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

2017 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 2017 amounted to HK$111 million, representing an increase of HK$11 million or 11% over HK$100 million for the previous year. The increase was mainly the net result of the net gain of HK$33 million arising from the completion of the winding-up proceedings for the discontinued infrastructure operation in mainland China during the year under review, and the reduced profit contribution of HK$23 million from Citistore. Earnings per share were HK 3.6 cents (2016: HK 3.3 cents).

At 31 December 2017, the net asset value attributable to equity shareholders amounted to HK$1,430 million or HK$0.47 per share.

DIVIDENDS

The Board recommends the payment of a final dividend of HK 2.0 cents per share to shareholders whose names appear on the Register of Members of the Company on Monday, 11 June 2018, 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 2017 will amount to HK 4.0 cents per share (2016: HK 4.0 cents per share).

The proposed final dividend is expected to be distributed to shareholders on Friday, 15 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group operates a department store business in the following six densely-populated residential districts under the name “Citistore”, which aims to provide customers with “one-stop” shopping convenience by offering a wide variety of reliable merchandise at competitive prices:

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	MCP Central	128,165
Tai Kok Tsui	Metro Harbour Plaza	90,760
Tuen Mun	North Wing, The Trend Plaza	17,683
	Total:	**549,160**

During the year under review, the Group rolled out the following initiatives to enhance the competitiveness of Citistore:

- In January 2017, the Ma On Shan store was relocated to operate at another location in the same shopping mall, whilst the Tseung Kwan O store was also expanded and revamped during the year. With more spacious floor areas, both stores have been well-received by customers as they offer a more enjoyable shopping experience with the addition of more proprietary brands. For instance, “CITIZEN’S EDIT”, a fashion concept store and ‘CTBeatZ”, a cultural and creative platform, were both newly introduced in these two stores. By sourcing branded trendy apparel and accessories from around the world, “CITIZEN’S EDIT” satisfies the needs of young, style-savvy urbanites by offering them limited editions of signature items. ‘CTBeatZ” organised various creative events and workshops, thereby enriching their customers’ product knowledge and lifestyle experience.

- Citistore continues to harness technology to foster closer interaction with its customers. “Citi-Fun”, a new mobile phone app launched in April 2017, keeps customers fully informed of the latest promotional privileges. To encourage repeated patronage and more spending, a newly-designed customer loyalty programme and special price offers to “Citi-Fun” members have been put in place. The customers’ responses to this programme are positive and by the end of December 2017, Citistore had over 160,000 “Citi-Fun” members.

- In September 2017, Citistore launched an innovative promotional campaign to attract more shoppers. The campaign consisted of four birdie mascots, namely, “Ka Ka”, Ra Ra”, “Fu Fu’ and “Ru Ru”, which together have a similar pronunciation to “Colourful” in Japanese, reflecting Citistore’s mission of “adding colors to customers’ life”. In recognition of its sustained excellent performance, Citistore received the Gold Award in Department Store Category of the “Outstanding QTS Merchant Award 2017” organized by the Hong Kong Tourism Board.

As the sales of winter season merchandise were affected by the exceptionally warm weather in January and February 2017, Citistore recorded a year-on-year decrease of 4% in total sales (which were derived from the sales of own goods, as well as from concessionaire and consignment sales) for the year ended 31 December 2017, with its breakdown as follows:

	For the year ended 31 December	
	2017	2016
	HK$ million	HK$ million
Proceeds from sales of own goods	410	434
Proceeds from concessionaire and consignment sales	1,400	1,446
Total:	**1,810**	**1,880**

Sales of Own Goods and Gross Margin

During the year under review, Citistore's sales of own goods declined by 6% year-on-year to HK$410 million but its gross margin remained steady at 35%. The Household & Toys category made up approximately 53% of the total revenue from sales of goods, the Apparels category contributed approximately 31% and the balance of approximately 16% came from the categories of Foods and Cosmetics.

	For the year ended 31 December	
	2017	2016
	HK$ million	HK$ million
Sales of own goods	410	434
Gross profit (after netting the cost of inventories sold)	142	151
Gross margin	35%	35%

Rental Income from Concessionaire and Consignment Counters

Citistore's concessionaire sales are conducted by licensing portions of shop spaces to its concessionaires for setting up their own concession counters to sell their products, whilst consignment sales comprise the 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 decreased by 3% year-on-year to HK$417 million, in line with the year-on-year decrease of 3% to HK$1,400 million in the total sales proceeds generated from these counters as shown below:

		For the year ended 31 December	
		2017	2016
		HK$ million	HK$ million
Sales proceeds from concessionaire counters		517	545
Sales proceeds from consignment counters		883	901
	Total:	**1,400**	**1,446**
Rental income from concessionaire and consignment counters		**417**	**430**

Citistore's Profit Contribution

With the decrease in gross profit of HK$9 million from the sales of own goods, as well as the decrease in rental income from concessionaire and consignment counters in the aggregate amount of HK$13 million, Citistore's profit after taxation for the year ended 31 December 2017 decreased by HK$23 million or 24% to HK$74 million, despite its relentless efforts in raising efficiency and controlling operating costs:

		For the year ended 31 December	
		2017	2016
Operating Expenses		**HK$ million**	HK$ million
Salaries and related costs		113	112
Rental and related costs		235	240
Selling and marketing expenses		21	21
Administrative and other expenses		61	57
	Total:	**430**	**430**
Citistore's Profit after taxation:		**74**	**97**

Overall, after taking into account a net gain of HK$33 million arising from the completion of the winding-up proceedings for the discontinued infrastructure operation in mainland China, the Group's profit attributable to equity shareholders for the year under review amounted to HK$111 million, representing an increase of HK$11 million or 11% over that of HK$100 million for the previous year.

CORPORATE FINANCE

At 31 December 2017, the Group had no bank borrowings (31 December 2016: Nil) and its cash and bank balances amounted to HK$756 million (31 December 2016: HK$801 million).

PROSPECTS

Given the improving local consumption since the last quarter of 2017, as well as increasing inbound tourism, the Group is cautiously optimistic about the business outlook for 2018. To capitalise on the encouraging responses to the customer loyalty programme "Citi-Fun", Citistore will target to increase the average ticket size and encourage repeated patronage among their members. It will also continue to launch creative marketing campaigns and exercise stringent cost controls, thereby enhancing the overall results.

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 2018

BUSINESS RESULTS

Consolidated Statement of Profit or Loss

for the year ended 31 December 2017

	Note	**2017**	2016
		HK$ million	HK$ million
Revenue	3	**834**	871
Direct costs		**(673)**	(687)
		161	184
Other revenue	4	**10**	10
Other income/gain	5	**44**	8
Selling and marketing expenses		**(21)**	(21)
Administrative expenses		**(69)**	(62)
Profit before taxation	6	**125**	119
Income tax	7	**(15)**	(19)
Profit for the year		**110**	100
Attributable to:			
Equity shareholders of the Company		**111**	100
Non-controlling interests		**(1)**	-
Profit for the year		**110**	100
		HK cents	HK cents
Earnings per share			
– Basic and diluted	10	**3.6**	3.3

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 2017

	2017	2016
	HK$ million	HK$ million
Profit for the year	**110**	100
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	**2**	(5)
– Reversal of the exchange reserve from equity to profit or loss	**(25)**	-
Total comprehensive income for the year	**87**	95
Attributable to:		
Equity shareholders of the Company	**87**	98
Non-controlling interests	**-**	(3)
Total comprehensive income for the year	**87**	95

Consolidated Statement of Financial Position

at 31 December 2017

	Note	**2017**	2016
		HK$ million	HK$ million
Non-current assets			
Fixed assets		**90**	101
Trademarks		**45**	47
Goodwill		**810**	810
Deferred tax asset		**1**	2
		946	960
Current assets			
Inventories		**59**	61
Trade and other receivables	11	**18**	55
Cash and bank balances		**756**	801
		833	917
Current liabilities			
Trade and other payables	12	**269**	305
Amounts due to affiliates		**67**	51
Current taxation		**5**	5
		341	361
Net current assets		**492**	556
Total assets less current liabilities		**1,438**	1,516
Non-current liability			
Deferred tax liabilities		**8**	14
NET ASSETS		**1,430**	1,502

Consolidated Statement of Financial Position

at 31 December 2017 (continued)

	Note	**2017**	2016
		HK$ million	HK$ million
CAPITAL AND RESERVES			
Share capital		**612**	612
Reserves		**818**	853
Total equity attributable to equity shareholders of the Company		**1,430**	1,465
Non-controlling interests		**-**	37
TOTAL EQUITY		**1,430**	1,502

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 2017 and 2016 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 2016 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 2017 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:

- Amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*
- Amendments to HKAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*

Under the amendments to HKAS 7, an entity is required to provide disclosures that enable users of financial statements to evaluate movements in the carrying amounts of items relating to financing activities during the financial period/year. Except for the aforementioned, none of these developments has had a material effect on the preparation or presentation of the group's results and financial position for the current or prior periods.

Up to the date of issue of these financial statements, the HKICPA has issued a few new standards which are not yet effective for the financial year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

HKFRS 9 introduces, inter alia, new classification and measurement requirements for financial assets on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, and a new expected credit loss model that replaces the incurred loss impairment model used in HKAS 39, *Financial instruments: Recognition and measurement* ("HKAS 39"). Based on management's initial assessment,

- The classification of its financial assets in accordance with the requirement of HKFRS 9 will not have a material impact on the net assets of the consolidated statement of financial position of the Group; and
- Impairment based on expected credit loss model on the Group's trade receivables have no significant financial impacts.

Under HKFRS 15, revenue from sale of goods and provision of services will be recognised when the customer obtains control of the promised goods or services in the contract. Management has initially assessed the impact of the adoption of HKFRS 15 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.

2 Changes in accounting policies (continued)

Under HKFRS 16, a lessee is required to recognise at its inception a right-of-use asset and a lease liability in the statement of financial position, and the related depreciation charge on the right-of-use asset and the related interest expenses on the lease liability in the statement of profit or loss as the distinction between operating and finance leases is removed. The only exceptions are short-term and low value leases. The accounting for lessors will not significantly change. Management has initially assessed that the adoption of HKFRS 16 would affect the leases of properties as a lessee currently classified as operating leases, which result in an increase in both assets and liabilities and to impact on the timing of recognition in the statement of profit or loss over the period of the leases. A portion of the Group's future minimum lease payments under non-cancellable operating leases is payable between one and five years after the end of the reporting period and after five years from the end of the reporting period. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will perform a more detailed analysis taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

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:

	2017 **HK$ million**	2016 HK$ million
Sale of goods	**410**	434
Rental income from consignment counters (note)	**264**	269
Rental income from concessionaire counters (note)	**153**	161
Promotion income	**7**	7
	834	871

Note: Included total contingent rental income of HK$182 million (2016: HK$188 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:

	2017 **HK$ million**	2016 HK$ million
Receipts from sale of goods by consignment counters	**883**	901
Receipts from sale of goods by concessionaire counters	**517**	545
	1,400	1,446

4 Other revenue

	2017 HK$ million	2016 HK$ million
Sponsorship fees	**3**	3
Rental income for antenna site	**4**	4
Sundry income	**3**	3
	10	10

5 Other income/gain

	2017 HK$ million	2016 HK$ million
Bank interest income	**10**	7
Net gain on winding-up of subsidiaries (note)	**33**	-
Sundry income	**1**	1
	44	8

Note: The amount represents the reversal of the Group's attributable share of the exchange reserve of HK$25 million and write-back of accounts payable of HK$8 million upon the winding-up of two subsidiaries, namely, Tianjin Jinning Roads Bridges Construction Development Company Limited and Tianjin Wanqiao Project Development Company Limited, which was completed on 16 November 2017.

6 Profit before taxation

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

		2017	2016
		HK$ million	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	**146**	140
	Contributions to defined contribution retirement plan	**7**	7
(c)	***Other items:***		
	Amortisation of trademarks	**2**	2
	Depreciation	**33**	25
	Auditors' remuneration		
	− audit services	**2**	2
	− non-audit services	**1**	-
	Operating lease charges in respect of rental premises (note)	**242**	248
	Cost of inventories sold	**268**	283
	Rentals receivable less direct outgoings of HK$366 million (2016: HK$354 million)	**(51)**	(76)

Note: The contingent rental expenses were HK$6 million (2016: HK$11 million) during the year.

7 Income tax

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

	2017 **HK$ million**	2016 HK$ million
Current tax – Hong Kong		
– provision for the year	**14**	21
Current tax – mainland China		
– provision for the year	**6**	-
Deferred taxation		
– origination and reversal of temporary differences	**(5)**	(2)
	15	19

Provision for Hong Kong Profits Tax has been made at 16.5% (2016: 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 2016/17 subject to a ceiling of HK$20,000 (2015/16: 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 entities in mainland China, the applicable principal income tax rate for the year ended 31 December 2017 was 25% (2016: 25%).

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

8 Segment reporting

No segmental information for the year ended 31 December 2017 is presented as the Group's revenue and trading results for the year were generated solely from its department store operation in Hong Kong, the revenue of which amounted to HK$834 million (2016: HK$871 million) during the year and the pre-tax profit from operation of which amounted to HK$89 million (2016: HK$116 million) during the year.

Geographical information

Since all of the Group's revenue was generated in Hong Kong during the years ended 31 December 2017 and 2016, and all of the Group's fixed assets, trademarks and goodwill at 31 December 2017 and 2016 were located in Hong Kong, no geographical information on the aforementioned items is presented in accordance with HKFRS 8, *Operating segments*.

9 Dividends

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

	2017 **HK$ million**	2016 HK$ million
Interim dividend declared and paid of HK2 cents (2016: HK2 cents) per share	**61**	61
Final dividend proposed after the end of the reporting period of HK2 cents (2016: 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

	2017 **HK$ million**	2016 HK$ million
Final dividend in respect of the previous financial year, approved and paid during the year of HK2 cents (2016: HK2 cents) per share	**61**	61

10 Earnings per share – basic and diluted

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK$111 million (2016: HK$100 million) and 3,047,327,395 (2016: 3,047,327,395) ordinary shares, being the number of ordinary shares in issue throughout the year.

11 Trade and other receivables

	2017 **HK$ million**	2016 HK$ million
Trade debtors	**12**	7
Consideration receivable	**-**	40
Deposits, prepayments and other receivables	**6**	8
	18	55

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 2017, 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:

	2017 **HK$ million**	2016 HK$ million
Current or under 1 month overdue	**12**	7

12 Trade and other payables

	2017 **HK$ million**	2016 HK$ million
Trade creditors	**209**	209
Accrued expenses and other payables	**48**	84
Rental deposits	**12**	12
	269	305

At 31 December 2017, all of the trade and other payables were interest-free and repayable within one year or on demand except for an amount of HK$2 million (2016: HK$3 million) which was expected to be settled after more than one year.

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

	2017 **HK$ million**	2016 HK$ million
Due within 1 month or on demand	**191**	190
Due after 1 month but within 3 months	**18**	19
	209	209

13 Review of results

The financial results for the year ended 31 December 2017 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 2017 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 2017.

Results of operations

During the year ended 31 December 2017, 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 2017 as compared with the corresponding year ended 31 December 2016:

		Year ended 31 December		*Increase / (Decrease)*	*Increase / (Decrease)*
		2017	2016		
	Note	**HK$ million**	HK$ million	*HK$ million*	*%*
Revenue					
- Sale of goods		**410**	434	*(24)*	*-6%*
- Rental income derived from consignment counters		**264**	269	*(5)*	*-2%*
- Rental income derived from concessionaire counters		**153**	161	*(8)*	*-5%*
- Promotion income		**7**	7	*0*	-
	(i)	**834**	871	*(37)*	*-4%*
Direct costs					
- Cost of inventories sold		**(268)**	(283)	*15*	*-5%*
- Rental and related expenses of the store outlets		**(235)**	(240)	*5*	*-2%*
- Staff salaries and related expenses of the store outlets		**(113)**	(112)	*(1)*	*+1%*
- Depreciation charge on leasehold improvements	*(iii)*	**(29)**	(22)	*(7)*	*+32%*
- Others		**(28)**	(30)	*2*	*-7%*
	(ii)	**(673)**	(687)	*14*	*-2%*
Other revenue	*(iv)*	**10**	10	*0*	-
Selling and marketing expenses	*(v)*	**(21)**	(21)	*0*	-
Administrative expenses	*(vi)*	**(61)**	(57)	*(4)*	*+7%*
Profit before taxation		**89**	116	*(27)*	*-23%*
Income tax	*(vii)*	**(15)**	(19)	*4*	*-21%*
Profit after taxation attributable to equity shareholders of the Company		**74**	97	*(23)*	*-24%*

Notes:

(i) The year-on-year decrease in revenue of HK$37 million, or 4%, is mainly attributable to (i) a significantly warmer weather during the Chinese New Year sales promotion period which therefore resulted in a decrease in the sales of winter merchandises in January and February 2017 when compared with that for the corresponding period; and (ii) a weaker retail market sentiment in Hong Kong during the first three quarters of 2017 and which showed signs of slow recovery in the last quarter of 2017.

(ii) The year-on-year decrease in direct costs of HK$14 million, or 2%, is mainly represented by the decrease in the cost of inventories sold which was in line with the decrease in the revenue derived from the sales of goods during the year ended 31 December 2017.

(iii) The year-on-year increase in depreciation charge on leasehold improvements of HK$7 million, or 32%, is due to the completion of the renovation works relating to the relocation of the Ma On Shan store in January 2017.

(iv) Other revenue comprises sponsorship fees, rental income for antenna site and sundry income.

(v) Selling and marketing expenses comprise advertising and promotion expenditures.

(vi) Administrative expenses mainly comprise salaries and related expenses of the administrative staffs of HK$40 million (2016: HK$36 million). The year-on-year increase in administrative expenses of HK$4 million, or 7%, is represented by the increase in the salaries and related expenses of the administrative staffs during the year ended 31 December 2017.

(vii) Income tax charge relates to the provision for Hong Kong Profits Tax for the year. The year-on-year decrease in income tax charge of HK$4 million, or 21%, is due to the decrease in the pre-tax profit of Citistore HK for the year ended 31 December 2017.

(b) Corporate level

		Year ended 31 December			
		2017	2016	*Increase*	*Increase*
	Note	**HK$ million**	HK$ million	*HK$ million*	*%*
Other income					
- Bank interest income		**10**	7	*3*	*+43%*
- Net gain on winding-up of subsidiaries	*(viii)*	**33**	0	*33*	*n/a*
- Sundry income		**1**	1	*0*	*-*
		44	8	*36*	*+450%*
Administrative expenses		**(8)**	(5)	*(3)*	*+60%*
Profit before taxation		**36**	3	*33*	*+1,100%*
Income tax		**0**	0	*0*	*-*
Profit after taxation		**36**	3	*33*	*+1,100%*
Non-controlling interest	*(ix)*	**1**	0	*1*	*n/a*
Profit after taxation attributable to equity shareholders of the Company		**37**	3	*34*	*+1,133%*

Notes:

(viii) *For the year ended 31 December 2017, the Group recognised a net gain of HK$33 million upon the winding-up of two non-wholly owned subsidiaries, namely, Tianjin Jinning Roads Bridges Construction Development Company Limited and Tianjin Wanqiao Project Development Company Limited (collectively the "Tianjin joint ventures", both being Sino-foreign cooperative joint venture enterprises engaged in the operation of infrastructure projects in mainland China and in each of which the Group has 70% equity interest), which was completed on 16 November 2017.*

(ix) *The amount of HK$1 million represents the share of expenses of the Tianjin joint ventures attributable to the non-controlling interest, who has 30% equity interest in each of the Tianjin joint ventures, upon the completion of the winding-up of the Tianjin joint ventures as referred to in note (viii) above.*

(c) Overall

Aggregating the abovementioned profits after tax of Citistore HK and at corporate level for the year ended 31 December 2017, the Group recorded total profit after tax attributable to equity shareholders in the amount of HK$111 million for the year ended 31 December 2017 (2016: HK$100 million).

Financial resources, liquidity and loan maturity profile

At 31 December 2017, the Group had no bank borrowings (2016: Nil). The Group had net cash and bank balances of HK$756 million at 31 December 2017 (2016: HK$801 million).

During the year ended 31 December 2017, the Group did not recognize any finance costs (2016: Nil).

Based on the Group's net cash and bank balances of HK$756 million at 31 December 2017, 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 2017 and 2016, 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 2017 and 2016.

Material acquisitions and disposals

During the year ended 31 December 2017, other than the completion of the winding-up of the Tianjin joint ventures on 16 November 2017 (as referred to in sub-paragraph (b) “Corporate level” of the paragraph headed “Results of operations” above), the Group did not undertake any significant acquisitions or any other significant disposals of subsidiaries.

Charge on assets

Assets of the Group were not charged to any parties at 31 December 2017 and 2016.

Capital commitments

At 31 December 2017, the Group had capital commitments in relation to fixed assets contracted but not provided for in the amount of HK$Nil (2016: HK$1 million).

Contingent liabilities

At 31 December 2017 and 2016, the Group did not have any contingent liabilities.

Employees and remuneration policy

At 31 December 2017, the Group had 586 (2016: 625) full-time employees and 144 (2016: 138) part-time employees, as follows:

	Full-time employees **At 31 December**		***Part-time employees*** **At 31 December**	
	2017	2016	**2017**	2016
Citistore HK	**586**	623	**144**	138
Corporate level	**-**	2	**-**	-
Total	**586**	625	**144**	138

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 2017 amounted to HK$154 million (2016: HK$148 million), as follows:

	For the year ended 31 December	
	2017	2016
	HK$ million	HK$ million
Citistore HK	**153**	147
Corporate level	**1**	1
Total	**154**	148

Despite a decrease in the total headcount (comprising full-time employees and part-time employees) of Citistore (HK) from 761 staffs at 31 December 2016 to 730 staffs at 31 December 2017, the total staff costs for the year ended 31 December 2017 increased by HK$6 million, or 4%, which is mainly attributable an increase of 5% in the average staff cost for the full-time employees of Citistore (HK) during the year ended 31 December 2017.

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, 29 May 2018 to Friday, 1 June 2018, 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 be entitled 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 share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 28 May 2018.

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

   The Register of Members of the Company will be closed from Thursday, 7 June 2018 to Monday, 11 June 2018, 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 share registrar, Tricor Standard Limited at the aforementioned address not later than 4:30 p.m. on Wednesday, 6 June 2018.

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 2018 and reviewed the risk management and internal control systems, and the annual report for the year ended 31 December 2017.

Corporate Governance

During the year ended 31 December 2017, 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 enquiries, the Company confirmed that all Directors have complied with the required standards 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 2018

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.