. (a private limited liability company incorporated in the Republic of Panama) and Henderson Development Limited (a private limited liability company incorporated in Hong Kong), respectively. These entities do not produce financial statements available for public use.

The parent of Kingslee S.A. is Henderson Land Development Company Limited ("HLD"), a public limited liability company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited. HLD produces consolidated financial statements, including those of the Group, which are available for public use.

Principal Subsidiaries

At 31 December 2014

Set out below are the particulars of the principal subsidiaries of the Company at 31 December 2014 which, in the opinion of the directors, materially affect the results or assets of the Group. All the principal subsidiaries are incorporated and operate in Hong Kong unless otherwise stated. None of the principal subsidiaries had debt securities in issue at the balance sheet date.

		Particulars of issued share capital	Percentage of shares held by the Company	
		Number of issued ordinary shares	**Directly**	**Indirectly**
A	**Department store operation**			
	Citistore (Hong Kong) Limited	1	–	100
B	**Investment holding**			
	China Investment Group Limited	300,000	–	100
	Henderton Profits Limited	1	–	100
	Luxrich Limited (incorporated and operates in the British Virgin Islands)	10	80	20
	Nation Team Development Limited	2	–	100
	Prominence Development Limited	1	–	100
C	**Finance**			
	Henderson Investment Finance Limited	1,000	100	–
	St. Helena Holdings Co. Limited (incorporated and operates in the British Virgin Islands)	3	100	–

		Note	Contributed capital RMB	Percentage of equity interest indirectly held by the Company
D	**Infrastructure**			
	Hangzhou Henderson Qianjiang Third Bridge Company, Limited	(i), (iii)	200,000,000	60
	Tianjin Jinning Roads Bridges Construction Development Company Limited	(ii), (iii)	23,680,000	70
	Tianjin Wanqiao Project Development Company Limited	(ii), (iii)	20,000,000	70

Notes:

(i) *The company is registered as Sino-foreign equity joint venture enterprise and operates in mainland China.*

(ii) *These companies are registered as Sino-foreign co-operative joint venture enterprises and operate in mainland China.*

(iii) *The percentage of profit sharing by the subsidiaries is as follows:*

Hangzhou Henderson Qianjiang Third Bridge Company, Limited	–	*60%*
Tianjin Jinning Roads Bridges Construction Development Company Limited	–	*70%*
Tianjin Wanqiao Project Development Company Limited	–	*70%*

Corporate Information

Board of Directors

Executive Directors

Dr Lee Shau Kee
(Chairman and Managing Director)
Dr Lee Ka Kit *(Vice Chairman)*
Dr Lam Ko Yin, Colin *(Vice Chairman)*
Lee Ka Shing *(Vice Chairman)*
Li Ning
Lee Tat Man

Independent Non-executive Directors

Kwong Che Keung, Gordon
Professor Ko Ping Keung
Wu King Cheong
Leung Hay Man

Audit Committee

Kwong Che Keung, Gordon*
Professor Ko Ping Keung
Wu King Cheong
Leung Hay Man

Remuneration Committee

Wu King Cheong*
Dr Lee Shau Kee
Dr Lam Ko Yin, Colin
Kwong Che Keung, Gordon
Professor Ko Ping Keung

Nomination Committee

Dr Lee Shau Kee*
Dr Lam Ko Yin, Colin
Kwong Che Keung, Gordon
Professor Ko Ping Keung
Wu King Cheong

Company Secretary

Liu Cheung Yuen, Timon

** Committee Chairman*

Registered Office

72-76/F., Two International Finance Centre
8 Finance Street, Central
Hong Kong
Telephone : (852) 2908 8888
Facsimile : (852) 2908 8838
Internet : http://www.hilhk.com
E-Mail : henderson@hld.com

Registrar

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

Share Listing

The Stock Exchange of Hong Kong Limited (Stock Code: 97)

Shares are also traded in the United States through an American Depositary Receipt Level 1 Programme
(Ticker Symbol: HDVTY
CUSIP Reference Number: 425070109)

Authorised Representatives

Dr Lam Ko Yin, Colin
Liu Cheung Yuen, Timon

Auditor

PricewaterhouseCoopers

Solicitors

Woo, Kwan, Lee & Lo
Lo & Lo

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at the Four Seasons Grand Ballroom, Four Seasons Hotel, 8 Finance Street, Central, Hong Kong on Tuesday, 2 June 2015 at 11:00 a.m. to transact the following business:

1. To receive and consider the Audited Financial Statements and the Reports of the Directors and Auditor for the year ended 31 December 2014.

2. To declare a Final Dividend.

3. To re-elect retiring Directors.

4. To re-appoint Auditor and authorise the Directors to fix Auditor's remuneration.

5. To consider as special business and, if thought fit, pass the following resolutions as Ordinary Resolutions:

(A) "**THAT**:

(a) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as defined in paragraph (c) of this Resolution) of all the powers of the Company to buy back shares of the Company on The Stock Exchange of Hong Kong Limited ("Stock Exchange") or on any other stock exchange on which the shares of the Company may be listed and recognised by the Stock Exchange and the Securities and Futures Commission for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time be and is hereby generally and unconditionally approved;

(b) the aggregate number of shares of the Company to be bought back pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the total number of the issued shares of the Company as at the date of this Resolution (subject to adjustment in the case of any conversion of all or any of the shares in the Company into a larger or smaller number of shares during the Relevant Period) and the said approval shall be limited accordingly; and

(c) for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

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

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Articles of Association of the Company or the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) to be held; and

(iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the Shareholders in general meeting."

(B) “**THAT**:

(a) a general mandate be and is hereby generally and unconditionally given to the Directors to exercise during the Relevant Period all the powers of the Company to allot, issue and deal with additional shares of the Company and to make or grant offers, agreements or options (including, without limitation, Rights Issue, warrants, bonus warrants, bonds, debentures, notes and other securities convertible into shares in the Company) which would or might require the exercise of such powers either during or after the Relevant Period, provided that the aggregate number of the shares of the Company to be allotted, issued and dealt with pursuant to the general mandate herein, otherwise than pursuant to (i) a Rights Issue, or (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to the employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, or (iii) an issue of shares in the Company upon the exercise of the subscription rights or conversion rights attaching to any warrants or convertible notes which may be issued by the Company or any of its subsidiaries, or (iv) any scrip dividend pursuant to the Articles of Association of the Company from time to time, shall not exceed 20 per cent. of the total number of issued shares of the Company as at the date of this Resolution (subject to adjustment in the case of any conversion of all or any of the shares in the Company into a larger or smaller number of shares during the Relevant Period) and the said approval shall be limited accordingly; and

(b) for the purposes of this Resolution:

“Relevant Period” shall have the same meaning as assigned to it under Ordinary Resolution (A) of item no. 5 as set out in the notice convening this Meeting; and

“Rights Issue” means an offer of shares in the Company or issue of option, warrants or other securities giving the right to subscribe for shares of the Company, open for a period fixed by the Directors of the Company to holders of shares of the Company whose names appear on the Register of Members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their then holdings of such shares (or, where appropriate, such other securities) as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

(C) “**THAT**:

the general mandate granted to the Directors and for the time being in force to exercise the powers of the Company to allot, issue and deal with additional shares of the Company pursuant to Ordinary Resolution (B) of item no. 5 as set out in the notice convening this Meeting be and is hereby extended by the addition to the aggregate number of the shares which may be allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with by the Directors pursuant to such general mandate the aggregate number of shares in the Company bought back by the Company since the granting of the said general mandate pursuant to the exercise by the Directors of the powers of the Company to buy back such shares under the authority granted pursuant to Ordinary Resolution (A) of item no. 5 as set out in the notice convening this Meeting provided that such number of shares shall not exceed 10 per cent. of the total number of issued shares of the Company as at the date of this Resolution (subject to adjustment in the case of any conversion of all or any of the shares in the Company into a larger or smaller number of shares during the Relevant Period).”

By Order of the Board
Timon LIU Cheung Yuen
Company Secretary

Hong Kong, 27 April 2015

Registered Office:
72-76/F., Two International Finance Centre
8 Finance Street, Central
Hong Kong

Notes:

(1) At the above Meeting, the Chairman will exercise his power under Article 80 of the Articles of Association to put each of the resolutions to be voted by way of a poll.

(2) A Member of the Company entitled to attend and vote at the above Meeting is entitled to appoint one proxy or more proxies to attend and speak and on a poll, to vote instead of him at the Meeting, and separate proxies may be appointed by a Member to represent the respective number of shares held by the Member as specified in the relevant proxy form. A proxy need not be a Member. Form of proxy and the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of that power of authority) must be lodged at the registered office of the Company at 72-76/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof or, in the case of poll taken more than 48 hours after it was demanded, not less than 24 hours before the time appointed for the taking of the poll.

(3) For the purpose of determining Shareholders who are entitled to attend and vote at the above Meeting, the Register of Members of the Company will be closed from Friday, 29 May 2015 to Tuesday, 2 June 2015, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the above Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Standard Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 28 May 2015.

(4) For the purpose of determining Shareholders who qualify for the proposed final dividend, the Register of Members of the Company will be closed from Monday, 8 June 2015 to Wednesday, 10 June 2015, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Registrar, Tricor Standard Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 5 June 2015. The proposed final dividend will be paid to Shareholders whose names appear on the Register of Members of the Company on Wednesday, 10 June 2015.

(5) An explanatory statement containing further details concerning Ordinary Resolutions (A) of item 5 above will be sent to Members together with the 2014 Annual Report of which this notice convening the above Meeting forms part.

(6) Concerning Ordinary Resolutions (B) and (C) of item 5 above, approval is being sought from Members, as a general mandate in compliance with Sections 140 and 141 of the Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, that in the event it becomes desirable for the Company to issue any new shares of the Company, the Directors are given flexibility and discretion to allot and issue new shares up to 20 per cent. of the total number of the issued shares plus the aggregate number of shares bought back by the Company pursuant to the general mandate approved in Ordinary Resolution (A) of item 5 above. Save as disclosed (if any), the Directors, however, have no immediate plans to issue any new shares of the Company under the said mandate being sought.

(7) If Ordinary Resolution 2 is approved, the final dividend will be paid to Shareholders of the Company on Tuesday, 16 June 2015.

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