恒基兆業發展有限公司
HENDERSON INVESTMENT LIMITED
Incorporated in Hong Kong with limited liability
(Stock Code : 97)

2014 FINAL RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

Dear Shareholders

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

COMPLETION OF VERY SUBSTANTIAL ACQUISITION OF COMPANIES IN RETAILING BUSINESS

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

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

LOSS AND NET ASSET VALUE ATTRIBUTABLE TO SHAREHOLDERS

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

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

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

DIVIDENDS

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

BUSINESS REVIEW

(I) Infrastructure business

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

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

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

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

ISSUE OF COLLECTION RIGHT AND DEVELOPMENT OF ITS ARBITRATION

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

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

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

(II) Retailing business

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

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

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

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

** As at 31 December 2014*

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

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

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

CORPORATE FINANCE

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

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

PROSPECTS

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

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

APPRECIATION

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

Lee Shau Kee
Chairman

Hong Kong, 23 March 2015

BUSINESS RESULTS

Consolidated Statement of Profit or Loss
for the year ended 31 December 2014

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

Details of dividends payable to equity shareholders of the Company attributable to the year are set out in note 7.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2014

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

Consolidated Balance Sheet
at 31 December 2014

	Note	**2014** **HK$ million**	2013 HK$ million
Non-current assets			
Fixed assets		**71**	1
Intangible operating right		**361**	394
Trademarks	9	**51**	-
Goodwill	10	**810**	-
Non-current receivable		**-**	10
Deferred tax asset		**1**	-
		1,294	405
Current assets			
Inventories		**55**	-
Trade and other receivables	11	**67**	78
Cash and cash equivalents		**402**	1,185
		524	1,263
Current liabilities			
Trade and other payables	12	**296**	18
Amounts due to affiliates		**12**	-
Current taxation		**8**	1
		316	19
Net current assets		**208**	1,244
Total assets less current liabilities		**1,502**	1,649
Non-current liability			
Deferred tax liabilities		**16**	13
NET ASSETS		**1,486**	1,636

Consolidated Balance Sheet
at 31 December 2014 (continued)

	Note	**2014** **HK$ million**	2013 HK$ million
CAPITAL AND RESERVES			
Share capital		**612**	609
Reserves		**691**	824
Total equity attributable to equity shareholders of the Company		**1,303**	1,433
Non-controlling interests		**183**	203
TOTAL EQUITY		**1,486**	1,636

Notes:

1 Basis of preparation

The final results set out in this announcement do not constitute the Group's statutory financial statements for the year ended 31 December 2014 but are extracted from those financial statements.

The statutory 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 and the applicable requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32) in accordance with the transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The statutory financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

2 Changes in accounting policies

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

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

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

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

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

2 Changes in accounting policies (continued)

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

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

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

The HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements.

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

3 Turnover

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

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

In view of the uncertainty on the inflow of toll revenue to the Group as referred to in note 11, the Group did not recognise in these financial statements any toll fee income during the year (2013: HK$Nil).

4 Loss before taxation

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

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

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

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

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

5 Income tax

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

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

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

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

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

6 Segmental information

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 performance assessment, the Group has identified the following reportable segments.

Infrastructure	:	Investment in infrastructure projects in mainland China
Department store operation	:	Department store operation and management in Hong Kong

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

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

6 Segmental information (continued)

(a) Results of reportable segments

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

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

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

6 Segmental information (continued)

(b) Geographical information

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

	Revenue from external customers		**Specified non-current assets**	
	For the year ended 31 December		**At 31 December**	
	2014	2013	**2014**	2013
	HK$ million	HK$ million	**HK$ million**	HK$ million
Hong Kong	**105**	-	**931**	-
Mainland China	**-**	-	**362**	395
	105	-	**1,293**	395
	(note 3)	(note 3)		

(c) Other segment information

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

7 Dividends

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

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

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

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

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

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

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

9 Trademarks

	2014	2013
	HK$ million	HK$ million
Cost:		
At 1 January	**-**	-
Recognised upon the completion of the Acquisition (as referred to in note 4(a))	**51**	-
At 31 December	**51**	-
Accumulated amortisation:		
At 1 January	**-**	-
Charge for the year	**-**	-
At 31 December	**-**	-
Carrying amount:		
At 31 December	**51**	-

The Group has adopted the purchase price allocation method under the Acquisition, and has identified trademarks as an identifiable asset measured at fair value at the acquisition date based on the directors' valuation with reference to an independent valuation performed by a professional valuer. The Directors have assessed that there was no impairment on trademarks at 31 December 2014. The amortisation charge for the year is included in "Administrative expenses" in the consolidated statement of profit or loss.

10 Goodwill

	2014	2013
	HK$ million	HK$ million
At 1 January	**-**	-
Recognised upon the completion of the Acquisition (as referred to in note 4(a))	**810**	-
At 31 December	**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 balance sheet date. The Directors have assessed that there was no impairment on goodwill at 31 December 2014.

11 Trade and other receivables

	2014	2013
	HK$ million	HK$ million
Trade debtors	**6**	-
Consideration receivable	**53**	68
Deposits, prepayments and other receivables	**8**	10
	67	78

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

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

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

Trade debtors include toll income receivable which has been collected on behalf of the Group by 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 Hangzhou Qianjiang Third Bridge (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 holds the operating right of the Bridge) and the Hangzhou Toll Office. On 20 March 2012, the Group received a letter dated 18 March 2012 from the Hangzhou Toll Office which stated that, because the General Office of the People's Government of Zhejiang Province in 2003 provisionally fixed the period of entitlement to toll fee in respect of the Bridge to end on 19 March 2012, they would, commencing from 20 March 2012, provisionally suspend payment of toll fee to the Group in respect of the Bridge.

11 Trade and other receivables (continued)

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

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

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

In respect of other 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.

12 Trade and other payables

	2014 **HK$ million**	2013 HK$ million
Trade creditors	**225**	1
Accrued expenses and other payables	**59**	17
Rental deposits	**12**	-
	296	18

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

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

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

13 Review of results

The financial results for the year ended 31 December 2014 have been reviewed with no disagreement by the Audit Committee of the Company.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 have been agreed by the Company's auditor, PricewaterhouseCoopers Hong Kong, to the amounts set out in the Group's consolidated financial statements for the year then ended. The work performed by PricewaterhouseCoopers Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers Hong Kong on the preliminary announcement.

FINANCIAL REVIEW

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

Material acquisition and disposals

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

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

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

Results of operations

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

(a) Corporate level and Infrastructure business in mainland China

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

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

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

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

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

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

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

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

(b) *Department store operation in Hong Kong*

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

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

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

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

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

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

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

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

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

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

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

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

Financial resources, liquidity and loan maturity profile

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

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

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

Treasury and financial management

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

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

Charge on assets

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

Capital commitments

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

Contingent liabilities

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

Employees and remuneration policy

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

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

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

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

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

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

OTHER INFORMATION

Closure of Register of Members

1. Book Close for determining the entitlement to attend and vote at the annual general meeting

   The Register of Members of the Company will be closed from Friday, 29 May 2015 to Tuesday, 2 June 2015, both days inclusive, during which period no transfer of shares will be registered, for the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting. In order to qualify for attending and voting at the forthcoming annual general 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 Thursday, 28 May 2015.

2. Book Close for determining the qualification for the proposed final dividend

   The Register of Members of the Company will be closed from Monday, 8 June 2015 to Wednesday, 10 June 2015, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Registrar, Tricor Standard Limited at the aforementioned address not later than 4:30 p.m. on Friday, 5 June 2015.

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.

Audit Committee

The Audit Committee met in March 2015 and reviewed the system of internal control and the annual report for the year ended 31 December 2014.

Corporate Governance

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

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code of the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). Having made specific enquiry, the Company confirmed that all Directors have complied with the required standard as set out in the Model Code.

Forward-Looking Statements

This announcement 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.

By Order of the Board
Timon LIU Cheung Yuen
Company Secretary

Hong Kong, 23 March 2015

As at the date of this announcement, the Board comprises: (1) executive directors: Lee Shau Kee (Chairman), Lee Ka Kit, Lam Ko Yin, Colin, Lee Ka Shing, Li Ning and Lee Tat Man; and (2) independent non-executive directors: Kwong Che Keung, Gordon, Ko Ping Keung, Wu King Cheong and Leung Hay Man.