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

2016 FINAL RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

PROFIT AND NET ASSET VALUE ATTRIBUTABLE TO SHAREHOLDERS

The Group's profit attributable to equity shareholders for the year ended 31 December 2016 amounted to HK$100 million. Profit attributable to equity shareholders for the previous year, which included 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, was HK$449 million. Excluding the financial effects of this one-off item, the adjusted profit attributable to equity shareholders for the previous year amounted to HK$94 million. The Group's profit attributable to equity shareholders of HK$100 million for the year ended 31 December 2016 represented an increase of HK$6 million, or 6%, over the adjusted profit attributable to equity shareholders for the previous year. Earnings per share were HK 3.3 cents (2015 (adjusted): HK 3.1 cents).

At 31 December 2016, the net asset value attributable to equity shareholders amounted to HK$1,465 million or HK$0.48 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 Tuesday, 13 June 2017, 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 2016 will amount to HK 4.0 cents per share (2015: HK 4.0 cents per share). Final dividend will be distributed to shareholders on Monday, 19 June 2017.

BUSINESS REVIEW

The Group operates a department store business under the name of “Citistore” in six densely-populated residential districts (namely, Tsuen Wan, Yuen Long, Ma On Shan, Tseung Kwan O, Tai Kok Tsui and Tuen Mun). The stores aim to provide customers with “one-stop” shopping convenience through a vast selection of merchandise at reasonable and competitive prices. In order to provide customers with a better and more comfortable shopping experience, in January 2017 the Ma On Shan Citistore was relocated to operate at another spot in the same shopping mall:

Citistore Branches	**Location**	**Total sales area (square feet)**
Tsuen Wan	KOLOUR • Tsuen Wan II	150,641
Yuen Long	KOLOUR • Yuen Long	61,610
Ma On Shan	Sunshine City Plaza	100,301*
Tseung Kwan O	Metro City Phase 2 Shopping Arcade	107,879
Tai Kok Tsui	Metro Harbour Plaza	90,760
Tuen Mun	North Wing, The Trend Plaza	17,683
	Total:	**528,874**

** being the sales area for the shop after relocation in January 2017*

The Group launched various initiatives to raise the attractiveness of its department stores, as well as the market awareness of the Citistore brand. For instance, “CITIZEN’S EDIT”, a fashion concept store and ‘CTBeatZ”, a cultural and creative platform, were both introduced in its Ma On Shan store, offering a fresh shopping experience to customers. By sourcing branded apparel from around the world, “CITIZEN’S EDIT” satisfied the needs of young, style-savvy urbanites with limited editions of signature items. ‘CTBeatZ” organised various creative events and workshops (ranging from wine tasting to food and handicrafts production) thereby enriching their customers’ product knowledge and lifestyle experience. In addition, Citistore continued to leverage the power of social media platforms (such as Facebook and Instagram) to showcase and promote its products and brands, whilst an online shopping platform, “oncitinet”, was also unveiled in April 2016 so as to expand the brand’s market coverage and provide greater flexibility for its shoppers through diversified consumption channels.

Affected by the declining inbound tourist spending and dwindling local consumer sentiment, the value of total retail sales in Hong Kong for 2016 decreased by 8.1% compared with a year earlier. Nevertheless, by offering affordable household necessities, “Citistore” recorded only a slight year-on-year decrease of 0.7% in total sales proceeds (which were derived from the sales of own goods, as well as from concessionaire and consignment sales) compared with the previous year with its breakdown as follows:

	For the year ended 31 December	
	2016	2015
	HK$ million	HK$ million
Proceeds from sales of own goods	434	443
Proceeds from concessionaire and consignment sales	1,446	1,451
Total:	**1,880**	**1,894**

Sales of Own Goods and Gross Margin

During the year under review, Citistore's sales of own goods decreased by 2% to HK$434 million with the gross margin slightly lowered from 36% to 35% due to intensified price competition in the retail market. The Household & Toys category contributed approximately 52% of the total revenue from sales of goods, the Apparels category contributed approximately 33% and the balance of approximately 15% came from the categories of Food and Cosmetics.

	For the year ended 31 December	
	2016	2015
	HK$ million	HK$ million
Sales of own goods	434	443
Gross profit (after netting the cost of inventories sold)	151	161
Gross margin	35%	36%

Rental Income from Concessionaire and Consignment Counters

Citistore's concessionaire sales are conducted by licensing portions of shop spaces to its concessionaires to use for their own counters to sell their products, whilst consignment sales comprise the sales of consignors' own products on or in designated shelves, areas or spaces. Citistore charges these concessionaire and consignment counters on the basis of revenue sharing or basic rent (if any), whichever is higher, as its rental income. During the year under review, the total rental income derived from these concessionaire and consignment counters remained stable at HK$430 million, despite a slight decrease of 0.3% to HK$1,446 million in the total sales proceeds generated from these counters as shown below:

	For the year ended 31 December	
	2016	2015
	HK$ million	HK$ million
Sales proceeds from concessionaire counters	545	569
Sales proceeds from consignment counters	901	882
Total:	**1,446**	**1,451**
Rental income from concessionaire and consignment counters	**430**	**429**

Citistore's Profit Contribution

In view of a decline in aggregate sales proceeds, Citistore maintained its business performance by strengthening its controls over all expenditure. As a result, Citistore recorded a decrease in its total operating expenses even after taking into account the Ma On Shan premises relocation expenses during the year under review. The after-tax profit contribution only decreased by HK$6 million, or 6%, to HK$97 million:

	For the year ended 31 December	
	2016	2015
Operating Expenses	**HK$ million**	HK$ million
Salaries and related costs	112	123
Rental and related costs	240	229
Selling and marketing expenses	21	23
Administrative and other expenses	57	61
Total:	**430**	**436**
Citistore's Profit after taxation:	**97**	**103**

Overall, after taking into account the interest income generated from the cash proceeds regarding the compensation payment received in 2015 and the overheads of its head office, the Group's profit attributable to equity shareholders from continuing operation for the year under review amounted to HK$100 million, representing an increase of HK$6 million or 6% over that of HK$94 million (after excluding the above-mentioned one-off gain) for the previous year.

CORPORATE FINANCE

At 31 December 2016, the Group had no bank borrowings (31 December 2015: Nil) and its net cash and bank balances amounted to HK$801 million (31 December 2015: HK$791 million).

PROSPECTS

Looking ahead, competition among retailers is expected to intensify in Hong Kong. Following the recent successful launch of “CITIZEN’S EDIT” and ‘CTBeatZ”, the Group will roll out more initiatives to improve the overall shopping environment of its stores and offer more quality products to its customers so as to meet their discerning needs. The Group will also continue to step up its promotional efforts and cost controls, thereby enabling the sustainable business growth of Citistore.

APPRECIATION

I would 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 2017

BUSINESS RESULTS

Consolidated Statement of Profit or Loss
for the year ended 31 December 2016

	Note	**2016** **HK$ million**	2015 HK$ million
Continuing operation:			
Revenue	3	**871**	879
Direct costs		**(687)**	(684)
		184	195
Other revenue	4	**10**	12
Other income, net	5	**8**	1
Selling and marketing expenses		**(21)**	(23)
Administrative expenses		**(62)**	(70)
Profit before taxation	6	**119**	115
Income tax	7	**(19)**	(21)
Profit for the year from continuing operation		**100**	94
Discontinued operation:			
Profit for the year from discontinued operation		**-**	215
Profit for the year		**100**	309
Attributable to:			
Equity shareholders of the Company			
– Continuing operation	10(a)	**100**	94
– Discontinued operation	10(b)	**-**	355
		100	449
Non-controlling interests			
– Continuing operation		**-**	-
– Discontinued operation		**-**	(140)
		-	(140)
Profit for the year		**100**	309
		HK cents	HK cents
Earnings per share – basic and diluted			
– From continuing operation	10(a)	**3.3**	3.1
– From discontinued operation	10(b)	**-**	11.6
		3.3	14.7

Details of dividends payable to equity shareholders of the Company are set out in note 9.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2016

	2016 **HK$ million**	2015 HK$ million
Profit for the year	**100**	309
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)**	(5)
– Reversal of the exchange reserve attributable to the Joint Venture Company from equity to profit or loss	**-**	(138)
Total comprehensive income for the year	**95**	166
Attributable to:		
Equity shareholders of the Company	**98**	308
Non-controlling interests	**(3)**	(142)
Total comprehensive income for the year	**95**	166
Total comprehensive income for the year arising from:		
– Continuing operation	**95**	89
– Discontinued operation	**-**	77
	95	166
Total comprehensive income attributable to equity shareholders of the Company arising from:		
– Continuing operation	**98**	91
– Discontinued operation	**-**	217
	98	308

Consolidated Statement of Financial Position
at 31 December 2016

	Note	**2016** **HK$ million**	2015 HK$ million
Non-current assets			
Fixed assets		**101**	73
Trademarks		**47**	49
Goodwill		**810**	810
Deferred tax asset		**2**	1
		960	933
Current assets			
Inventories		**61**	66
Trade and other receivables	11	**55**	57
Cash and bank balances		**801**	791
		917	914
Current liabilities			
Trade and other payables	12	**305**	271
Amounts due to affiliates		**51**	28
Current taxation		**5**	3
		361	302
Net current assets		**556**	612
Total assets less current liabilities		**1,516**	1,545
Non-current liability			
Deferred tax liabilities		**14**	15
NET ASSETS		**1,502**	1,530

Consolidated Statement of Financial Position
at 31 December 2016 (continued)

	Note	**2016** **HK$ million**	2015 HK$ million
CAPITAL AND RESERVES			
Share capital		**612**	612
Reserves		**853**	877
Total equity attributable to equity shareholders of the Company		**1,465**	1,489
Non-controlling interests		**37**	41
TOTAL EQUITY		**1,502**	1,530

Notes:

1 Basis of preparation

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 (Cap. 622). 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 financial information relating to the years ended 31 December 2016 and 2015 included in this preliminary announcement of annual results do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622) and will deliver the financial statements for the year ended 31 December 2016 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap.622).

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 the following amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company:

- Annual improvements to HKFRSs 2012-2014 cycle
- Amendments to HKAS 1, *Disclosure initiative*
- Amendments to HKAS 16, and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

The HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2016 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
Amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*	1 January 2017
Amendments to HKAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

The adoption of the amendments to HKAS 7, the amendments to HKAS 12 and HKFRS 9 are unlikely to have a significant impact on the Group's consolidated financial statements.

Management has performed a preliminary assessment and expects that the implementation of HKFRS 15 would not result in any significant impact on the Group's financial position and results of operation.

HKFRS 16 will result in almost all leases being recognised in the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals will be recognised, and an annual depreciation charge on the asset and an annual interest expense on the financial liability, instead of an annual operating lease payment, will be recognised in the statement of profit or loss. The only exceptions are short-term and low-value leases. The standard will affect primarily the accounting for Group's operating leases. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. The accounting treatment for the Group as lessor will not significantly change.

3 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:

	2016	2015
	HK$ million	HK$ million
Sale of goods	**434**	443
Rental income from consignment counters (note)	**269**	262
Rental income from concessionaire counters (note)	**161**	167
Promotion income	**7**	7
	871	879
	(note 8(b))	(note 8(b))

Note: Included total contingent rental income of HK$188 million (2015: HK$191 million) during the year.

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

	2016	2015
	HK$ million	HK$ million
Receipts from sale of goods by consignment counters	**901**	882
Receipts from sale of goods by concessionaire counters	**545**	569
	1,446	1,451

4 Other revenue

	2016	2015
	HK$ million	HK$ million
Sponsorship fees	**3**	3
Rental for antenna site	**4**	5
Sundry income	**3**	4
	10	12

5 Other income, net

	2016 **HK$ million**	2015 HK$ million
Bank interest income	**7**	5
Net foreign exchange loss	**-**	(8)
Sundry income	**1**	4
	8	1

6 Profit before taxation

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

	2016 **HK$ million**	2015 HK$ million
(a) Directors' emoluments:		
Directors' fees, salaries, allowances and benefits-in-kind	**1**	1
(b) Staff costs (other than directors' emoluments):		
Salaries, wages and other benefits	**140**	157
Contributions to defined contribution retirement plan	**7**	7
(c) Other items:		
Amortisation of trademarks (note 8(c))	**2**	2
Depreciation (note 8(c))	**25**	27
Auditors' remuneration		
− audit services	**2**	2
− non-audit services	**-**	-
Operating lease charges in respect of rental premises	**248**	236
Cost of inventories sold	**283**	282
Rentals receivable less direct outgoings of HK$354 million (2015: HK$355 million)	**(76)**	(74)

7 Income tax

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

	2016 **HK$ million**	2015 HK$ million
Current tax – Hong Kong		
– provision for the year	**21**	20
Current tax – mainland China		
– provision for the year	**-**	2
Deferred taxation		
– origination and reversal of temporary differences	**(2)**	(1)
	19	21

Provision for Hong Kong Profits Tax has been made at 16.5% (2015: 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 2015/16 subject to a ceiling of HK$20,000 (2014/15: HK$20,000) 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 2016 was 25% (2015: 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 years is 5%.

8 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.

8 Segment reporting (continued)

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.

(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 corresponding 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	Segment results	Revenue	Segment results	Revenue	Segment results
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	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

No segmental information for the year ended 31 December 2016 is presented as the Group's revenue and trading results for the year were generated solely from its continuing operation, the revenue of which amounted to HK$871 million (2015: HK$879 million) during the year and the pre-tax profit from operation of which amounted to HK$116 million (2015: HK$123 million) during the year.

8 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, 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 trademarks and goodwill.

	Revenue from external customers		**Specified non-current assets**	
	For the year ended 31 December		**At 31 December**	
	2016	2015	**2016**	2015
	HK$ million	HK$ million	**HK$ million**	HK$ million
Hong Kong	**871**	879	**958**	932
	(note 3)	(note 3)		

(c) Other segment information

	Amortisation and depreciation	
	For the year ended 31 December	
	2016	2015
	HK$ million	HK$ million
Continuing operation:		
Department store operation (note 6(c))	**27**	29
Discontinued operation:		
Infrastructure	**-**	10
	27	39

9 Dividends

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

	2016 **HK$ million**	2015 HK$ million
Interim dividend declared and paid of HK2 cents (2015: HK2 cents) per share	**61**	61
Final dividend proposed after the end of the reporting period of HK2 cents (2015: 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

	2016 **HK$ million**	2015 HK$ million
Final dividend in respect of the previous financial year, approved and paid during the year of HK2 cents (2015: HK2 cents) per share	**61**	61

10 Earnings 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$100 million (2015: HK$94 million) and 3,047,327,395 (2015: 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 per share is based on the profit attributable to equity shareholders of the Company of HK$ Nil (2015: HK$355 million) and 3,047,327,395 (2015: 3,047,327,395) ordinary shares, being the number of ordinary shares in issue throughout the year.

11 Trade and other receivables

	2016 **HK$ million**	2015 HK$ million
Trade debtors	**7**	6
Consideration receivable	**40**	43
Deposits, prepayments and other receivables	**8**	8
	55	57

The consideration receivable was repaid to the Group on 2 March 2017.

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.

At 31 December 2016, all of the trade and other receivables were expected to be recovered or recognised as expense within one year.

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

	2016 **HK$ million**	2015 HK$ million
Current or under 1 month overdue	**7**	6

12 Trade and other payables

	2016 **HK$ million**	2015 HK$ million
Trade creditors	**209**	206
Accrued expenses and other payables	**84**	53
Rental deposits	**12**	12
	305	271

At 31 December 2016, all of the trade and other payables were interest-free and repayable within one year or on demand except for an amount of HK$3 million (2015: HK$4 million) which was expected to be settled after more than one year.

12 Trade and other payables (continued)

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

	2016 **HK$ million**	2015 HK$ million
Due within 1 month or on demand	**190**	187
Due after 1 month but within 3 months	**19**	19
	209	206

13 Review of results

The financial results for the year ended 31 December 2016 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 2016 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 2016.

Material acquisitions and disposals

During the year ended 31 December 2016, the Group did not undertake any significant acquisition or disposal of subsidiaries or assets.

Results of operations

On 30 April 2015, the Group fully impaired its interest in the intangible operating right of Hangzhou Qianjiang Third Bridge and therefore discontinued its investment in the infrastructure business in mainland China. As a result, the Group recognised a one-off net gain attributable to equity shareholders of HK$355 million for the corresponding year ended 31 December 2015.

During the year ended 31 December 2016, the Group was engaged in the operation of department stores in Hong Kong under the name of "*Citistore*" through Citistore (Hong Kong) Limited ("Citistore HK"), a wholly-owned subsidiary of the Company, which remained to be the Group's continuing business operation and the sole contributor of revenue to the Group.

(a) Department store operation in Hong Kong

The Group recognised the following financial performance of Citistore HK for the year ended 31 December 2016:

(i) revenue of HK$871 million (2015: HK$879 million) which comprises mainly the revenue derived from the sales of goods of HK$434 million (2015: HK$443 million) and the rental income derived from consignment counters and concessionaire counters of HK$269 million and HK$161 million respectively (2015: HK$262 million and HK$167 million respectively);

(ii) direct costs of HK$687 million (2015: HK$684 million) which comprise mainly the cost of inventories sold of HK$283 million (2015: HK$282 million), the rental and related expenses of the store outlets of HK$240 million (2015: HK$229 million), and the staff salaries and related expenses of the store outlets of HK$112 million (2015: HK$123 million);

(iii) other revenue of HK$10 million (2015: HK$12 million) which comprises sponsorship fees, rental income for antenna site and sundry income;

(iv) selling and marketing expenses of HK$21 million (2015: HK$23 million) which comprise advertising and promotion expenditures;

(v) administrative expenses of HK$57 million (2015: HK$61 million) which comprise mainly salaries and related expenses of the administrative staffs of HK$36 million (2015: HK$39 million); and

(vi) income tax charge of HK$19 million (2015: HK$20 million) in relation to the provision for Hong Kong Profits Tax for the year.

As a result, for the year ended 31 December 2016, the Group recognised post-tax profit contribution of HK$97 million (2015: HK$103 million) from Citistore HK.

As referred to above, for the year ended 31 December 2016, Citistore HK recorded revenue of HK$871 million (2015: HK$879 million) which represents a year-on-year decrease of HK$8 million or 0.9% from that for the corresponding year ended 31 December 2015. Such decrease is mainly attributable to the weakened retail market sentiment in Hong Kong during the year ended 31 December 2016 when compared with that for the corresponding year ended 31 December 2015, despite the three rounds of sales promotion activities spanning a total of 28 days during the period from 1 April 2016 to 31 October 2016 of the year (During the corresponding period from 1 April 2015 to 31 October 2015: two rounds of sales promotion activities spanning a total of 18 days).

Profit after taxation of Citistore HK for the year ended 31 December 2016 amounted to HK$97 million (2015: HK$103 million) which represents a year-on-year decrease of HK$6 million or 5.8% from that for the corresponding year ended 31 December 2015. Such decrease is attributable to the decreases in revenue and other revenue in the aggregate amount of HK$10 million and the increase in direct costs of HK$3 million, as well as the savings in selling and marketing expenses, administrative expenses and income tax charge in the aggregate amount of HK$7 million, for the year ended 31 December 2016 when compared with that for the corresponding year ended 31 December 2015.

(b) Corporate level

In addition, during the year ended 31 December 2016, the Group recognised other net income of HK$8 million (2015: HK$9 million), administrative expenses of HK$5 million (2015: HK$9 million) and nil income tax charge (2015: HK$1 million), whilst the net foreign exchange loss of HK$8 million for the corresponding year ended 31 December 2015 (which arose from the conversion of certain cash balances from Renminbi ("RMB") to Hong Kong dollars ("HKD") at a devalued RMB/HKD exchange rate) did not recur for the year ended 31 December 2016. As a result, at the corporate level, the profit after tax attributable to equity shareholders amounted to HK$3 million for the year ended 31 December 2016 (2015 : loss attributable to equity shareholders of HK$9 million).

Aggregating the abovementioned profits after tax of Citistore HK and at corporate level for the year ended 31 December 2016, the Group recorded total profit after tax attributable to equity shareholders from continuing operation in the amount of HK$100 million for the year ended 31 December 2016 (2015: HK$94 million).

Financial resources, liquidity and loan maturity profile

At 31 December 2016, the Group had no bank borrowings (2015: Nil). The Group had net cash and bank balances of HK$801 million at 31 December 2016 (2015: HK$791 million).

During the year ended 31 December 2016, the Group did not recognize any finance costs (2015: Nil).

Based on the Group's net cash and bank balances of HK$801 million at 31 December 2016, 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 2016 and 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 Hong Kong dollars) 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 2016 and 2015.

Charge on assets

Assets of the Group were not charged to any parties at 31 December 2016 and 2015.

Capital commitments

At 31 December 2016, 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 (2015: HK$1 million).

Contingent liabilities

At 31 December 2016 and 2015, the Group did not have any contingent liabilities.

Employees and remuneration policy

At 31 December 2016, the Group had 625 (2015: 643) full-time employees and 138 (2015: 149) part-time employees, as follows:

	Full-time employees		***Part-time employees***	
	At 31 December		**At 31 December**	
	2016	2015	**2016**	2015
	HK$ million	HK$ million	**HK$ million**	HK$ million
Corporate level	**2**	5	**-**	-
Citistore HK	**623**	638	**138**	149
Total	**625**	643	**138**	149

In relation to the Group's full-time employees at the corporate level, 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 Mandatory Provident Fund for eligible employees, 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 2016 amounted to HK$148 million (2015: HK$166 million), as follows:

	For the year ended 31 December	
	2016	2015
	HK$ million	HK$ million
Continuing operation :		
Citistore HK	**147**	162
Corporate level	**1**	3
Discontinued operation :		
Infrastructure business in mainland China	**-**	1
Total	**148**	166

The decrease in the Group's total staff costs during the year ended 31 December 2016 is in line with the decrease in the headcount of employees during the year, as referred to above.

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 Tuesday, 30 May 2017 to Monday, 5 June 2017, 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 Monday, 29 May 2017.

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

   The Register of Members of the Company will be closed from Friday, 9 June 2017 to Tuesday, 13 June 2017, 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 Thursday, 8 June 2017.

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 2017 and reviewed the risk management and internal control systems and the annual report for the year ended 31 December 2016.

Corporate Governance

During the year ended 31 December 2016, 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. The Company is of the 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 Ka Shing's in-depth expertise and knowledge in business and the Group.

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, 21 March 2017

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