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

Annual Report 2015

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. Acquisition of the Citistore business was completed on 1 December 2014 and the Company is solely engaged in the retailing business in Hong Kong.

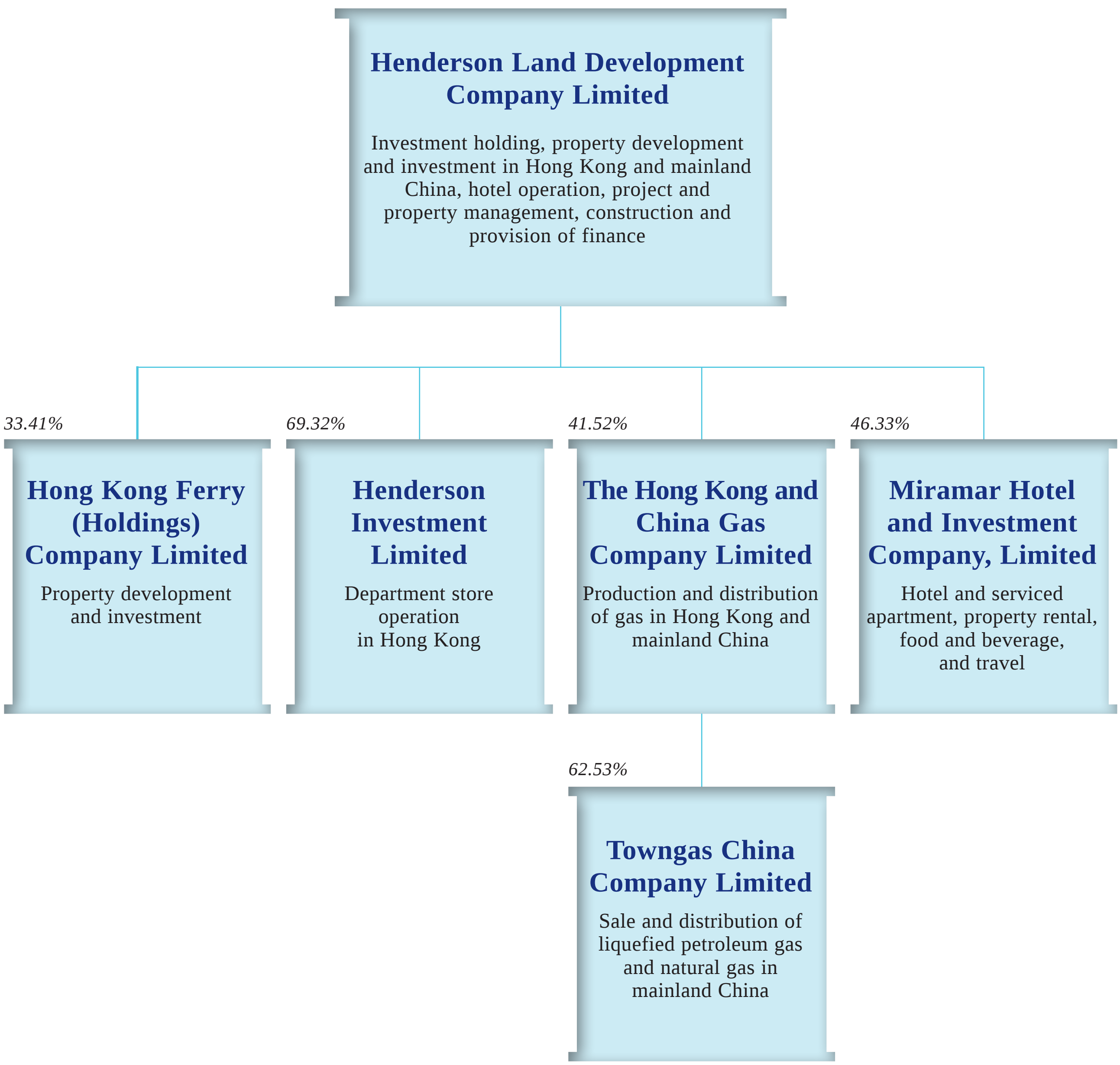
Contents

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.

Henderson Land Group Structure

Market capitalisation as at 31 December 2015
Henderson Land Development Company Limited: HK$157 billion
Six listed companies of Henderson Land Group: HK$358 billion



Note: all attributable interests (including interests held by associates) shown above were figures as of 31 December 2015.

Milestones for Citistore

Citistore

1989
First Citistore opened in Tsuen Wan

1993
Tuen Mun store opened

1995
Yuen Long store opened

1997
Ma On Shan store opened

2000
Tseung Kwan O store opened

2005
Japanese fashion brand "id:c" was established with a specialty store located in Tsim Sha Tsui

2006
- New trade name and logo "千色CITISTORE" were adopted
- Tai Kok Tsui store opened

2011
Tsuen Wan store was renovated and KidS'quare (a special zone with a diverse range of infant and maternity items) opened

2012
Tseung Kwan O store was renovated and KidS'quare opened

2013
Tuen Mun store was revamped into "homix • Citistore", which mainly provided household products

2014
- Yuen Long store was renovated with KidS'quare added on its extended floor space
- Korean fashion brand "needle & line" was initially offered to the customers

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 2015.

Profit and Net Asset Value Attributable to Shareholders

The Group's profit attributable to equity shareholders for the year ended 31 December 2015 amounted to HK$449 million, a significant turnaround from the loss of HK$7 million as recorded in the previous year. It is mainly due to a one-off gain of HK$355 million arising from the final arbitral award in relation to the toll fee collection right of Hangzhou Qianjiang Third Bridge during the year under review, as well as the full-year profit contribution of HK$103 million from Citistore, which was acquired by the Group on 1 December 2014. Earnings per share were HK 14.7 cents (2014: Loss per share of HK 0.2 cents).

At 31 December 2015, the net asset value attributable to equity shareholders amounted to HK$1,489 million or HK$0.49 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 Monday, 13 June 2016, 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 2015 will amount to HK 4.0 cents per share (2014: HK 4.0 cents per share). Final dividend will be distributed to shareholders on Thursday, 16 June 2016.

Business Review

Discontinued Operation – Infrastructure Business

Hangzhou Henderson Qianjiang Third Bridge Company, Limited (the "Joint Venture Company"), a 60% owned subsidiary of the Company, was engaged in the infrastructure business in mainland China with Hangzhou Qianjiang Third Bridge in Zhejiang Province as its core asset. Hangzhou Qianjiang Third Bridge, a major trunk route linking Beijing and Fujian Province, 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.

Commencing from 20 March 2012, payment of the toll fee in respect of Hangzhou Qianjiang Third Bridge to the Joint Venture Company was provisionally suspended. An arbitration application (the "Arbitration") was thus filed by the Joint Venture Company on 17 September 2012 with China International Economic and Trade Arbitration Commission ("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 ("Hangzhou Municipal Government") as the second respondent for an arbitral award that, *inter alia*, the first respondent and the second respondent should continue to perform their obligations under the agreement dated 5 February 2004 entered into between the Joint Venture Company and the Hangzhou Toll Office (the "Collection Agreement") by paying toll fees of Hangzhou Qianjiang Third Bridge to the Joint Venture Company and be liable for the relevant outstanding toll fees together with the legal and arbitration costs incurred.

With the arrangement made by CIETAC, a mediation meeting was held in Hangzhou at the end of March 2015. Nation Team Development Limited ("Nation Team", a wholly-owned subsidiary of the Company) and 杭州錢江三橋綜合經營公司 ("PRC JV Partner"), with respective 60% and 40% interests in the Joint Venture Company, had joined as additional parties acting as the second applicant and the third respondent to the Arbitration respectively. On 30 April 2015, the arbitral tribunal of CIETAC issued the final arbitral award, which had legal binding effect on all parties to the Arbitration and contains, among others, the following principal items:

(i) Hangzhou Municipal Government shall pay to Nation Team an amount of RMB376 million ("Compensation Payment") within 90 days following the issue of the arbitral award. All tax payable in respect of the above payment ("PRC Tax") in mainland China shall be borne and paid by Hangzhou Municipal Government, which shall arrange for the PRC Tax clearance formality.

(ii) Upon receipt by Nation Team of the Compensation Payment, the Collection Agreement and the agreement (中外合資經營杭州恒基錢江三橋有限公司合同) dated 8 January 1997 made between, amongst other, Nation Team and PRC JV Partner ("Joint Venture Contract") shall be discharged.

(iii) Within five days following the receipt of the Compensation Payment, Nation Team shall pay to the Joint Venture Company RMB2.2 million representing the legal expenses incurred by the Joint Venture Company (subject to adjustment as to the final sum incurred by the Joint Venture Company) in relation to the Arbitration.

(iv) Nation Team and Hangzhou Municipal Government shall bear in equal shares the Arbitration fees of approximately RMB2.5 million, and certain other mediation expenses of the arbitral tribunal amounting to approximately RMB25,000. Nation Team and Hangzhou Municipal Government shall be responsible for the fees and expenses of the relevant arbitrator respectively.

As a result of the above arbitral award, the Group recognised a profit in the amount of HK$215 million (2014: loss of HK$54 million), which is equal to the Compensation Payment of RMB376 million as converted to Hong Kong dollars (net of the Group's share of expenses relating to the Arbitration) of HK$471 million and after (i) deducting the Group's impairment loss on toll bridge operating right and related net assets of the Joint Venture Company of HK$379 million (the "Joint Venture Company Impairment"); (ii) recognising the reversal of the exchange reserve attributable to the Joint Venture Company of HK$138 million; and (iii) deducting the operating loss of the infrastructure business in the aggregate amount of HK$15 million during the period from 1 January 2015 to 30 April 2015. Adding back the Group's non-controlling interests' attributable share of the Joint Venture Company Impairment and operating loss in the aggregate amount of HK$140 million, the Group recognised a one-off gain attributable to equity shareholders of the Company in the amount of HK$355 million.

As the entire Compensation Payment was duly settled by Hangzhou Municipal Government on 29 July 2015, the Collection Agreement and the Joint Venture Contract were discharged and Nation Team has no further obligations, responsibilities and payment obligations for expenses whether as a shareholder of the Joint Venture Company or in relation to the Joint Venture Company or Hangzhou Qianjiang Third Bridge, and is no longer entitled to any income sharing and distribution rights as a shareholder of the Joint Venture Company.


Citistore

Continuing Operation – Retailing Business

With the acquisition of the Citistore business completed on 1 December 2014, its retailing operation has become the sole business of the Group. Currently, the Group operates a department store business in six densely-populated residential districts under the name of "Citistore", whilst a specialty store has also been established in the Tsim Sha Tsui shopping hub, offering a collection of apparel brands from Japan and Korea under the brand of "id:c":

Retail outlets	Location	Total sales area As at 31 December 2015 (square feet)
Citistore stores		
Tsuen Wan	KOLOUR•Tsuen Wan II	150,641
Yuen Long	KOLOUR•Yuen Long	61,610
Ma On Shan	Sunshine City Plaza	82,293
Tseung Kwan O	Metro City Phase II Shopping Arcade	107,879
Tai Kok Tsui	Metro Harbour Plaza	90,760
Tuen Mun	North Wing, The Trend Plaza	17,683
id:c	Miramar Shopping Centre	6,318
	Total:	**517,184**

Due to a slowdown in inbound tourism, as well as weakened consumption sentiment arising from an uncertain economic outlook and exceptionally warm winter weather, retail sales in Hong Kong slackened distinctly in the fourth quarter of 2015, leading to a 3.7% drop in the value of total retail sales for the whole city during the year under review. Nevertheless, by serving the daily household needs of local consumers, the Group's "Citistore" operation recorded only a slight decrease in the total sales proceeds (which were derived from the sales of own goods, as well as the consignment and concessionaire sales) of 0.7% for the year ended 31 December 2015 with its breakdown as follows:

	For the year ended 31 December	
	2015 **HK$ million**	2014 (Note) HK$ million
Proceeds from sales of own goods	**443**	431
Proceeds from consignment and concessionaire sales	**1,451**	1,476
Total:	**1,894**	1,907

Note: The comparative figures for the corresponding year ended 31 December 2014 were for reference only as the Group's acquisition of "Citistore" was completed on 1 December 2014.

Sales of Own Goods and Gross Margin

Citistore's sales of own goods retreated in the fourth quarter of 2015 due to the exceptionally warm weather in Hong Kong. However, its total sales of own goods for the year under review amounted to HK$443 million, representing an increase of 3% over HK$431 million for the previous year. The Household & Toys category made up approximately 53% of the annual revenue from sales of goods, the Apparel & Accessories category contributed approximately 34% and the balance of approximately 13% came from the categories of Cosmetics and Food.

Citistore regularly reviews its merchandise mix. Having regard to market trends and consumer preferences, a wide range of highly sought-after products with better profit margins were introduced during the year under review. Through keen promotional efforts and improved customer services, a stable gross margin of 36% was achieved along with increased sales:

	For the year ended 31 December	
	2015 **HK$ million**	2014 (Note) HK$ million
Sales of own goods	**443**	431
Gross profit (after netting the cost of inventories sold)	**161**	155
Gross margin	**36%**	36%

Note: The comparative figures for the corresponding year ended 31 December 2014 were for reference only as the Group's acquisition of "Citistore" was completed on 1 December 2014.

Rental Income from Consignment and Concessionaire Counters

Citistore's concessionaire sales are conducted by licensing portions of shop spaces to its concessionaires for setting up their own concession counters to sell their products, whilst consignment sales comprise the sale of a consignor's own products on or in designated shelves, areas or spaces. These consignment and concessionaire counters are charged on the basis of revenue sharing or basic rent (if any), whichever is higher, which are recognised as Citistore's rental income. During the year under review, the total rental income derived from these consignment and concessionaire counters was flat at HK$429 million compared with the previous year, despite the slight year-on-year drop in the total sales proceeds from these counters as follows:

	For the year ended 31 December	
	2015 HK$ million	2014 (Note) HK$ million
Sales proceeds from consignment counters	**882**	877
Sales proceeds from concessionaire counters	**569**	599
Total:	**1,451**	1,476
Rental income from consignment and concessionaire counters	**429**	429

Note: The comparative figures for the corresponding year ended 31 December 2014 were for reference only as the Group's acquisition of "Citistore" was completed on 1 December 2014.

In summary, due to (i) the decrease in profit contribution in the fourth quarter of 2015 as a result of the exceptionally warm weather in Hong Kong; (ii) rental charges in the accounts being higher than the actual rental expenses in the early part of the tenure as a result of amortized rental expenses during the year based on the new 9-year tenancy lease agreements, which became effective in October 2014, with rent escalation for each 3-year period, and (iii) a one-off net gain of HK$17 million in the previous year from the reversal of rent-free amortization upon early termination of the preceding lease agreements, Citistore's profit after taxation for the year ended 31 December 2015 amounted to HK$103 million, representing a decrease of 27% or HK$39 million as compared with the previous year.

Corporate Finance

At 31 December 2015, the Group had no bank borrowings (2014: Nil) and its net cash and bank balances amounted to HK$791 million (2014: HK$402 million).

Considering that (i) for the discontinued operation, the above-mentioned Compensation Payment of RMB376 million was already fully converted into Hong Kong dollars and kept in leading banks in Hong Kong, and (ii) for the continuing operation, Citistore solely focuses on the local market with less than 6% of its total purchases settled in foreign currencies, fluctuations in exchange rates are not expected to have any significant adverse impacts on the Group's financial position.

Prospects

As the overall economy is expected to soften in the financial year ahead, the Group will keep sourcing new merchandises, and improving the interior decoration and display of Citistore so as to offer a fresh shopping experience to customers. The Group will also continue to launch an array of innovative promotions and exercise stringent cost controls, thereby further enhancing the overall results of Citistore.

Appreciation

Dr Lee Shau Kee stepped down from the positions of Chairman and Managing Director of the Company on 1 July 2015 and remains as an Executive Director of the Company. Dr Lee served as Chairman and Managing Director of the Company for 40 years and I would like to express my sincere gratitude to him for his leadership, devotion and invaluable contribution to the Group in these positions.

I would also like to take this opportunity to extend my appreciation to my fellow directors for their wise counsel, and to thank all our staff for their commitment and hard work throughout the year.

Lee Ka Shing
Chairman

Hong Kong, 21 March 2016

Business Model and Strategic Direction

With the acquisition by the Group of the "Citistore" business completed in December 2014, the retailing operation in Hong Kong has now become the sole business of the Group.

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 efficiency. 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 and Korea 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 2015.

Material acquisitions and disposals

During the year ended 31 December 2015, save for the impairment of the Group's 60% interest in a subsidiary, Hangzhou Henderson Qianjiang Third Bridge Company, Limited (the "Joint Venture Company") which holds the operating right of Hangzhou Qianjiang Third Bridge (the "Bridge", being a toll bridge in Hangzhou, Zhejiang Province, mainland China), the Group did not undertake any significant acquisition or disposal of subsidiaries or assets.

Results of operations

During the year ended 31 December 2015, the Group was engaged in (i) the infrastructure business in mainland China, being the operating right of the Bridge, up to and including 30 April 2015 (being the date of the final arbitral award from the arbitral tribunal of CIETAC (as referred to in sub-paragraph (a) headed "Infrastructure business in mainland China" below)); and (ii) the operation of department stores in Hong Kong under the name "Citistore".

(a) Infrastructure business in mainland China

As detailed in the Chairman's Statement ("Chairman's Statement") of the Company's annual report for the year ended 31 December 2015 and of which this Financial Review forms a part, on 30 April 2015, the arbitral tribunal of CIETAC (as such term is defined in the Chairman's Statement) issued the final arbitral award which had legal binding effect on all parties to the Arbitration (as such term is defined in the Chairman's Statement) and pursuant to which, inter alia, Hangzhou Municipal People's Government shall pay to the Group the Compensation Payment (as such term is defined in the Chairman's Statement) in the amount of RMB376 million (equivalent to HK$477 million) within 90 days following the issue of the final arbitral award.

Accordingly, on 30 April 2015, the intangible operating right in relation to the Bridge was fully impaired by the Group, and the operation of the Bridge is considered as discontinued operation for the year ended 31 December 2015. The entire Compensation Payment was settled by Hangzhou Municipal People's Government on 29 July 2015.

As a result, the Group recognised a net profit attributable to equity shareholders of HK$355 million for the year ended 31 December 2015 (2014: loss attributable to equity shareholders of HK$34 million) which is mainly attributable to the following:

(i) other net gain in the amount of HK$230 million (2014: HK$4 million), which arose from the Compensation Payment to the Group (net of expenses incurred in relation to the Arbitration) of HK$471 million and after (i) the impairment loss on toll bridge operating right and related net assets of the Joint Venture Company of HK$379 million at 30 April 2015 (the "Joint Venture Company Impairment"); and (ii) the reversal of the exchange reserve attributable to the Joint Venture Company of HK$138 million at 30 April 2015 to other comprehensive income;

(ii) direct costs (comprising mainly the amortisation charge on the carrying amount of intangible operating right in relation to the Bridge) and administrative expenses of the Joint Venture Company in the aggregate amount of HK$15 million (2014: HK$58 million) during the period from 1 January 2015 to 30 April 2015; and

(iii) non-controlling interests' attributable share of loss of HK$140 million (2014: HK$20 million).

(b) Department store operation in Hong Kong

During the year ended 31 December 2015, the Group recognised the following financial performance of Citistore (Hong Kong) Limited ("Citistore HK"), a wholly-owned subsidiary which is engaged in the operation of department stores in Hong Kong under the name "Citistore" (with the figures for the corresponding year ended 31 December 2014 relating to the period from 1 December 2014 to 31 December 2014, for the reason that the Group completed its acquisition of Citistore HK (the "Acquisition") on 1 December 2014):

(i) revenue of HK$879 million (2014: HK$105 million) which comprises mainly the revenue derived from the sales of goods of HK$443 million (2014: HK$59 million) and the rental income derived from consignment counters and concessionaire counters of HK$262 million (2014: HK$29 million) and HK$167 million (2014: HK$16 million) respectively;

(ii) direct costs of HK$684 million (2014: HK$73 million) which comprise mainly the cost of inventories sold of HK$282 million (2014: HK$36 million), the rental and related expenses of the store outlets of HK$229 million (2014: HK$22 million), and the staff salaries and related expenses of the store outlets of HK$123 million (2014: HK$11 million);

(iii) other revenue of HK$12 million (2014: HK$3 million) which comprises sponsorship fees, rental income for antenna site and sundry income;

(iv) selling and marketing expenses of HK$23 million (2014: HK$3 million) which comprise advertising and promotion expenditures;

(v) administrative expenses of HK$61 million (2014: HK$7 million) which comprise mainly salaries and related expenses of the administrative staffs of HK$39 million (2014: HK$5 million); and

(vi) income tax charge of HK$20 million (2014: HK$4 million) in relation to the provision for Hong Kong Profits Tax for the year.

As a result, for the year ended 31 December 2015, the Group recognised post-tax profit contribution of HK$103 million (2014: HK$21 million) from Citistore HK.

For the year ended 31 December 2015, Citistore HK is the Group's continuing business operation and is also the sole contributor of revenue to the Group. For the year ended 31 December 2015, although Citistore HK recorded revenue of HK$879 million (2014: HK$867 million) which represents a year-on-year increase of HK$12 million or 1.4% over that for the corresponding year ended 31 December 2014, the profit after taxation of Citistore HK amounted to HK$103 million (2014: HK$142 million) which represents a year-on-year decrease of HK$39 million or 27.5% from that for the corresponding year ended 31 December 2014. Such decrease in profit is mainly attributable to the following:

(i) the absence of a one-off net gain of HK$17 million upon the reversal of rent-free amortisation on the unexpired lease terms of all the premises of Citistore HK prior to the 9-year tenancy lease agreements which became effective under a framework agreement dated 15 October 2014 between the Company and Henderson Land Development Company Limited ("One-off Gain");

(ii) the increase in rental expenses of HK$18 million for the year ended 31 December 2015, which includes rental allocation of HK$14 million (2014: HK$4 million) charged to Citistore HK's income statement for the year ended 31 December 2015 and which amount represents the difference between the contractual rental and the effective rental during the year in relation to the 9-year tenancy lease agreements;

(iii) the additional depreciation charge of HK$3 million for the year ended 31 December 2015 relating to the leasehold improvements of the Yuen Long store which completed its renovation in June 2014 and the Tsuen Wan store which completed its renovation in September 2015; and

(iv) the increase in the cost of sales, salaries and staff allowances of HK$5 million for the year ended 31 December 2015.

Excluding the financial effects (after tax) of (a) the One-off Gain (as itemized under (i) above) and certain one-off items of the corresponding year ended 31 December 2014; (b) the rental allocation charge (as itemized under (ii) above); and (c) the additional depreciation charge (as itemized under (iii) above), the adjusted profit after taxation of Citistore HK for the years ended 31 December 2015 and 2014 would have become as follows:

	For the year ended 31 December		
	2015 HK$ million	2014 HK$ million	Decrease %
Profit after taxation – as reported	**103**	142	-27.5%
(Less)/Add:			
Financial effects of one-off items (after tax) –			
One-off Gain (as referred to in (i) above)	**–**	(17)	
Certain professional fees and other expenses incurred by Citistore HK in relation to the Acquisition	**–**	4	
Rental allocation charge (as referred to in (ii) above)	**14**	4	
Additional depreciation charge (as referred to in (iii) above)	**3**	–	
Adjusted profit after taxation	**120**	133	-9.8%

The year-on-year decrease in the adjusted profit after taxation of Citistore HK of HK$13 million, or 9.8%, for the year ended 31 December 2015 is mainly attributable to (i) the reduced profit contribution of HK$4 million from certain merchandise sections located on the ground floor of the Tsuen Wan store which underwent renovation in July and August 2015; and (ii) the downturn of Hong Kong's retail market sentiment during the months of November and December 2015 which resulted in reduced profit contribution of HK$9 million when compared with that for the corresponding two months of November and December 2014.

(c) Corporate level

In addition, during the year ended 31 December 2015, the Group recognised other net income of HK$9 million (2014: HK$31 million), administrative expenses of HK$9 million (2014: HK$14 million), net foreign exchange loss of HK$8 million (2014: HK$10 million), income tax of HK$1 million (2014: HK$Nil) and non-controlling interest of HK$Nil (2014: HK$1 million) at the corporate level, which resulted in a loss attributable to equity shareholders of HK$9 million for the year ended 31 December 2015 (2014: profit attributable to equity shareholders of HK$6 million).

The decrease in other net income is mainly attributable to the year-on-year decrease in bank interest income of HK$23 million due to the decrease in the Group's cash balances after the completion of the Acquisition on 1 December 2014.

The net foreign exchange loss of HK$8 million for the year ended 31 December 2015 arose from the conversion of a substantial part of the proceeds from the Compensation Payment, from Renminbi ("RMB") to Hong Kong dollars ("HKD") at a contracted RMB/HKD exchange rate representing a depreciation of the RMB against the HKD by 1.67% when compared with the RMB/HKD exchange rate at 30 April 2015, being the date on which the Compensation Payment was recognised in the Group's accounts (2014: the net foreign exchange loss of HK$10 million arose from the conversion of a RMB bank deposit in Hong Kong which became a HKD bank deposit, 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).

Aggregating the abovementioned loss after tax at corporate level with the profit after tax of Citistore HK for the year ended 31 December 2015 (as referred to in sub-paragraph (b) "Department store operation in Hong Kong" above), the Group recorded total profit after tax attributable to equity shareholders from continuing operation in the amount of HK$94 million for the year ended 31 December 2015 (2014: HK$27 million).

Financial resources, liquidity and loan maturity profile

At 31 December 2015, the Group had no bank borrowings (2014: Nil). The Group had net cash and bank balances of HK$791 million at 31 December 2015 (2014: HK$402 million).

During the year ended 31 December 2015, the Group did not recognise any finance costs (2014: Nil).

Based on the Group's net cash and bank balances of HK$791 million at 31 December 2015, 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. During the year ended 31 December 2015 and at 31 December 2015, 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 any bank deposits in Hong Kong which may be converted to be denominated in a foreign currency other than HKD) 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 2015.

Charge on assets

Assets of the Group were not charged to any parties at 31 December 2015 and 31 December 2014.

Capital commitments

At 31 December 2015, the Group had capital commitments contracted but not provided for in the amount of HK$1 million, being in relation to the leasehold improvements and furniture and equipment of Citistore HK (2014: HK$2 million).

Contingent liabilities

At 31 December 2015 and 31 December 2014, the Group did not have any contingent liabilities.

Employees and remuneration policy

At 31 December 2015, the Group had 643 (2014: 717) full-time employees and 149 (2014: 176) part-time employees, as follows:

	Full-time employees		Part-time employees	
	2015	2014	**2015**	2014
Continuing operation:				
Citistore HK	**638**	661	**149**	176
Corporate level	**5**	6	**–**	–
Discontinued operation:				
Infrastructure business in mainland China	**–**	50	**–**	–
Total	**643**	717	**149**	176

After the infrastructure business in mainland China became the Group's discontinued operation on 30 April 2015, the Group has (i) retreated all the management staff assigned by the Group to the Joint Venture Company; and (ii) no further obligations, responsibilities and payment obligations in respect of the Group's attributable share of the staff costs of the Joint Venture Company.

In relation to the Group's full-time employees at the corporate level and the infrastructure business in mainland China (before it became the Group's discontinued operation on 30 April 2015), the remuneration of the employees is/was in line with the market and commensurate with the level of pay in the industry. Discretionary year-end bonuses are/were payable to the employees based on individual performance. Other benefits to the employees include/included 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 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 2015 amounted to HK$166 million (2014: HK$22 million). The increase in the Group's total staff costs during the year ended 31 December 2015 is attributable to the contribution from Citistore HK for the full-year's effect after the completion of the Acquisition on 1 December 2014, as follows:

	For the year ended 31 December	
	2015 HK$ million	2014 HK$ million
Continuing operation:		
Citistore HK	**162**	15
Corporate level	**3**	4
Discontinued operation:		
Infrastructure business in mainland China	**1**	3
Total	**166**	22

Five Year Financial Summary

		Year ended 31 December				
	Note	2011 HK$ million	2012 HK$ million	2013 HK$ million	2014 HK$ million	2015 HK$ million
Profit/(loss) for the year	1	108	25	10	(7)	449
		HK cents	HK cents	HK cents	HK cents	HK cents
Earnings/(loss) per share	1	3.5	0.8	0.3	(0.2)	14.7
Dividends per share	1	4.0	4.0	4.0	4.0	4.0

		At 31 December				
	Note	2011 HK$ million	2012 HK$ million	2013 HK$ million	2014 HK$ million	2015 HK$ million
Fixed assets		1	1	1	71	73
Intangible operating right		454	415	394	361	–
Net asset value	1	1,633	1,536	1,433	1,303	1,489
		HK$	HK$	HK$	HK$	HK$
Net asset value per share	1	0.54	0.50	0.47	0.43	0.49

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.*

1. About This Report

a. Reporting Standard & Scope

This Environmental, Social and Governance ("ESG") Report has been prepared with reference to the ESG Reporting Guide (2012) of the Hong Kong Exchanges and Clearing Limited ("HKEX"), which is in line with the recommended best practice for listed companies. This Report covers the ESG impacts, policies and initiatives for the period from 1 January 2015 to 31 December 2015. Future ESG disclosure will follow the revised HKEX ESG Reporting Guide released in December 2015.

The following entities were selected to be included in this ESG Report due to their significant contributions to the Company, thus making them an ideal proxy for the Company's overall business:

Department Store	Citistore
Specialty Store	id:c / needle & line

A detailed ESG content index is included at the end of this Report to aid navigation and facilitate greater transparency. Additional ESG performance information including financial data and corporate governance structures can be found in other sections of this Annual Report.

b. Materiality Assessment

In order to provide a concise, balanced and clear view of the Company's ESG performance, this Report focuses only on the sustainability issues that are material to the Company, as well as highlighting the successes and challenges faced over the year.

To determine material issues for disclosure, a third-party consultant was commissioned to perform a structured, three-step materiality assessment:

Step 1: Identification	Step 2: Prioritisation
• Material aspects and Key Performance Indicators (KPIs) for disclosure were identified by reviewing the ESG reports of five local and international peers (Four department stores and one local fashion retailer). • KPIs reported by the peers were mapped to ascertain the rate of disclosure of different KPIs • The materiality of the KPIs was determined based on the rate of disclosure.	• Summary rankings from the peer benchmarking were compiled to determine the importance of each KPI. • The KPIs were then ranked as high-priority and medium-priority in relation to their relevance to the operations of the Company.
Step 3: Validation of Material Issues	
• Material KPIs for disclosure were finally confirmed and validated by the Company's senior management, in line with potential business impact.	

2. Human Capital

The Company values its employees as its greatest asset and believes that human capital is the cornerstone of its operations. By investing in the workplace and in enhancing the skills and qualities of its employees, mutual progression and growth can be achieved.

a. Working Conditions

The Company strives to provide a harmonious working environment that is conducive to the development and well-being of its employees. Equitable policies and guidelines have been established to ensure there are equal opportunities for employment and career advancement and the Company does not tolerate any form of discrimination. Fair and structured recruitment guidelines are also in place for talent acquisition.

Table 1 – Total Workforce by Age Group & Employment Type

	Workforce by Age Group & Employment Type		
	Below 30	**30 – 50**	**Over 50**
Full-time	89	387	162
Part-time	26	66	57

Table 2 – Employee Turnover Rate by Age Group

	Turnover Rate by Age Group (Both Full & Part-Time)		
	Below 30	**30 – 50**	**Over 50**
Turnover Rate	28.7%	29.6%	10.4%

With the aim of boosting employee morale as well as enhancing their sense of belonging, three staff activities were arranged in the reporting period. The signature Staff Annual Party was attended by full-time employees and drew together colleagues from the Corporate Office, all six Citistore branches and id:c in a lively and fun atmosphere. Everyone's spirits were lifted by the event's rich programme which included a lucky draw, entertainment performances, a competition between different Citistore branches and the presentation of various achievement-related awards.

Staff Annual Party

b. Development & Training

The professional skills and capabilities of the Company's employees are vital to its long-term success. Customised training programmes are arranged for staff members at different levels and from across its divisions. Orientation training and mentoring were offered to new joiners to help them adapt to the new working environment. Customer services and language training were also provided to staff working in different Citistore branches. To stay abreast of best practice in the retailing industry, the Company also invited professional training organisations to deliver training to sales associates and shop managers on the latest trends in fashion and electronics. Middle and senior management staff attended courses organised by Hong Kong Retail Management Association to explore topics such as customer relationship management and changes in consumption patterns due to social media.

Table 3 – Percentage of Employees Trained by Employee Category

General Staff	7.4%
Middle Managers	73.4%
Senior Managers	88.1%

Table 4 – Average Training Hours Completed per Employee by Employee Category

	Number of Staff[1]	Average Training Hours Completed
General Staff	631	0.2
Middle Managers	128	1.3
Senior Managers	42	2.1

[1] *This captures the number of staff who participated in training courses throughout the year of 2015. The total number of employees in Table 4 is 801. This figure is different from Table 1 where it is indicated that the total number of employees is 787, which is the total number of employees as of 31 December 2015.*

The Company takes a progressive view to training opportunities. Upon recommendation from a department manager and with approval from a director, a subsidy is provided to staff members who wish to attend a course relevant to their job. During the reporting period, a staff member was also subsidised to attend a specialised training course on SAP Advanced Business Application Programming, after which the valuable skills acquired could be utilised to enhance the Company's current Point-of-Sale (POS) system.

c. Health & Safety

The Company seeks to eliminate any potential occupational hazards and health risks by raising the safety awareness of employees. Ergonomic workstations are provided to staff members in the Corporate Office and safety notices and memos are posted in respective Citistore branches and id:c stores. The Company generates awareness among its frontline staff members by holding discussion sessions on preventive measures for back pain. It also conducted occupational health and safety (OHS) related training courses for employees on topics such as First Aid in the Workplace. Four internal site inspections were conducted in Citistore and at id:c in Mira Mall by the internal OHS team during the reporting period. Representatives from the Labour Department also undertook four safety inspections. No cases of non-compliance were reported during the reporting period.

d. Anti-corruption

The Company upholds high standards of business ethics and has strict anti-corruption policies that employees at all levels have to follow to rule out any incidences of bribery, extortion, fraud or money laundering. The Staff Handbook details a set of anti-corruption rules which employees must strictly adhere to. Acceptance of any form of benefits from suppliers by staff members is strictly forbidden. To heighten the anti-corruption awareness of its employees, the Company invited representatives from the Independent Commission Against Corruption (ICAC) to hold an anti-corruption seminar, which was attended by over 150 staff. During the reporting period, the Company fully complied with all local regulations related to anti-corruption including the *Prevention of Bribery Ordinance* (Cap 201 of the laws of Hong Kong) and there were no confirmed cases of corruption. To further its anti-corruption efforts, the Company is exploring the feasibility of formulating a whistle-blowing policy.

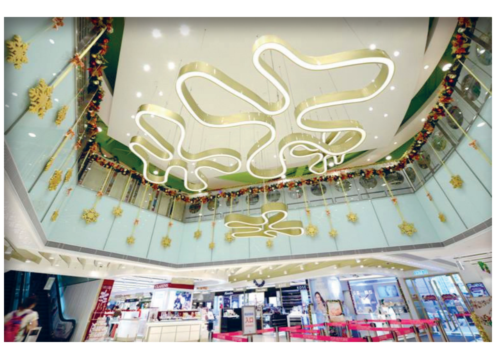
3. Environmental Protection

The Company seeks to achieve energy efficiency and effective waste management to minimise negative environmental impacts arising from its business operations.

Citistore (Hong Kong) Limited is committed to minimising pollution and harmful emissions. In line with this commitment, a comprehensive Environmental Policy has been established. This policy affirms compliance with all applicable legal and regulatory requirements on corporate social responsibility matters, whilst paying due consideration to environmental impacts in the supply chain management and operation management processes. The Company has taken steps to make employees aware of the necessity of reducing consumption of resources such as paper, water and fuel. Staff are also encouraged to mitigate energy consumption and carbon emissions by using energy-efficient electrical appliances. The Company remains committed to providing a safe, healthy and environmentally friendly working environment in compliance with all applicable legal requirements. It also promotes environmental awareness externally, to its business partners and customers and supports corporate social responsibility (CSR) initiatives in relation to environmental protection and sustainability in general. The Environmental Policy is reviewed on a regular basis or as required to ensure its relevancy and effectiveness.

a. Emissions & Energy Use

The Company works towards a goal of reducing its energy consumption in the Corporate Office and different branches of Citistore. A number of energy conservation measures such as light zoning and maintaining the indoor temperature between 25°C and 26°C are in place. Energy saving reminder notices are posted at the Corporate Office and at the retail sites, where digital timers have also been installed to ensure more efficient use of energy. During the reporting period, the ground floor of Tsuen Wan Citistore was renovated, with about 95% of the area being installed with LED lighting. In addition, the Company is also supportive of external environmental initiatives, as demonstrated by its annual participation in the "Earth Hour" initiative organised by World Wide Fund for Nature (WWF).



Tsuen Wan Citistore

Table 5 – Greenhouse Gas Emissions[2] Data in Total & Intensity

	Greenhouse Gas Emissions (in tonnes)	Emission Intensity[3] (Per FTE in tonnes)
Scope 1[4]	61.4	0.1
Scope 2[5]	6,202.0	9.7
Total	6,263.4	9.8

[2] *Total Greenhouse gas emissions refer to CO2 emissions and exclude other greenhouse gases such CH4, N2O and fugitive emissions such as refrigerants. Greenhouse gas emissions are calculated based on electricity consumption by adopting default emission factors provided on www.epd.gov.hk.*

[3] *The calculation of emission intensity was calculated with the Full-Time Equivalent (FTE) employees. Only full-time employees were included; whilst part-time employees with seasonal fluctuations were excluded.*

[4] *Scope 1 emissions arose from consumption of unleaded petrol and diesel oil of the company fleet.*

[5] *Scope 2 emissions arose solely from the consumption of electricity.*

Table 6 – Direct & Indirect Energy Consumption & Intensity

	Energy Consumption (in 1,000 kWh)	Energy Consumption Intensity (Per FTE in 1,000 kWh)
Direct (Unleaded petrol & diesel of company fleet)	235.9	0.4
Indirect (Electricity)	8,859.9	13.9

b. Waste Management

In the Corporate Office, staff members reduce their paper usage through double-sided printing. From Citistore and id:c, a total of about 410,000 kg of cardboard boxes was recycled and diverted from landfills during the reporting period. Some of the cardboard boxes were also reused for document storage in the Corporate Office and delivery services for customers.

4. Value Chain

a. Product Responsibility

The Company strives to achieve a high level of customer satisfaction by providing customers with high-quality products and services. Feedback and suggestions from customers are sought to actively improve the Company's product and service offerings. Designated hotlines have been established and rigorous mechanisms are in place to address any complaints. Any complaint will be treated confidentially and thoroughly investigated, and a formal written reply will be issued via email which sets out how the complaint will be resolved. The Company treats each and every complaint seriously and attempts to rule out complaints of a similar nature from arising again. During the reporting year, a total of 31 written customer complaints were received for sold products and services, which were all resolved according to the established guidelines and procedures. There were no reported incidents of non-compliance with laws and regulations governing health and safety or the labelling of products and services.

b. Relationship with Suppliers

The Company's extensive network of suppliers consists of 1,200 direct merchandise suppliers, consignment and concessionaire counters, as well as product and service providers in the fields of information technology, administration and marketing, amongst others. The Company strives to cultivate a mutually beneficial and trusting relationship with its suppliers so that it is able to deliver products and services of the highest standard in an efficient manner. All suppliers are required to abide by the Company's anti-bribery and anti-corruption policies and comply with all applicable laws and regulations.

5. Community Care

The Company seeks to impact positively on local communities by focusing its efforts on environmental protection and community care.

a. Environmental Protection

In line with the Government's Environmental Levy Scheme on Plastic Shopping Bags ("PSB Levy Scheme") in July 2009 and its full implementation in April 2015, Citistore has been supporting the PSB Charge Collaborative Platform established by local green groups, namely, The Conservancy Association, Greeners Action and Green Power. During the year, a total of HK$78,627 being part of the sum collected from the PSB Levy Scheme was donated to Green Power to promote waste reduction environmental projects. Since the implementation of the Scheme in April 2015, the consumption of plastic bags had been reduced by 90%, equivalent to about 4 million plastic bags taken out of use as compared with 2014.

b. Community Care

The Company’s employees actively participate in various community initiatives, providing pro-bono services to the community. The Management Information Systems (MIS) team has set up and provided continuous technical support for the Point of Sale (POS) system of a pioneering poverty relief initiative named “Home Market”, which was launched by Henderson Land Group’s Vice Chairman, Dr Lee Ka Kit. Home Market is a chain of not-for-profit convenience stores selling food and daily necessities at substantially discounted prices to underprivileged people including senior citizens, the physically challenged and low-income families. The MIS team dedicated approximately 135 volunteer hours during 2015 and derived an immense sense of fulfilment from putting their technical expertise to good use for a meaningful cause..

Citistore offered an alternative educational experience for kindergarten students who visited Tsuen Wan Citistore in March 2015 and learnt about retailing. The Tsuen Wan staff members volunteered for about three hours in this meaningful community engagement event.

Student visit to Citistore

HKEX ESG Content Index

Aspect	KPI	Description	Page Number	Remarks
A. Workplace Quality				
A1 Working Conditions	A1	General Disclosure	19	–
	A1.1	Total workforce by employment type, age group & geographical region	19	–
	A1.2	Employee turnover rate by age group and geographical region	19	–
A2 Health and Safety	A2	General Disclosure	20	–
	A2.3	Occupational health & safety measures	20	–
A3 Development and Training	A3	General Disclosure	20	–
	A3.1	Percentage of employees trained by employee category	20	–
	A3.2	Average training hours completed per employee by employee category	20	–
B. Environmental Protection				
B1 Emissions	B1	General Disclosure	21-22	–
	B1.2	Greenhouse gas emissions in total	22	–
	B1.6	Description of how hazardous & non- hazardous wastes are handled, reduction initiatives & results achieved	22	–
B2 Use of Resources	B2	General Disclosure	21-22	–
	B2.1	Direct &/or indirect energy consumption by type	22	–
	B2.3	Energy use efficiency initiatives and results achieved	21	–
C. Operating Practices				
C2 Product Responsibility	C2	General Disclosure	23	–
	C2.2	Number of products and services related complaints received and how they are dealt with	23	–
C3 Anti-corruption	C3	General Disclosure	21&23	–
	C3.2	Preventive measures and whistle-blowing procedures, how they are implemented and monitored	21&23	–
D. Community Investment				
D1 Community Investment	D1	General Disclosure	23-24	–
	D1.1	Focus areas of contribution	23-24	–
	D1.2	Resources contributed to the focus area	23-24	–

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 2015.

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 2015, the Company 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. On 1 July 2015, Dr Lee Shau Kee stepped down from such positions and remained as Executive Director. On the same date, Mr Lee Ka Shing was re-designated from Vice Chairman to Chairman and Managing Director of the Company. The Company is of the same view that it is in the best interest of the Company to let Mr Lee Ka Shing act in the dual capacity as the Chairman and Managing Director given Mr Lee's in-depth expertise and knowledge in business and the Group.

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 risk management and internal control systems which include 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 public 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 eleven members, as detailed below:

Executive Directors

Lee Ka Shing *(Chairman and Managing Director)* *(Re-designated on 1 July 2015)*
Dr Lee Ka Kit *(Vice Chairman)*
Dr Lam Ko Yin, Colin *(Vice Chairman)*
Dr Lee Shau Kee *(Stepped down as Chairman and Managing Director on 1 July 2015)*
Li Ning
Lee Tat Man

Independent Non-executive Directors

Kwong Che Keung, Gordon
Professor Ko Ping Keung
Wu King Cheong
Leung Hay Man
Au Siu Kee, Alexander *(appointed on 1 July 2015)*

The biographical details of the Directors are set out on pages 60 to 63 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 2015, 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, 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 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, Dr Lee Shau Kee stepped down as Chairman and Managing Director of the Company on 1 July 2015 and remained as Executive Director. On the same date, Mr Lee Ka Shing was re-designated from Vice Chairman to Chairman and Managing Director of the Company. Mr Au Siu Kee, Alexander was appointed as an Independent Non-executive Director of the Company with effect from 1 July 2015.

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. The following Independent Non-executive Directors have previous/ existing directorships falling within the independence guideline in Rule 3.13(7) of the Listing Rules, among the factors affecting independence:

(i) Mr Leung Hay Man ("Mr Leung") owns a company ("Consultancy Co") which used to provide general consultancy services to Hong Kong Ferry (Holdings) Company Limited ("HKF"), an 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) Mr Au Siu Kee, Alexander ("Mr Au") is currently the chairman and a non-executive director of Henderson Sunlight Asset Management Limited ("HSAM"), a subsidiary of HLD and the manager of Sunlight Real Estate Investment Trust ("Sunlight REIT"). Sunlight REIT which is regarded as a connected person of the Company for the purpose of the Listing Rules. As Mr Au plays a non-executive role in HSAM, and Sunlight REIT is not a subsidiary of either of the Company or HLD, the Company considers that such non-executive role in HSAM has no bearing on Mr Au's independence.

(iii) Mr Au was an independent non-executive director of HLD until his retirement in June 2015. He is also currently a non-executive director of HK Ferry and Miramar Hotel and Investment Company, Limited, both of which are associated companies of HLD. As he did/does not take part in the day-to-day management of and had/has no executive roles in such companies, the Company considers that his roles in such companies have no impact on his independence as an Independent Non-executive Director.

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 2015, the Board held four 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 34.

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 being 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 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 2016 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 60 to 63 of this Annual Report.

During the year, arrangements were made to 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 i) Risk Management, ii) Contracts (Rights of Third Parties) Ordinance, Cap. 623 and iii) The One Belt, One Road Strategy of China. 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 2015 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)*
Professor Ko Ping Keung
Wu King Cheong
Leung Hay Man
Au Siu Kee, Alexander *(appointed on 1 July 2015)*

The Chairman and Mr Au Siu Kee, Alexander have 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 judgement in conducting the business of the Committee.

The written terms of reference also 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 risk management and internal control systems. 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 2015. The major work performed by the Audit Committee in respect of the year ended 31 December 2015 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 2015, reviewing the audited financial statements and final results announcement for the year ended 31 December 2014, reviewing the work of the Group's 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 Ka Shing *(appointed on 1 July 2015)*	Wu King Cheong *(Chairman)*
Dr Lam Ko Yin, Colin	Kwong Che Keung, Gordon
	Professor 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 2015, the Remuneration Committee held a meeting to review the salary structure of the employees of the Company and the level of salary increment for 2016 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 Companies Ordinance and Appendix 16 of the Listing Rules are set out in note 10 to the financial statements on pages 96 to 98 while the analysis of the senior management's remuneration by band is set out on page 98. 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 Ka Shing *(Chairman) (appointed on 1 July 2015)*	Kwong Che Keung, Gordon
Dr Lam Ko Yin, Colin	Professor 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 2015, 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 Au Siu Kee, Alexander as an Independent Non-executive Director of the Company and the re-designation of Mr Lee Ka Shing as Chairman and Managing Director.

The Nomination Committee noted that the proposed re-elections of Mr Kwong Che Keung, Gordon ("Mr Kwong"), Professor Ko Ping Keung ("Professor Ko") and Mr Wu King Cheong ("Mr Wu"), all of whom had been serving as Independent Non-executive Directors of the Company since 2004/2005 for more than nine years, should be subject to a separate resolution to be approved by the shareholders at the forthcoming AGM in accordance with the CG Code.

Mr Kwong is the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. Professor Ko is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr Wu is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company.

During their tenures of office, Mr Kwong, Professor Ko and Mr Wu had been able to fulfill all the requirements regarding their independence as independent non-executive directors. Besides, they have been providing objective and independent views to the Company over the years, and they remain committed to their independent roles. The members of the Nomination Committee were of the view that the long service of Mr Kwong, Professor Ko and Mr Wu would not affect their exercise of independent judgement and were satisfied that Mr Kwong, Professor Ko and Mr Wu have the required character, integrity and experience to continue fulfilling the roles of independent non-executive directors. Mr Kwong, Professor Ko and Mr Wu are also independent non-executive directors of HLD, the holding company of the Company. Mr Wu is also the independent non-executive directors of HKF (an associated company of HLD) and Miramar Hotel and Investment Company, Limited (an associated company of HLD). Mr Kwong, Professor Ko and Mr Wu had not engaged in any executive management roles in the Group and the aforesaid companies. Taking into the consideration of their independent scope of works in the past years, and that their annual confirmations of independence were in full compliance with Rule 3.13 of the Listing Rules, the members of the Nomination Committee were satisfied with the independence of Mr Kwong, Professor Ko and Mr Wu despite their over nine years' service and their common directorships in the aforesaid companies, which had no bearing on their independence.

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

The attendance of the individual Director at the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee and Annual General Meeting during the year ended 31 December 2015 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
Executive Directors:					
Lee Ka Shing *(Chairman and Managing Director)*	4/4	N/A	1/1	1/1[1]	1/1
Lee Ka Kit	4/4	N/A	N/A	N/A	1/1
Lam Ko Yin, Colin	4/4	N/A	1/1	2/2	1/1
Lee Shau Kee	4/4	N/A	N/A	1/1[2]	1/1
Li Ning	4/4	N/A	N/A	N/A	1/1
Lee Tat Man	3/4	N/A	N/A	N/A	1/1
Independent Non-executive Directors:					
Kwong Che Keung, Gordon	4/4	3/3	1/1	2/2	1/1
Ko Ping Keung	4/4	2/3	1/1	2/2	1/1
Wu King Cheong	4/4	3/3	1/1	2/2	1/1
Leung Hay Man	4/4	3/3	N/A	N/A	1/1
Au Siu Kee, Alexander	2/2[3]	2/2[4]	N/A	N/A	N/A

Remarks:

1. *Subsequent to his appointment as chairman of the Nomination Committee on 1 July 2015, there was one Nomination Committee meeting held.*

2. *Antecedent to his stepping down as chairman of the Nomination Committee on 1 July 2015, there was one Nomination Committee meeting held.*

3. *Subsequent to his appointment as Independent Non-executive Director of the Company on 1 July 2015, there were two Board meetings held.*

4. *Subsequent to his appointment as member of the Audit Committee on 1 July 2015, there were two Audit Committee meetings held.*

5) Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2015, 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 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 66 and 67.

6) Auditor's Remuneration

For the year ended 31 December 2015, the Auditor(s) of the Company and its subsidiaries agreed to receive approximately HK$1.5 million for audit and audit related services (2014: HK$1.9 million). There are no non-audit services rendered during the year (2014: HK$0.7 million).

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

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.

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 is available on the Company's website.

10) Internal Audit, Risk Management and Internal Controls

Internal Audit

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

The 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 audits 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.

In addition, an email link has been set up in the webpage of the intranet of the Company for employees to express their opinions or concerns about the Group's operations directly to the Vice Chairman. The Company has provided an email link on its website, by which stakeholders can freely provide comments and suggestions on the operations of the Company so that proper actions can be taken to address issues being raised. 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.

Risk Management and Internal Controls

The successful management of risks is essential for the long-term growth and sustainability of the Group's business. The Board of Directors is responsible for setting strategies, business objectives and risk appetite as well as ensuring a review of effectiveness of the risk management and internal control systems, and oversees management in the design, implementation and monitoring of the risk management and internal control systems. Under the CG Code, management should provide a confirmation to the Board of Directors on the effectiveness of such systems.

Risk management is proactive to ensure that significant risks are:

- identified;
- assessed by considering the impacts and likelihoods of their occurrence; and
- effectively managed by identifying suitable controls and countermeasures, and assessing the cost effectiveness of the mitigating actions proposed.

i) *Approach to Risk Management*

The risk management of the Group combines a top-down strategic view with a bottom-up operational process.

The Board of Directors, by top-down approach, has a particular focus on determining the nature and extent of significant risks it is willing to take in achieving the strategic objectives of the Group.

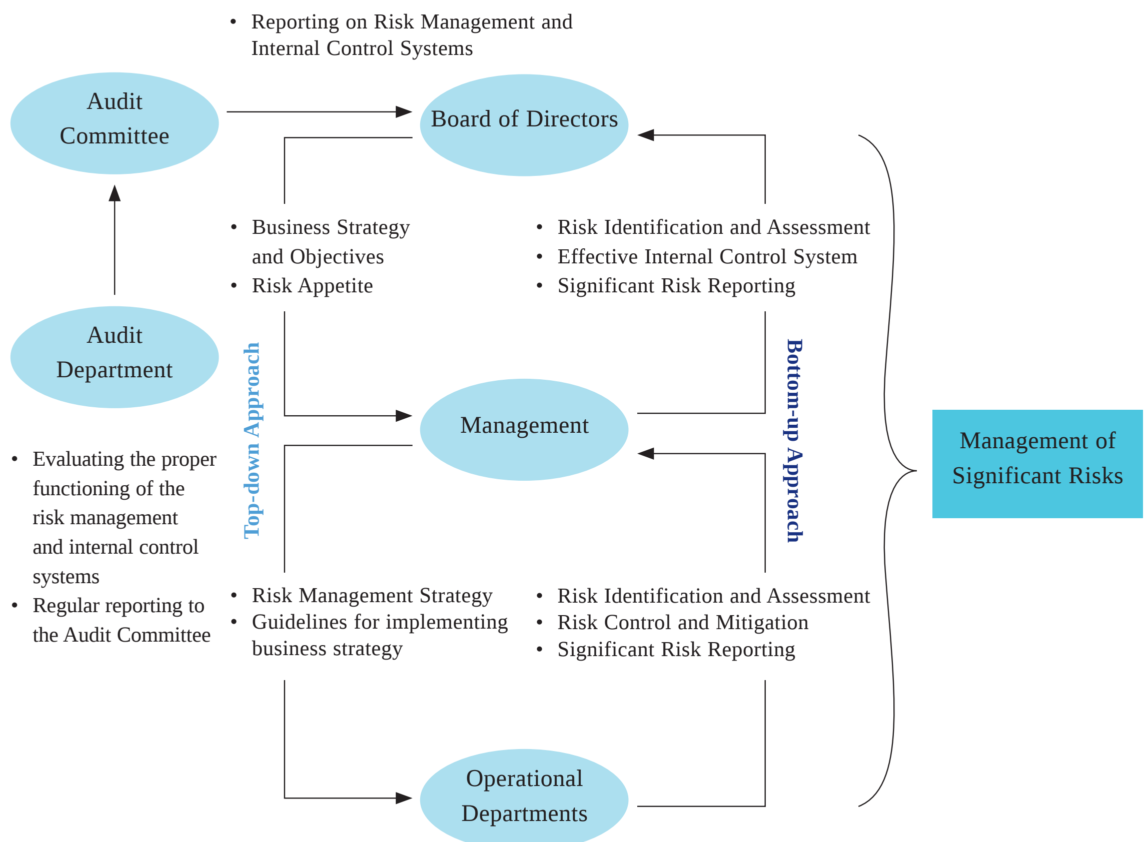
Each department of the Group is responsible for identifying its own risks and designing, implementing and monitoring the relevant risk management and internal control systems. The process involves the maintenance of the risk register setting out the particulars of the material risks together with the control measures as reported by significant departments of the Group. This bottom-up approach is embedded in the operations of the Group and complements the top-down strategic view by identifying the principal risks and ensuring the significant risks to be considered by the Board of Directors in determining the risk appetite.

In alignment with the amendments to the Code Provisions of the Listing Rules, the terms of reference of the Audit Committee has been revised to include the responsibility of reviewing the risk management and control systems. In addition, a risk management policy has been adopted to serve as a guideline for risk management and internal control systems. The risk management policy is available on the Company's website.

ii) *Risk Management Reporting and Framework*

The Audit Department performed audits to evaluate the proper functioning of the risk management and internal control systems for the financial year ended 31 December 2015. It is intended to carry out this evaluation process on an ongoing basis. The Audit Committee, after reviewing and considering the risk management findings submitted by the Audit Department, then reported to the Board of Directors of the Company and confirmed to the Board that the risk management and internal control systems are effective and adequate.

The diagram below summarises the complementary top-down and bottom-up aspects of the integrated approach of the Group to risk management.



iii) *Significant Risks and Control/Mitigation*

Certain significant risks have been identified through the process of risk identification and assessment. A summary on such significant risks of the Group together with the relevant internal control measures or mitigation in place is listed below:

a) *Regulatory and Compliance Risk*

The Group is subject to various government policies and regulations on consumer goods safety, food safety and occupational health and safety. If the Group fails to be responsive to changes to such policies and regulations, this could impact the Group's underlying business and ability to deliver its primary objectives.

The Group is committed to complying with the relevant policies, regulations and guidelines applicable to its operations through developing internal guidelines, frequent training to staff, and sufficient time for review process, compliance handling by experienced staff and consultancy with external experts.

b) *Overstocking and Stock Obsolescence*

Keeping a large amount of inventory on hand can be advantageous in that it reduces the chance of running out of a product, but a large inventory can also have several notable disadvantages such as storage costs, deterioration and obsolescence.

The Group maintains a close dialogue with key suppliers to negotiate on terms for goods purchased on returnable basis and rigorously reviews stock turnover and stock holding period and customer demand to ensure that inventory levels are managed accordingly. The Group may also undertake stock clearance sales activities to avoid further stock obsolescence.

c) *Intense Competition, Changing Consumer Preferences and Demands*

The Group operates in a highly competitive environment and faces competition from a broad range of organisations including the retail industry players in Hong Kong as well as a vast number of e-commerce operators. A failure to align with changing market dynamics and consumers' expectations could erode the Group's competitive position. Furthermore, the Group's retailing operation is subject to economic conditions.

The Group conducts ongoing evaluation of business performance, formulates sales and promotion strategies to react to the changing market conditions, and obtains updated market information in terms of customer needs through business partners and industry news.

d) *Image/Reputation Risk*

The Group's reputation is one of its most valuable assets, playing a major part in the continued success of the business. Any possible failure to maintain proper control over the quality of the merchandise may affect the reputation and customer perception of the brand "千色Citistore", which is most valuable to the Group.

The Group looks to employ, train, develop and retain a diverse and talented workforce to cope with and respond to potential complaints promptly, exercising due care in the sourcing of merchandises from reputable and trustworthy suppliers and ensuring proper product quality delivery by conducting proper quality control procedures.

e) *Information Technology*

The smooth running of the Group's operations is reliant on a complex technical infrastructure. Any computer systems failure may have significant impact on the "Citistore" operations, causing financial loss, data loss, disruption or damage.

The Group manages this risk by employing experienced IT personnel and engaging the services of external consultants as well as keeping back-up files and adopting a disaster recovery plan.

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 took 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 enquires put to the Board and contact details have been provided so as to enable such enquires 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 2015.

Principal Activities

The Company is an investment holding company and the principal activities of its subsidiaries during the year were investment holding and department store operation, "Citistore".

An analysis of the Group's revenue and contribution from operations by business and geographical segments, is set out in note 14 to the financial statements on pages 101 to 104.

Business Review

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the Chairman's Statement on pages 4 to 9 of this Annual Report. Possible risks and uncertainties that the Group may be facing are set out in the Management Discussion and Analysis on pages 11 to 16 and the Corporate Governance Report on pages 26 to 39. There were no important events affecting the Group since the end of the financial year end. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Five Year Financial Summary on page 17 of this Annual Report. An environmental policy has been put in place to give due consideration to environment issues and minimise the impact of business operations on environment. In addition, discussions on the Group's environmental policies and relationships with employees, customers, suppliers and stakeholders are contained in the Sustainability and CSR Report and the Corporate Governance Report on pages 18 to 25 and pages 26 to 39 of this Annual Report respectively.

As regards the compliance with Consumer Goods Safety Ordinance (Cap. 456) and Trade Descriptions Ordinance (Cap. 362), the quality control of products is monitored by merchandise procurement personnel of Citistore during negotiations and through on-going communications with suppliers, consignors and concessionaires. As per the arrangements with consignors and concessionaires, the liability, if any for defective products sold by consignment or concessionaires in Citistore is generally borne by the relevant consignors or concessionaires. For the purpose of compliance with Food Safety Ordinance (Cap. 612), most food products sold in Citistore are dry or preserved foods that have long shelf-lives. The expiry dates of such food products offered in Citistore are regularly checked in accordance with inventory management procedures, and endeavours are made to ensure that all necessary food licences have been obtained. A policy is put in place for writing off the damaged or aged inventory being not in saleable condition. In addition, Citistore is committed to complying with the relevant intellectual property right laws by maintaining effective control over the quality of merchandise it sells and examining merchandise that it sources or sells by consignment.

The Company has complied with the requirements under the Companies Ordinance (Cap. 622), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Securities and Futures Ordinance (Cap. 571) for, among other things, the disclosure of information and corporate governance. The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules as the code of dealing in securities of the Company by the Directors.

Subsidiaries

Particulars of the principal subsidiaries of the Company as at 31 December 2015 are set out on page 124.

Group Profit

The profit of the Group for the year ended 31 December 2015 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 68 to 124.

Dividends

An interim dividend of HK 2.0 cents per share was paid on 16 September 2015. 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 Monday, 13 June 2016, and such dividend will not be subject to any withholding tax in Hong Kong. Final dividend will be distributed to shareholders on Thursday, 16 June 2016.

Fixed Assets

Particulars of the movements in fixed assets during the year are set out in note 17 to the financial statements on page 106.

Bank Loans

As at 31 December 2015, the Group had no bank borrowings.

Reserves

Particulars of the movements in reserves of the Company during the year are set out in note 27(b) to the financial statements on page 115.

Share Capital

Details of the Company's share capital are set out in note 27(c) to the financial statements on page 116. There were no movements during the year.

Group Financial Summary

The results, assets and liabilities of the Group for the last five years ended 31 December 2015 are summarised on page 17.

Directors' Emoluments

Particulars of the Directors' emoluments disclosed pursuant to the Companies Ordinance (Cap. 622) and Appendix 16 of the Listing Rules are set out in note 10 to the financial statements on pages 96 to 98.

Directors

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

Executive Directors

Lee Ka Shing *(Chairman and Managing Director)* *(Re-designated on 1 July 2015)*
Dr Lee Ka Kit *(Vice Chairman)*
Dr Lam Ko Yin, Colin *(Vice Chairman)*
Dr Lee Shau Kee *(Stepped down as Chairman and Managing Director on 1 July 2015)*
Li Ning
Lee Tat Man

Independent Non-executive Directors

Kwong Che Keung, Gordon
Professor Ko Ping Keung
Wu King Cheong
Leung Hay Man
Au Siu Kee, Alexander *(appointed on 1 July 2015)*

Dr Lee Shau Kee stepped down as Chairman and Managing Director of the Company and remained as Executive Director on 1 July 2015. On the same date, Mr Lee Ka Shing was re-designated from Vice Chairman to Chairman and Managing Director of the Company. Mr Au Siu Kee, Alexander, who was appointed as Independent Non-executive Director of the Company on 1 July 2015, being the new Director appointed after the 2015 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 Lee Shau Kee, Mr Kwong Che Keung, Gordon, Professor Ko Ping Keung and Mr Wu King Cheong will retire by rotation at the forthcoming annual general meeting in accordance with Article 116 of the Company's Articles of Association and the Corporate Governance Code and, being eligible, offer themselves for re-election. Mr Kwong Che Keung, Gordon, Professor Ko Ping Keung and Mr Wu King Cheong have been serving as Independent Non-executive Directors of the Company for more than nine years. Under the Corporate Governance Code, their further appointment would be subject to separate resolutions to be approved by the shareholders at the forthcoming annual general meeting.

The list of directors of the subsidiaries of the Company during the financial year and up to the date of this report is available on the Company's website at www.hilhk.com under the "Corporate Governance" section.

Disclosure of Interests

Directors' Interests in Shares

As at 31 December 2015, 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				2,115,274,943	2,115,274,943	69.41
	Lee Ka Shing	1				2,115,274,943	2,115,274,943	69.41
	Li Ning	1		2,115,274,943			2,115,274,943	69.41
	Lee Tat Man	2	6,666				6,666	0.00
Henderson Land Development Company Limited	Lee Shau Kee	3	10,619,949		2,368,258,714		2,378,878,663	71.94
	Lee Ka Kit	3				2,368,258,714	2,368,258,714	71.62
	Lee Ka Shing	3				2,368,258,714	2,368,258,714	71.62
	Li Ning	3		2,368,258,714			2,368,258,714	71.62
	Lee Tat Man	4	150,467				150,467	0.00
	Au Siu Kee, Alexander	5				81,752	81,752	0.00
Henderson Development Limited	Lee Shau Kee	6			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00
	Lee Shau Kee	7			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
	Lee Shau Kee	8	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	6				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Kit	7				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Kit	8				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Lee Ka Shing	6				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Shing	7				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Shing	8				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	6		8,190 (Ordinary A Shares)			8,190 (Ordinary A Shares)	100.00
	Li Ning	7		3,510 (Non-voting B Shares)			3,510 (Non-voting B Shares)	100.00
	Li Ning	8		15,000,000 (Non-voting Deferred Shares)			15,000,000 (Non-voting Deferred Shares)	30.00
Heyield Estate Limited	Lee Shau Kee	9			100		100	100.00
	Lee Ka Kit	9				100	100	100.00
	Lee Ka Shing	9				100	100	100.00
	Li Ning	9		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 2015 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.

Equity-linked Agreements

No equity-linked agreements entered into by the Company were subsisting as at 31 December 2015 and the Company did not enter into any equity-linked agreements during the year under review.

Substantial Shareholders' and Others' Interests

As at 31 December 2015, 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)	2,115,274,943	69.41
Riddick (Cayman) Limited (Note 1)	2,115,274,943	69.41
Hopkins (Cayman) Limited (Note 1)	2,115,274,943	69.41
Henderson Development Limited (Note 1)	2,115,274,943	69.41
Henderson Land Development Company Limited (Note 1)	2,115,274,943	69.41
Kingslee S.A. (Note 1)	2,115,274,943	69.41
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 71.56% 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") which in turn was 33.41% held by HL. 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 10,619,949 shares, and for the remaining 2,368,258,714 shares, (i) 990,908,319 shares were owned by HD; (ii) 287,300,463 shares were owned by Richbond Investment Limited which was a wholly-owned subsidiary of HD; (iii) 253,497,312 shares were owned by Cameron Enterprise Inc.; 544,968,195 shares were owned by Believegood Limited which was wholly-owned by South Base Limited; 104,431,156 shares were owned by Prosglass Investment Limited which was wholly-owned by Jayasia Investments Limited; 96,094,504 shares were owned by Fancy Eye Limited which was wholly-owned by Mei Yu Ltd.; 80,354,489 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) 7,457,060 shares were owned by Superfun Enterprises Limited, a wholly-owned subsidiary of The Hong Kong and China Gas Company Limited ("China Gas") which was 41.52% held by HL, which in turn was taken to be 71.56% held by HD; (v) 1,995,798 shares were owned by Fu Sang Company Limited ("Fu Sang"); and (vi) 852,078 shares and 399,340 shares were respectively owned by Tako Assets Limited and Thommen Limited, both were wholly-owned subsidiaries of HKF which in turn was 33.41% held by HL. 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 owned by Mr Au Siu Kee, Alexander and his wife jointly.*

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

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

8. *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.*

9. *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 Transactions, Arrangements or Contracts and Continuing Connected Transactions

During the year under review, the Group had the continuing connected transactions and arrangements as described under the sections "Existing HLD Tenancy Agreements", "Framework Agreements" and "Other Continuing Connected Transactions" 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 acquired from the HLD Group certain 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") on 1 December 2014 (the "Completion Date"). Camay Investment Limited, Citistore (Hong Kong) Limited ("Citistore HK") and Puretech Investment Limited then became the wholly-owned subsidiaries of the Company upon the Completion Date.

Existing HLD Tenancy Agreements

Citistore HK, a member of the Citistore Group 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 KOLOUR • Tsuen Wan I (Formerly known as 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:

	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**
(1) Tsuen Wan Branch of Citistore Stores at KOLOUR • Tsuen Wan II (Formerly known as 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	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
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 KOLOUR•Yuen Long (Formerly known as Citimall), 1 Kau Yuk Road, Yuen Long, New Territories, Yuen Long Town Lot No. 464

Shop Nos. 1-3, 35-39 and 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

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 Nos. 31-34, 40-42 and 45-47, 2/F **Note 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
(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. (as reduced to 53,913 sq.ft. commencing on 18 May 2015 due to certain renovation works at Sunshine City Plaza as mentioned in Note 5 below)	Phase I: 1 October 2014 – 30 June 2015 *HK$1,259,204* *(as adjusted to HK$1,239,999 commencing on 18 May 2015)* Phase II: 1 July 2015 – 30 September 2017 *HK$1,448,000* *(as adjusted to HK$1,425,999)*	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 (as terminated on 15 September 2015#) *HK$58,068*	N/A	N/A	Nil

	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**
Shop No. 3059, Level 3[#] Lettable Area: 1,478 sq.ft. [#] Terminated on 15 September 2015 in accordance with the relevant agreements due to certain renovation works at Sunshine City Plaza as mentioned in Note 5 below	1 October 2014 – 30 September 2017 (as terminated on 15 September 2015[#]) *HK$89,436*	N/A	N/A	Nil
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

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 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
(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., KOLOUR • Tsuen Wan I (Formerly known as 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 around 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 subject to progress of renovation works at Sunshine City Plaza, 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*	Up to 30 September 2017: 23.00 per sq.ft. of lettable area From 1 October 2017 – 30 September 2018: 24.61 per sq.ft. of lettable area From 1 October 2018 – 30 September 2019: 26.33 per sq.ft. of lettable area From 1 October 2019 – 30 September 2020: 28.17 per sq.ft. of lettable area From 1 October 2020 – 30 September 2023: 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	2015	2016	2017	2018	2019	2020	2021	2022	2023[1]
HK$ million	243	264	263	280	296	315	338	351	268

Note:

(1) 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 year ended 31 December 2015, the Group paid HK$215,894,000 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. Subject to whether the annual gross turnover exceeds HK$120,000,000, the turnover rent shall be adjusted accordingly. Other charges including Government rates of HK$18,900 (as adjusted to HK$20,750), air-conditioning charges of HK$230,530.40 (as adjusted to HK$268,649.60), management fee of HK$196,949.20 (as adjusted to HK$229,622.80) 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 agreement 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 (as adjusted to HK$51,807.66) 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 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 2015 (HK$)**	**Financial year ending 31 December 2016 (HK$)**	**Financial year ending 31 December 2017[1] (HK$)**
HKF Tenancy and Licence Agreement	13,200,000	13,200,000	6,000,000
Miramar Tenancy Agreement	5,000,000	5,000,000	4,000,000
Cleaning Services Agreement	6,393,000	7,032,000	7,091,000
Gift Certificate Sales Agreement	6,000,000	6,000,000	6,000,000

Note:

(1) 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 2015, the Group paid HK$11,702,000 for transactions under the HKF Tenancy and Licence Agreement, HK$3,965,000 for transactions under the Miramar Tenancy Agreement and HK$5,832,000 for transactions under the Cleaning Services Agreement, and received HK$300,000 for transactions under the Gift Certificates Sales Agreement (together with other agreements mentioned in this paragraph, collectively the "Other Citistore Transactions").

The Independent Non-executive Directors of the Company have 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 all material respects, in accordance with the relevant agreements governing such transactions; 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 34 to the financial statements on page 122 include transactions that constitute continuing connected transactions for which the disclosure requirements under the Listing Rules have been met.

Save as disclosed above, no other transaction, arrangement or contract 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 2015, 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).

Management Contracts

No contracts (as defined in Section 543 of the Companies Ordinance (Cap. 622)) relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

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 2015:

(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 revenue attributable to the Group's five largest customers represented less than 30% of the Group's total revenue.

Management Discussion and Analysis

A management discussion and analysis of the Group's annual results is shown on pages 11 to 16.

Sustainability and Corporate Social Responsibility

The Sustainability and CSR Report is set out on pages 18 to 25 of this Annual Report and posted on the Company's website.

Retirement Benefits Scheme

Details of the retirement benefits schemes participated by the Group's employees are shown in note 26 to the financial statements on page 113.

Permitted Indemnity

The Articles of Association of the Company provides that every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities (to the fullest extent permitted by the Companies Ordinance (Cap. 622)) which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto.

In addition, the indemnity agreements made by the Company, which are currently in force and were in force throughout the financial year, contained permitted indemnity provisions (as permitted in section 469(2) of the Companies Ordinance (Cap. 622)), for the benefit of the Directors of the Company. The Company has also taken out and maintained Director's liability insurance throughout the year, which provides appropriate cover for the Directors.

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 26 to 39.

On behalf of the Board
Lee Ka Shing
Chairman

Hong Kong, 21 March 2016

Biographical Details of Directors and Senior Management

Executive Directors

LEE Ka Shing, aged 44, 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 was the Vice Chairman up to June 2015. On 1 July 2015, he was re-designated from the Vice Chairman to the Chairman and Managing Director of the Company and was appointed as the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. 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.

Dr LEE Ka Kit, *GBS, JP, DBA (Hon)*, aged 52, 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. He 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 in 2009 and was awarded the Gold Bauhinia Star (GBS) in 2015 by the Government of the Hong Kong Special Administrative Region. He has been appointed Council Member of the Hong Kong Trade Development Council for two years from 1 January 2016. He was awarded an Honorary University Fellowship by The University of Hong Kong in 2009 and an Honorary Degree of Doctor of Business Administration by Edinburgh Napier University in July 2014. He 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 64, 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. Dr Lam holds a B.Sc. (Honours) degree from The University of Hong Kong and has over 42 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 with 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.

Dr the Hon LEE Shau Kee, *GBM, DBA (Hon), DSSc (Hon), LLD (Hon)*, aged 87, is the founder of the Company. He was the Chairman and Managing Director of the Company up to June 2015 and has been engaged in property development in Hong Kong for more than 60 years. He continues to act as Executive Director of the Company after his stepping down as Chairman and Managing Director, the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company on 1 July 2015. 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.

LI Ning, *BSc, MBA*, aged 59, Mr Li, has been appointed an Executive Director of the Company since December 2014. 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 and an Executive Director of Henderson Land Development Company Limited until his retirement on 2 June 2015. 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 78, has been an Executive Director of the Company since 1972. He has been engaged in property development in Hong Kong for more than 40 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.

KWONG Che Keung, Gordon, *FCA*, aged 66, 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, OP Financial Investments Limited and FSE Engineering Holdings Limited, all of which are listed companies. Mr Kwong previously served as an independent non-executive director of 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 65, 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 65, 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 81, 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.

AU Siu Kee, Alexander, *OBE*, *ACA*, *FCCA*, *FCPA*, *AAIA*, *FCIB*, *FHKIB*, aged 69, has been appointed an Independent Non-executive Director and a member of the Audit Committee of the Company since 1 July 2015. He was an Executive Director and the Chief Financial Officer of Henderson Land Development Company Limited ("HLD") from December 2005 to June 2011. He stepped down from the position of Chief Financial Officer and was re-designated as a Non-executive Director of HLD on 1 July 2011. On 18 December 2012, Mr Au was re-designated as an Independent Non-executive Director of HLD until his retirement on 2 June 2015. A banker by profession, Mr Au was the chief executive officer of Hang Seng Bank Limited from October 1993 to March 1998 and of Oversea-Chinese Banking Corporation Limited in Singapore from September 1998 to April 2002. He was formerly a non-executive director of a number of leading companies including The Hongkong and Shanghai Banking Corporation Limited, MTR Corporation Limited and Hang Lung Group Limited. Currently, Mr Au is an independent non-executive director of a listed company – The Wharf (Holdings) Limited. He is also a non-executive director of two listed companies – Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited, both are associated companies of HLD. He is the chairman and non-executive director of Henderson Sunlight Asset Management Limited, a wholly-owned subsidiary of HLD, which is the manager of the publicly-listed Sunlight Real Estate Investment Trust. An accountant by training, Mr Au is a Chartered Accountant as well as a Fellow of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Senior Management

LIU Cheung Yuen, Timon, *BEc*, *FCPA*, *CA (Aust)*, *FCS*, *FCIS*, aged 58, 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 53, 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

羅兵咸永道

To the members 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 set out on pages 68 to 124, which comprise the consolidated statement of financial position as at 31 December 2015, 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 405 of 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 financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2016

Consolidated Statement of Profit or Loss

for the year ended 31 December 2015

	Note	2015 HK$ million	2014 (restated) HK$ million
Continuing operation:			
Revenue	6	**879**	105
Direct costs		**(684)**	(73)
		195	32
Other revenue	7	**12**	3
Other income, net	8	**1**	21
Selling and marketing expenses		**(23)**	(3)
Administrative expenses		**(70)**	(21)
Profit before taxation	9	**115**	32
Income tax	12	**(21)**	(4)
Profit for the year from continuing operation		**94**	28
Discontinued operation:			
Profit/(loss) for the year from discontinued operation	13	**215**	(54)
Profit/(loss) for the year		**309**	(26)
Attributable to:			
Equity shareholders of the Company			
– Continuing operation	16(a)	**94**	27
– Discontinued operation	13 & 16(b)	**355**	(34)
		449	(7)
Non-controlling interests			
– Continuing operation		**–**	1
– Discontinued operation	13	**(140)**	(20)
		(140)	(19)
Profit/(loss) for the year		**309**	(26)
		HK cents	HK cents
Earnings/(loss) per share – basic and diluted			
– From continuing operation	16(a)	**3.1**	0.9
– From discontinued operation	16(b)	**11.6**	(1.1)
		14.7	(0.2)

The notes on pages 74 to 124 form part of these consolidated financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 15.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2015

	2015 HK$ million	2014 HK$ million
Profit/(loss) for the year	**309**	(26)
Other comprehensive income for the year:		
Items that may be reclassified subsequently to profit or loss:		
– Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	**(5)**	(2)
– Reversal of the exchange reserve attributable to the Joint Venture Company (see note 13) from equity to profit or loss	**(138)**	–
Total comprehensive income for the year	**166**	(28)
Attributable to:		
Equity shareholders of the Company	**308**	(8)
Non-controlling interests	**(142)**	(20)
Total comprehensive income for the year	**166**	(28)
Total comprehensive income for the year arising from:		
– Continuing operation	**89**	28
– Discontinued operation	**77**	(56)
	166	(28)
Total comprehensive income attributable to equity shareholders of the Company arising from:		
– Continuing operation	**91**	27
– Discontinued operation	**217**	(35)
	308	(8)

The notes on pages 74 to 124 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

at 31 December 2015

	Note	2015 HK$ million	2014 HK$ million
Non-current assets			
Fixed assets	17	**73**	71
Intangible operating right	5	**–**	361
Trademarks	18	**49**	51
Goodwill	19	**810**	810
Deferred tax asset	25	**1**	1
		933	1,294
Current assets			
Inventories	20	**66**	55
Trade and other receivables	21	**57**	67
Cash and bank balances	22	**791**	402
		914	524
Current liabilities			
Trade and other payables	23	**271**	296
Amounts due to affiliates	24	**28**	12
Current taxation		**3**	8
		302	316
Net current assets		**612**	208
Total assets less current liabilities		**1,545**	1,502
Non-current liability			
Deferred tax liabilities	25	**15**	16
NET ASSETS		**1,530**	1,486
CAPITAL AND RESERVES			
Share capital		**612**	612
Reserves		**877**	691
Total equity attributable to equity shareholders of the Company		**1,489**	1,303
Non-controlling interests	29	**41**	183
TOTAL EQUITY		**1,530**	1,486

Approved and authorised for issue by the Board of Directors on 21 March 2016.

Lee Ka Shing
Lee Tat Man
Directors

The notes on pages 74 to 124 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2015

	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 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 15(b))	–	–	–	(61)	(61)	–	(61)
Interim dividend declared in respect of the current financial year (note 15(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
At 1 January 2015	**612**	**10**	**167**	**514**	**1,303**	**183**	**1,486**
Changes in equity for 2015:							
Profit for the year	**–**	**–**	**–**	**449**	**449**	**(140)**	**309**
Other comprehensive income for the year	**–**	**–**	**(141)**	**–**	**(141)**	**(2)**	**(143)**
Total comprehensive income for the year	**–**	**–**	**(141)**	**449**	**308**	**(142)**	**166**
Final dividend approved in respect of the previous financial year (note 15(b))	**–**	**–**	**–**	**(61)**	**(61)**	**–**	**(61)**
Interim dividend declared in respect of the current financial year (note 15(a))	**–**	**–**	**–**	**(61)**	**(61)**	**–**	**(61)**
At 31 December 2015	**612**	**10**	**26**	**841**	**1,489**	**41**	**1,530**

The notes on pages 74 to 124 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2015

	Note	2015 HK$ million	2014 (restated) HK$ million
Operating activities			
Profit/(loss) before taxation			
From continuing operation		**115**	32
From discontinued operation	13	**215**	(54)
		330	(22)
Adjustments for:			
Interest income		**(5)**	(30)
Amortisation of trademarks		**2**	–
Depreciation		**27**	2
Net foreign exchange loss		**8**	10
Operating profit/(loss) before changes in working capital		**362**	(40)
(Increase)/decrease in inventories		**(11)**	11
Decrease in non-current receivable and trade and other receivables, net		**6**	46
(Decrease)/increase in trade and other payables		**(22)**	39
Increase in amounts due to affiliates		**15**	7
Cash generated from operations		**350**	63
Tax paid			
– Hong Kong		**(25)**	–
– outside Hong Kong		**(2)**	(5)
		323	58
From discontinued operation			
– Net proceeds from the Compensation Payment (as defined in note 5)	13	**(471)**	–
– Impairment loss on toll bridge operating right and related net assets of the Joint Venture Company (as defined in note 5) excluding cash and cash equivalents		**347**	–
– Reversal of the exchange reserve attributable to the Joint Venture Company	13	**(138)**	–
– Amortisation of intangible operating right	5	**10**	31
– Interest income		**–**	(2)
– Increase/(decrease) in trade and other payables		**5**	(1)
Net cash generated from operating activities		**76**	86

Consolidated Cash Flow Statement

for the year ended 31 December 2015

	Note	2015 HK$ million	2014 (restated) HK$ million
Investing activities			
Acquisition of subsidiaries	30	**–**	(772)
Interest received		**5**	33
Additions to fixed assets	17	**(30)**	–
Interest received from discontinued operation		**–**	2
Net cash inflow from the Compensation Payment		**471**	–
Increase in deposits with banks over three months of maturity at acquisition	22	**(647)**	–
Net cash used in investing activities		**(201)**	(737)
Financing activity			
Dividends paid to shareholders	15	**(122)**	(122)
Net cash used in financing activity		**(122)**	(122)
Net decrease in cash and cash equivalents		**(247)**	(773)
Cash and cash equivalents at 1 January		**402**	1,185
Effect of foreign exchange rate changes		**(11)**	(10)
Cash and cash equivalents at 31 December	22	**144**	402

The notes on pages 74 to 124 form part of these consolidated financial statements.

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 consolidated 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 consolidated financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance (Cap. 622) and 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 the following amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company:

- Annual improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

  These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, *Related party disclosures* has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

None of the above developments has had a material effect on the preparation or presentation of the Group's results, and the Group's and the Company's financial position, for the current or prior periods.

In respect of the other developments, none of them has material impact on the Group's consolidated financial statements.

2 Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

The HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Annual improvements to HKFRSs 2012-2014 cycle	1 January 2016
Amendments to HKAS 1, *Disclosure initiative*	1 January 2016
Amendments to HKAS 16, and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018

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 9, *Financial instruments* and HKFRS 15, *Revenue from contracts with customers* in relation to which it is not practicable to provide a reasonable estimate about the impact on the Group's consolidated financial statements until the Group performs a detailed review, the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements.

(c) Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) came into operation during the financial year. The adoption of the requirements has primarily impacted the presentation and disclosure of information in the Group's consolidated financial statements. These changes mainly include the presentation of the Company's statement of financial position as a note disclosure instead of a primary statement, updating any reference to the Hong Kong Companies Ordinance (Cap. 622) and replacing certain terminology no longer used in the Hong Kong Companies Ordinance (Cap. 622) with terminology used in HKFRS.

2 Significant accounting policies (continued)

(d) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries.

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

The preparation of these consolidated 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 consolidated financial statements and key sources of estimation uncertainty are discussed in note 3.

(e) 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.

2 Significant accounting policies (continued)

(e) Subsidiaries and non-controlling interests (continued)

Non-controlling interests are presented in the consolidated statement of financial position 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 statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(n)).

(f) 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.

2 Significant accounting policies (continued)

(g) Fixed assets and depreciation

Fixed assets are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(n)).

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 or their expected useful life of 5 years, whichever is shorter
–	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.

(h) Intangible operating right

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

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.

(i) 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(n)). 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.

2 Significant accounting policies (continued)

(j) 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(n)). 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.

(k) Leased assets

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

(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.

2 Significant accounting policies (continued)

(l) 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.

(m) 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(n)).

(n) 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 the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following 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).

2 Significant accounting policies (continued)

(n) Impairment of assets (continued)

(i) Impairment of trade and other receivables (continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through 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 the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- fixed assets;
- intangible operating right;
- goodwill;
- trademarks; and
- investments in subsidiaries.

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

2 Significant accounting policies (continued)

(n) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– 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 of disposal (if measurable), 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.

(o) Trade and other payables

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

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and 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.

(q) 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.

2 Significant accounting policies (continued)

(r) 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 end of the reporting period, and any adjustment to tax payable in respect of previous years.

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

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which 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.

2 Significant accounting policies (continued)

(r) Income tax (continued)

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

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

(s) 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)

(t) Revenue recognition

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

(i) 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.

(ii) 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.

(iii) Promotion income, sponsorship fees, rental for antenna site, goods redemption income and sundry income

Promotion income, sponsorship fees, rental for antenna site, goods redemption income and sundry income are recognised when services are provided.

(iv) Interest income

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

(u) 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 end of the reporting period. Exchange gains and losses are recognised in profit or loss.

2 Significant accounting policies (continued)

(u) 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. Items in the statement of financial position are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in 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.

(v) Discontinued operation

A discontinued operation is a component of the Group's business, the operation and cash flow of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Where an operation is classified as discontinued, a single amount is presented in the statement of profit or loss, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs of disposal, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(w) Borrowing costs

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

(x) 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.

2 Significant accounting policies (continued)

(x) Related parties (continued)

(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.

(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).

(viii) The entity, or any member of the Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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.

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated 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) 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.

(b) 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 of disposal 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.

(c) 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 consolidated 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 consolidated financial statements.

(d) Recognition of deferred tax asset

At 31 December 2015, the Group has recognised a deferred tax asset in relation to the depreciation in excess of related depreciation allowances as set out in note 25. 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 and trade and other receivables. 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 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 (see note 21). 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 statement of financial position. The Group does not provide any guarantee which exposes the Group to credit risk.

(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.

4 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

The following table sets out the remaining contractual maturities at the end of the reporting period 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 end of the reporting period) and the earliest date on which the Group can be required to pay:

	2015 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	More than 5 years HK$ million	Total HK$ million	Carrying amount HK$ million
Trade and other payables	**267**	**3**	**1**	**–**	**271**	**271**
Amounts due to affiliates	**5**	**1**	**19**	**3**	**28**	**28**
	272	**4**	**20**	**3**	**299**	**299**

	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	More 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

(c) Interest rate risk

At 31 December 2015, 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

At 31 December 2015, 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 profit 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 2015 and 2014.

5 Intangible operating right and arbitration

The Group was granted the operating right of the Hangzhou Qianjiang Third Bridge (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 (浙江省人民政府) notified Zhejiang Province Department of Communications (浙江省交通運輸廳) 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).

Furthermore, on 20 March 2012, the Group 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 Hangzhou Henderson Qianjiang Third Bridge Company, Limited (the "Joint Venture Company", a subsidiary of the Company which held the operating right of the Bridge) and the Hangzhou Toll Office, that they would provisionally suspend payment of toll fee to the Group in respect of the Bridge commencing from 20 March 2012. The Group had on 6 June 2012 received a letter from Hangzhou Municipal Bureau of Communications (杭州市交通運輸局) 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.

5 Intangible operating right and arbitration (continued)

In relation to the provisional suspension in the payment of toll fee by the Hangzhou Toll Office to the Group in respect of the Bridge commencing from 20 March 2012, on 17 September 2012, an arbitration application ("Arbitration") was filed by the Joint Venture Company with China International Economic and Trade Arbitration Commission ("CIETAC", 中國國際經濟貿易仲裁委員會) against 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 the Bridge to the Joint Venture Company and be liable for the relevant outstanding toll fees together with the legal and arbitration costs incurred.

In view of the uncertainty on the inflow of the toll revenue to the Joint Venture Company, the Company's directors have not recognised in the Group's consolidated financial statements the toll revenue (after deduction of mainland China business tax) since 20 March 2012 (being the commencement date for the provisional suspension of the toll fee payment from the Hangzhou Toll Office to the Group). In this regard, on 30 April 2015, the arbitral tribunal of CIETAC made certain final arbitral award having legal binding effect on all parties (including the Company) to the Arbitration, and which resulted in the Company ceasing to have any obligations, responsibilities and payment obligations for expenses whether as a shareholder of the Joint Venture Company or in relation to the Joint Venture Company or the Bridge, and the Company shall not be entitled to any income sharing and distribution rights as a shareholder of the Joint Venture Company. Therefore, the Group has fully impaired its interest in the Joint Venture Company on 30 April 2015. Accordingly, the toll revenue (after deduction of mainland China business tax) which was not recognised in the Group's consolidated financial statements during the period from 20 March 2012 to 30 April 2015 amounted to RMB715 million, or equivalent to HK$893 million. For the period from 1 January 2015 to 30 April 2015, the total unrecognised toll revenue (after deduction of mainland China business tax) amounted to HK$85 million (for the year ended 31 December 2014: HK$235 million).

As referred to above, the final arbitral award made by the arbitral tribunal of CIETAC comprises, inter alia, the following which have legal binding effect on all parties to the Arbitration:

(i) Hangzhou Municipal People's Government shall pay to Nation Team Development Limited ("Nation Team", a wholly-owned subsidiary of the Company holding a 60% interest in the Joint Venture Company) an amount of RMB376 million (equivalent to HK$477 million) (the "Compensation Payment") within 90 days following the issue of the arbitral award. The entire Compensation Payment was settled by Hangzhou Municipal People's Government on 29 July 2015.

(ii) Upon the receipt by Nation Team of the Compensation Payment, the Collection Agreement and the 中外合資經營杭州恒基錢江三橋有限公司合同 dated 8 January 1997 made between, amongst others, Nation Team and 杭州錢江三橋綜合經營公司 (which holds the remaining 40% interest in the Joint Venture Company) (the "Joint Venture Contract") shall be discharged.

(iii) Upon the discharge of the Joint Venture Contract, Nation Team shall have no obligations, responsibilities and payment obligations for expenses whether as a shareholder of the Joint Venture Company or in relation to the Joint Venture Company or the Bridge, and shall not be entitled to any income sharing and distribution rights as a shareholder of the Joint Venture Company.

5 Intangible operating right and arbitration (continued)

(iv) Nation Team shall be responsible for 50% of the Arbitration fees and certain other mediation expenses of the arbitral tribunal in the aggregate amount of RMB2,554,355 (equivalent to HK$3,238,156), as well as the fees and expenses of the relevant arbitrator in the amount of RMB1,001,118 (equivalent to HK$1,269,117). Nation Team shall, within five days following the receipt of the Compensation Payment, pay to the Joint Venture Company an amount of RMB2,200,000 (equivalent to HK$2,788,940) representing the legal expenses incurred by the Joint Venture Company (subject to adjustment as to the final sum incurred by the Joint Venture Company) in relation to the Arbitration.

As a result, the intangible operating right in relation to the Bridge was fully impaired on 30 April 2015 (see note 13) and the assets (including the intangible operating right in relation to the Bridge) and liabilities of the Joint Venture Company were derecognised after the Compensation Payment was received on 29 July 2015, as follows:

	Toll bridge operating right	
	2015	2014
	HK$ million	HK$ million
Cost:		
At 1 January	**954**	957
Impairment	**(954)**	–
Exchange adjustment	**–**	(3)
At 31 December	**–**	954
Accumulated amortisation:		
At 1 January	**593**	563
Charge for the year (note 14(c))	**10**	31
Written back on impairment	**(603)**	–
Exchange adjustment	**–**	(1)
At 31 December	**–**	593
Carrying amount:		
At 31 December	**–**	361

6 Revenue

Revenue represents the sales value of goods to customers, rental income from consignment and concessionaire counters and promotion income recognised by the Group during the year. Revenue is analysed as follows:

	2015 HK$ million	2014 HK$ million
Sale of goods	**443**	59
Rental income from consignment counters	**262**	29
Rental income from concessionaire counters	**167**	16
Promotion income	**7**	1
	879	105
	(note 14(b))	(note 14(b))

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

	2015 HK$ million	2014 HK$ million
Receipts from sale of goods by consignment counters	**882**	102
Receipts from sale of goods by concessionaire counters	**569**	66
	1,451	168

7 Other revenue

	2015 HK$ million	2014 HK$ million
Sponsorship fees	**3**	1
Rental for antenna site	**5**	–
Goods redemption income	**–**	1
Sundry income	**4**	1
	12	3

8 Other income, net

	2015 HK$ million	2014 (restated) HK$ million
Bank interest income	**5**	28
Other interest income	**–**	2
Net foreign exchange loss	**(8)**	(10)
Sundry income	**4**	1
	1	21

9 Profit before taxation

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

		2015 HK$ million	2014 (restated) HK$ million
(a)	**Directors' emoluments:**		
	Directors' fees, salaries, allowances and benefits-in-kind	**1**	1

Details of the directors' emoluments are set out in note 10.

		2015 HK$ million	2014 (restated) HK$ million
(b)	**Staff costs (other than directors' emoluments):**		
	Salaries, wages and other benefits	**157**	18
	Contributions to defined contribution retirement plan	**7**	–
(c)	**Other items:**		
	Amortisation of trademarks (notes 14(c) and 18)	**2**	–
	Depreciation (notes 14(c) and 17)	**27**	2
	Auditors' remuneration		
	– audit services	**2**	2
	– non-audit services	**–**	1
	Operating lease charges in respect of rental premises	**236**	23
	Cost of inventories sold (note 20)	**282**	36
	Rentals receivable less direct outgoings of HK$355 million (2014: HK$33 million) (note)	**(74)**	(12)

Note: Included contingent rental income of HK$191 million (2014: HK$25 million) during the year.

10 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance (Cap. 622) and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are as follows:

	2015				
	Directors' fees HK$'000	Salaries, allowances and benefits-in-kind HK$'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	**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**
Au Siu Kee, Alexander*	**10**	**90**	**–**	**–**	**100**
Total	**210**	**810**	**–**	**–**	**1,020**

* *Appointed as an Independent Non-executive Director of the Company with effect from 1 July 2015.*

10 Directors' emoluments (continued)

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance (Cap. 622) and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are as follows: (continued)

	2014				
	Directors' fees HK$'000	Salaries, allowances and benefits-in-kind HK$'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.*

During the years ended 31 December 2015 and 2014, all the emoluments received by the directors of the Company were in respect of their services as directors of the Company and/or its subsidiary undertakings.

There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities for disclosure pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance (Cap. 622) and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) (2014: None).

During the year ended 31 December 2015 and at 31 December 2015, there were no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company and his connected entities had a material interest, subsisted at the end of the reporting period or at any time during the year for disclosure pursuant to section 383(1)(e) of the Hong Kong Companies Ordinance (Cap. 622) and Part 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) (2014: None).

10 Directors' emoluments (continued)

There was no arrangement under which a director has waived or agreed to waive any emoluments during the current and prior years.

Certain of the directors received emoluments 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.

11 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:

	2015 HK$ million	2014 HK$ million
Salaries, allowances and benefits-in-kind	**5**	3
Discretionary bonuses	**2**	1
Retirement scheme contributions	**–**	–
	7	4

Their emoluments are within the following bands:

	Number of individuals	
	2015	2014
HK$1,000,000 or below	**–**	4
HK$1,000,001 to HK$2,000,000	**5**	1
	5	5

(b) Emoluments of senior management

Other than the emoluments of directors disclosed in note 10, 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 2015 (of which these consolidated financial statements form a part) received no emoluments from the Group during the year (2014: Nil).

12 Income tax

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

	2015 HK$ million	2014 HK$ million
Current tax – Hong Kong		
– provision for the year	**20**	4
Current tax – mainland China		
– provision for the year	**2**	5
Deferred taxation		
– origination and reversal of temporary differences (note 25)	**(1)**	(5)
	21	4

Provision for Hong Kong Profits Tax has been made at 16.5% (2014: 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 2014/15 subject to a ceiling of HK$20,000 for each business allowed by the Hong Kong SAR Government (2014: 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 for each business allowed by the Hong Kong SAR Government).

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 2015 was 25% (2014: 25%).

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

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

	2015 HK$ million	2014 (restated) HK$ million
Profit before taxation	**115**	32
Notional tax on profit before taxation, calculated at the Hong Kong Profits Tax rate of 16.5% (2014: 16.5%)	**19**	5
Tax effect of non-deductible expenses	**2**	3
Tax effect of current year's tax losses not recognised	**1**	1
Tax effect of non-taxable income	**(1)**	(5)
Income tax	**21**	4

13 Discontinued operation

As a result of the final arbitral award made by the arbitral tribunal of CIETAC (see note 5), the operation of the Bridge (held by the Joint Venture Company) is considered as discontinued operation on 30 April 2015. Comparative figures have been restated.

The results of the discontinued operation for the years ended 31 December 2015 and 2014 are as follows:

	2015 HK$ million	2014 HK$ million
Revenue	**–**	–
Direct costs (note (i))	**(13)**	(51)
	(13)	(51)
Other income/(charge), net		
– Net proceeds from the Compensation Payment (note (ii))	**471**	–
– Impairment loss on toll bridge operating right and related net assets of the Joint Venture Company (the "Joint Venture Company Impairment")	**(379)**	–
– Reversal of the exchange reserve attributable to the Joint Venture Company	**138**	–
– Bank interest income	**–**	2
– Sundry income	**–**	2
Administrative expenses	**(2)**	(7)
Profit/(loss) before taxation	**215**	(54)
Income tax	**–**	–
Profit/(loss) for the year from discontinued operation	**215**	(54)
Attributable to:		
– Equity shareholders of the Company	**355**	(34)
– Non-controlling interests (note (iii))	**(140)**	(20)
	215	(54)

Note (i): *Included in direct costs is the amortisation of intangible operating right of HK$10 million (2014: HK$31 million) (see note 14(c)).*

Note (ii): *The amount represents the proceeds from the Compensation Payment net of the expenses incurred in relation to the Arbitration borne by Nation Team.*

Note (iii): *For the year ended 31 December 2015, the amount of HK$140 million includes the attributable share of loss of the non-controlling interests arising from the Joint Venture Company Impairment, in the amount of HK$135 million.*

14 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.

Continuing operation:

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

Discontinued operation:

Infrastructure : Investment in infrastructure projects in mainland China

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, income tax and items not specifically attributed to individual reportable segments, such as unallocated head office and corporate expenses, net.

14 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 2015 is set out below:

	Company and its subsidiaries (before deducting non-controlling interests)		Less: Attributable to non-controlling interests		Attributable to equity shareholders of the Company	
	Revenue HK$ million	Segment Results HK$ million	Revenue HK$ million	Segment Results HK$million	Revenue HK$ million	Segment Results HK$ million
For the year ended 31 December 2015						
Continuing operation:						
Department store operation	879	123	–	–	879	123
Discontinued operation:						
Infrastructure	–	215	–	(140)	–	355
	879	338	–	(140)	879	478
Bank and other interest income		5		–		5
Unallocated head office and corporate expenses, net		(13)		–		(13)
Profit before taxation		330		(140)		470
Income tax		(21)		–		(21)
Profit for the year		309		(140)		449

14 Segment reporting (continued)

(a) Results of reportable segments (continued)

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

14 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	
	2015 HK$ million	2014 HK$ million	**2015 HK$ million**	2014 HK$ million
Hong Kong	**879**	105	**932**	931
Mainland China	**–**	–	**–**	362
	879	105	**932**	1,293
	(note 6)	(note 6)		

(c) Other segment information

	Amortisation and depreciation	
	For the year ended 31 December	
	2015 HK$ million	2014 HK$ million
Continuing operation:		
Department store operation (note 9(c))	**29**	2
Discontinued operation:		
Infrastructure (note 5)	**10**	31
	39	33

15 Dividends

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

	2015 HK$ million	2014 HK$ million
Interim dividend declared and paid of HK2 cents (2014: HK2 cents) per share	**61**	61
Final dividend proposed after the end of the reporting period of HK2 cents (2014: HK2 cents) per share	**61**	61
	122	122

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

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

	2015 HK$ million	2014 HK$ million
Final dividend in respect of the previous financial year, approved and paid during the year of HK2 cents (2014: HK2 cents) per share	**61**	61

16 Earnings/(loss) per share – basic and diluted

(a) From continuing operation

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK$94 million (2014: HK$27 million) and 3,047,327,395 (2014: 3,047,327,395) ordinary shares, being the number of ordinary shares in issue throughout the year.

(b) From discontinued operation

The calculation of basic and diluted earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company of HK$355 million (2014: loss of HK$34 million) and 3,047,327,395 (2014: 3,047,327,395) ordinary shares, being the number of ordinary shares in issue throughout the year.

17 Fixed assets

	Leasehold improvements HK$ million	Furniture and equipment HK$ million	Motor vehicles HK$ million	Total HK$ million
Cost:				
At 1 January 2014	–	4	4	8
Additions through acquisition of subsidiaries (note 30)	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 (note 9(c))	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
Cost:				
At 1 January 2015	**66**	**10**	**3**	**79**
Additions	**26**	**4**	**–**	**30**
Write-off in relation to the Joint Venture Company Impairment	**–**	**(5)**	**(3)**	**(8)**
Disposals	**(1)**	**(1)**	**–**	**(2)**
At 31 December 2015	**91**	**8**	**–**	**99**
Accumulated depreciation:				
At 1 January 2015	**2**	**4**	**2**	**8**
Charge for the year (note 9(c))	**24**	**3**	**–**	**27**
Written back in relation to the Joint Venture Company Impairment	**–**	**(5)**	**(2)**	**(7)**
Written back on disposals	**(1)**	**(1)**	**–**	**(2)**
At 31 December 2015	**25**	**1**	**–**	**26**
Net book value:				
At 31 December 2015	**66**	**7**	**–**	**73**

18 Trademarks

	2015 HK$ million	2014 HK$ million
Cost:		
At 1 January	**51**	–
Recognised upon the completion of the Acquisition (as referred to in note 30)	**–**	51
At 31 December	**51**	51
Accumulated amortisation:		
At 1 January	**–**	–
Charge for the year (note 9(c))	**2**	–
At 31 December	**2**	–
Carrying amount:		
At 31 December	**49**	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 (2014: HK$8 million) arising from the fair value adjustment on business combination in 2014 (i.e. in relation to the trademarks) was recognised at 31 December 2015 (see note 25).

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

19 Goodwill

	2015 HK$ million	2014 HK$ million
At 1 January	**810**	–
Recognised upon the completion of the Acquisition (as referred to in note 30)	**–**	810
At 31 December	**810**	810

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 end of the reporting period (see note 2(n)(ii)).

Impairment assessment is carried out by determining the value in use of the cash-generating unit(s). 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 11% in the annual forecast net cash inflow before capital expenditure for the year ending 31 December 2016; (ii) nil growth rate in the annual forecast net cash inflow before capital expenditure for each of the first two financial years subsequent to the year ending 31 December 2016; (iii) a growth rate of 5% in the annual forecast net cash inflow before capital expenditure for each of the two financial years thereafter; and (iv) a terminal value which is determined based on a flat annual forecast net 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% (2014: 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 2015.

The recoverable amount calculated based on value in use exceeded the carrying value by HK$423 million (2014: HK$610 million). A rise of discount rate to 16% (2014: 18%) or a decrease of 31% (2014: 11%) in the annual forecast net cash inflow for each financial year during the first five financial years, both changes taken in isolation, would remove the remaining headroom.

20 Inventories

Inventories in the consolidated statement of financial position comprise:

	2015 HK$ million	2014 HK$ million
Finished goods	**66**	55

The analysis of the amount of inventories recognised as an expense and included in "direct costs" in profit or loss (see note 9(c)) is as follows:

	2015 HK$ million	2014 HK$ million
Carrying amount of inventories sold	**281**	37
Write-down of inventories	**1**	–
Reversal of write-down of inventories	**–**	(1)
	282	36

21 Trade and other receivables

	2015 HK$ million	2014 HK$ million
Trade debtors	**6**	6
Consideration receivable	**43**	53
Deposits, prepayments and other receivables	**8**	8
	57	67

At 31 December 2015, the Group did not recognise any toll income receivable from the Bridge collected on behalf of the Group by the Hangzhou Toll Office up to 30 April 2015.

In relation to the consideration receivable which was overdue for more than one year but was not impaired, 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.

At 31 December 2015, all of the trade and other receivables were expected to be recovered or recognised as expense within one year.

21 Trade and other receivables (continued)

(a) Ageing analysis

At the end of the reporting period, the ageing analysis of trade debtors net of allowance for doubtful debts is as follows:

	2015 HK$ million	2014 HK$ million
Current or under 1 month overdue	**6**	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:

	2015 HK$ million	2014 HK$ million
Neither past due nor impaired	**–**	–
Less than 1 month past due	**6**	6
	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.

22 Cash and bank balances

	2015 HK$ million	2014 HK$ million
Deposits with banks	**679**	291
Cash at bank and in hand	**112**	111
Cash and bank balances in the consolidated statement of financial position	**791**	402
Less: deposits with banks over three months of maturity at acquisition	**(647)**	–
Cash and cash equivalents in the consolidated cash flow statement	**144**	402

Included in the cash and bank balances at 31 December 2015 were (i) an amount of HK$2 million (2014: HK$Nil) 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$50 million (2014: HK$86 million) which was maintained in mainland China and is subject to foreign exchange control regulations.

Deposits with banks include deposits of HK$38 million (2014: HK$43 million) which are principal-protected with variable interest rates.

23 Trade and other payables

	2015 HK$ million	2014 HK$ million
Trade creditors	**206**	225
Accrued expenses and other payables	**53**	59
Rental deposits	**12**	12
	271	296

At 31 December 2015, all of the trade and other payables were interest-free and repayable within one year or on demand except for an amount of HK$4 million (2014: HK$2 million) which was expected to be settled after more than one year.

The ageing analysis of trade creditors of the Group at the end of the reporting period is as follows:

	2015 HK$ million	2014 HK$ million
Due within 1 month or on demand	**187**	206
Due after 1 month but within 3 months	**19**	19
	206	225

24 Amounts due to affiliates

	2015 HK$ million	2014 HK$ million
Amounts due to fellow subsidiaries	**28**	12

At 31 December 2015, all of the amounts due to fellow subsidiaries were unsecured, interest-free and repayable within one year or on demand except for an amount of HK$23 million (2014: HK$Nil) which was expected to be settled after more than one year.

25 Deferred tax asset and liabilities

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

Deferred taxation arising from:	Depreciation in excess of the related depreciation allowances (note 30) HK$ million	Consideration receivable on disposal of toll fee collection right of toll bridges HK$ million	Withholding income tax HK$ million	Fair value adjustment on business combination (note 18) HK$ million	Total HK$ million
At 1 January 2014	–	11	2	–	13
Acquisition of subsidiaries (note 30)	(1)	–	–	8	7
Credited to profit or loss (note 12(a))	–	(5)	–	–	(5)
At 31 December 2014	(1)	6	2	8	15
At 1 January 2015	**(1)**	**6**	**2**	**8**	**15**
Credited to profit or loss (note 12(a))	**–**	**–**	**(1)**	**–**	**(1)**
At 31 December 2015	**(1)**	**6**	**1**	**8**	**14**

	2015 HK$ million	2014 HK$ million
Net deferred tax asset recognised in the consolidated statement of financial position	**(1)**	(1)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**15**	16
	14	15

26 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.

27 Statement of financial position and movement in reserves of the Company

(a) Statement of financial position

	2015 HK$ million	2014 HK$ million
Non-current asset		
Investment in subsidiaries	**351**	351
Current assets		
Trade and other receivables	**2**	2
Amounts due from affiliates	**1,562**	1,687
	1,564	1,689
Current liabilities		
Trade and other payables	**2**	7
Amounts due to affiliates	**387**	696
	389	703
Net current assets	**1,175**	986
NET ASSETS	**1,526**	1,337
CAPITAL AND RESERVES		
Share capital	**612**	612
Reserves	**914**	725
TOTAL EQUITY	**1,526**	1,337

The statement of financial position of the Company was approved by the Board of Directors on 21 March 2016 and was signed on its behalf.

Lee Ka Shing
Lee Tat Man
Directors

27 Statement of financial position and movement in reserves of the Company (continued)

(b) Movement in reserves

	Capital reserve HK$ million	Retained profits HK$ million	Total HK$ million
At 1 January 2014	3	785	788
Movement in reserves for 2014:			
Profit for the year	–	62	62
Final dividend approved in respect of the previous financial year (note 15(b))	–	(61)	(61)
Interim dividend declared in respect of the current financial year (note 15(a))	–	(61)	(61)
Transition to the no-par value regime on 3 March 2014 (note)	(3)	–	(3)
At 31 December 2014	–	725	725
At 1 January 2015	**–**	**725**	**725**
Movement in reserves for 2015:			
Profit for the year	**–**	**311**	**311**
Final dividend approved in respect of the previous financial year (note 15(b))	**–**	**(61)**	**(61)**
Interim dividend declared in respect of the current financial year (note 15(a))	**–**	**(61)**	**(61)**
At 31 December 2015	**–**	**914**	**914**

27 Statement of financial position and movement in reserves of the Company (continued)

(c) Share capital

	The Group and the Company			
	Number of shares		Amount	
	2015 million	2014 million	**2015 HK$ million**	2014 HK$ million
Ordinary shares, issued and fully paid:				
At 1 January	**3,047**	3,047	**612**	609
Transition to the no-par value regime on 3 March 2014 (note)	**–**	–	**–**	3
At 31 December	**3,047**	3,047	**612**	612

Note:

The transition to the no-par value regime under the Hong Kong Companies Ordinance occurred automatically on 3 March 2014. On that day, an attributable amount of HK$3 million being in the nature of share premium standing to the credit of the capital reserve account was subsumed into share capital in accordance with section 37 of Schedule 11 to the 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. Since that date, all changes in share capital have been made in accordance with the requirements of Parts 4 and 5 of the Hong Kong Companies Ordinance (Cap. 622).

(d) Distributability of reserves

At 31 December 2015, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance (Cap. 622), was HK$914 million (2014: HK$725 million). As stated in note 15(a), after the end of the reporting period, the directors proposed a final dividend of HK2 cents (2014: HK2 cents) per share, amounting to HK$61 million (2014: HK$61 million). This dividend has not been recognised as a liability at the end of the reporting period.

28 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 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 end of the reporting period. At 31 December 2015, the Group maintained net cash and bank balances (after deducting the Group's total bank borrowings of HK$Nil (2014: HK$Nil)) of HK$791 million (2014: HK$402 million) and therefore the Group's gearing ratio was Nil (2014: Nil).

The Group was not subject to externally imposed capital requirements during the year and at the end of the reporting period.

29 Material non-controlling interests

At 31 December 2014, the Group's total non-controlling interests amounted to HK$183 million, of which a loss of HK$140 million in the current year relates to the Joint Venture Company (as referred to in note 13) whose registered capital is beneficially owned as to 40% by non-controlling interest. The Joint Venture Company has non-controlling interest that was material to the Group at 31 December 2014.

29 Material non-controlling interests (continued)

Summary financial information in relation to the Joint Venture Company for the year ended 31 December 2014 and at 31 December 2014 is as follows:

	HK$ million
Current assets	34
Non-current assets	362
Current liabilities	(3)
Revenue	–
Loss from discontinued operation (restated)	(54)
Total comprehensive income (restated)	(56)
Dividend paid to non-controlling interest	–
Loss allocated to non-controlling interest of the Joint Venture Company during the year	(20)
Accumulated non-controlling interest of the Joint Venture Company at the end of the year	140
Cash flows of operating activities:	
Cash used in operations	(23)
Tax refunded – outside Hong Kong	–
Net cash used in operating activities	(23)
Net cash generated from investing activities	1
Net cash used in financing activities	–
Net decrease in cash and cash equivalents	(22)
Cash and cash equivalents at 1 January 2014	54
Effect of foreign exchange rate changes	–
Cash and cash equivalents at 31 December 2014	32

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.

As referred to in note 5, the Group has fully impaired its interest in the Joint Venture Company on 30 April 2015. Accordingly, the non-controlling interest relating to the Joint Venture Company of HK$140 million was reversed to profit or loss on 30 April 2015 (see note 13). Subsequently, the assets and liabilities of the Joint Venture Company were derecognised after the Compensation Payment was received on 29 July 2015. At 31 December 2015, the Group's total non-controlling interests amounted to HK$41 million which was not material to the Group at 31 December 2015.

30 Acquisition of subsidiaries

For the corresponding year ended 31 December 2014, the fair value of the assets acquired and the liabilities assumed in relation to the acquisition of the entire share capital of Camay Investment Limited and its subsidiaries, namely Citistore (Hong Kong) Limited and Puretech Investment Limited (collectively, the "Target Companies") (the "Acquisition") were as follows:

	HK$ million
Fixed assets	72
Deferred tax asset	1
Trademarks (note 18)	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	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.*

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 revenue and profitability; and (iii) the future growth opportunities for the operation of "Citistore" through the listed platform offered by the Group.

30 Acquisition of subsidiaries (continued)

Included in the Group's revenue of HK$105 million and the Group's loss of HK$26 million for the corresponding year ended 31 December 2014 are the aggregate revenue of HK$105 million and the aggregate profit after taxation of HK$21 million generated during the period from 1 December 2014 (being the completion date of the Acquisition) to 31 December 2014 by the Target Companies.

Assuming the Acquisition had taken place and was completed on 1 January 2014 and therefore taking into account the aggregate revenue and the aggregate profit after taxation of the Target Companies for the corresponding year ended 31 December 2014, the Group's revenue and profit/(loss) for the corresponding year ended 31 December 2014 (as a combined entity) would have become as follows:

	Revenue HK$ million	Profit/(loss) for the year HK$ million
The Group (excluding the effect of the Acquisition)	–	(47)
The Target Companies	867	142
Total	867	95

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

The Group did not acquire any subsidiaries during the year ended 31 December 2015.

31 Capital commitments

At 31 December 2015, the Group had capital commitments in relation to fixed assets contracted but not provided for in these consolidated financial statements which amounted to HK$1 million (2014: HK$2 million).

32 Significant leasing arrangements

At 31 December 2015, the Group was 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 revenue 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:

	2015 **HK$ million**	2014 HK$ million
Within 1 year	**127**	121
After 1 year but within 5 years	**36**	9
	163	130

(b) Lessee

The Group leases a number of building facilities under operating leases. The leases typically run for an initial period of three months 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 revenue 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:

	2015 **HK$ million**	2014 HK$ million
Within 1 year	**213**	200
After 1 year but within 5 years	**870**	853
After 5 years	**608**	842
	1,691	1,895

33 Contingent liabilities

At 31 December 2015 and 2014, the Group did not have any contingent liabilities.

34 Material related party transactions

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

(a) Transactions with fellow subsidiaries (note (i))

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

	2015 **HK$ million**	2014 HK$ million
Rental expenses payable (note (ii))	**216**	21
Cleaning expenses payable	**6**	–
Car park expenses payable	**1**	–

(b) Transactions with related companies (note (i))

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

	2015 **HK$ million**	2014 HK$ million
Rental expenses payable (note (iii))	**16**	1

Note (i): *In the opinion of the directors, these transactions were carried out on normal commercial terms and in the ordinary course of business.*

Note (ii): *Including management fees, air-conditioning charges and rates of HK$40 million for the year ended 31 December 2015 (2014: HK$3 million).*

Note (iii): *Including management fees, air-conditioning charges and rates of HK$7 million for the year ended 31 December 2015 (2014: HK$0.5 million).*

35 Non-adjusting event after the reporting period

After the end of the reporting period, the directors proposed a final dividend, further details of which are set out in note 15(a).

36 Comparative figures

Certain comparative figures have been re-classified to conform with the disclosure requirements in respect of the discontinued operation set out in note 13.

37 Parent and ultimate controlling party

At 31 December 2015, 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 2015

Set out below are the particulars of the principal subsidiaries of the Company at 31 December 2015 which, in the opinion of the directors, materially affected the results, assets or liabilities 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 end of the reporting period.

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

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

Notes:

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

(ii) *The percentage of profit sharing by the subsidiaries is as follows:*
Tianjin Jinning Roads Bridges Construction Development Company Limited – 70%
Tianjin Wanqiao Project Development Company Limited – 70%

Corporate Information

Board of Directors

Executive Directors

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

Independent Non-executive Directors

Kwong Che Keung, Gordon
Professor Ko Ping Keung
Wu King Cheong
Leung Hay Man
Au Siu Kee, Alexander

Audit Committee

Kwong Che Keung, Gordon*
Professor Ko Ping Keung
Wu King Cheong
Leung Hay Man
Au Siu Kee, Alexander

Remuneration Committee

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

Nomination Committee

Lee Ka Shing*
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 Thursday, 2 June 2016 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 2015.

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, 25 April 2016

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 Tuesday, 31 May 2016 to Thursday, 2 June 2016, 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 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 Monday, 30 May 2016.

(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 Wednesday, 8 June 2016 to Monday, 13 June 2016, 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 Tuesday, 7 June 2016. The proposed final dividend will be paid to Shareholders whose names appear on the Register of Members of the Company on Monday, 13 June 2016.

(5) An explanatory statement containing further details concerning Ordinary Resolution (A) of item no. 5 above will be sent to Members for perusal.

(6) Concerning Ordinary Resolutions (B) and (C) of item no. 5 above, approvals are 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 mandates being sought.

(7) If item no. 2 is approved, the final dividend will be paid to Shareholders of the Company on Thursday, 16 June 2016.

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