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

2018 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 2018 amounted to HK$97 million. Profit attributable to equity shareholders for the previous year, which included a one-off net gain of HK$33 million arising from the completion of the winding-up proceedings for an infrastructure operation in mainland China, was HK$111 million. Excluding the financial effects of this one-off item, the adjusted profit attributable to equity shareholders for the previous year amounted to HK$78 million. The Group's profit attributable to equity shareholders of HK$97 million for the year ended 31 December 2018 represented an increase of HK$19 million, or 24%, over the adjusted profit attributable to equity shareholders for the previous year. Earnings per share were HK 3.2 cents (2017 (adjusted): HK 2.6 cents).

At 31 December 2018, the net asset value attributable to equity shareholders amounted to HK$1,401 million or HK$0.46 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, 5 June 2019, 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 2018 will amount to HK 4.0 cents per share (2017: HK 4.0 cents per share).

The proposed final dividend is expected to be distributed to shareholders on Wednesday, 12 June 2019.

BUSINESS REVIEW

The Group focuses on department store operations in Hong Kong. In order to strengthen the Group's position in the local retailing industry and to expand its store coverage, the Group in May 2018 acquired UNY (HK) Co., Limited (now re-named as "Unicorn Stores (HK) Limited", hereinafter referred to as "UNY HK") at the consideration of approximately HK$300 million. UNY HK is recognised as a popular brand in Hong Kong for its over 30 years of retail experience, particularly with regard to the sale of fresh Japanese produce and food products. By the end of the financial year under review, UNY HK operated three general merchandise stores-cum-supermarkets in the following densely-populated residential districts which were easily accessible by public transport:

	Location
APITA	Cityplaza, Taikoo Shing, Hong Kong Island
UNY	Lok Fu Place, Lok Fu, Kowloon
PIAGO*	Telford Plaza, Kowloon Bay, Kowloon

* *the loss-making PIAGO will be closed by the end of March 2019 as planned in the course of acquisition negotiations, as well as the post-acquisition integration assessment.*

The above department stores and Japanese supermarkets were mainly aimed at middle class, affluent spending households, which was a similar strategy adopted by Citistore. Besides, the acquisition will provide the Group with potential synergies and cost saving opportunities for merchandising and back office functions, by taking advantage of UNY HK's valuable merchandise sourcing experience.

Completion of the acquisition took place on 31 May 2018. In order to offer the same premium service and shopping experience to their customers, both Citistore and UNY HK continued to operate under their own brand names after the acquisition:

(I) Citistore

There are six department stores under the name “Citistore” in Hong Kong, of which five are located in the New Territories (in Tsuen Wan, Yuen Long, Ma On Shan, Tuen Mun and Tseung Kwan O) and the remaining one is located in Tai Kok Tsui, Kowloon:

Citistore Branches	**Location**
Tsuen Wan	KOLOUR • Tsuen Wan II, New Territories
Yuen Long	KOLOUR • Yuen Long, New Territories
Ma On Shan	MOSTown, New Territories (formerly known as Sunshine City Plaza, New Territories)
Tuen Mun	North Wing, The Trend Plaza, New Territories
Tseung Kwan O	MCP Central, New Territories
Tai Kok Tsui	Metro Harbour Plaza, Kowloon

During the year under review, Citistore continued to launch various promotional sales campaigns, whilst its co-operation with suppliers was also strengthened so as to improve the overall operational performance. For instance, with the support of some leading local brand merchants, Citistore initiated “Hong Kong Brands Fair” in mid-2018 so as to enhance customers’ knowledge about these home-grown signature products. As a result of these measures, Citistore recorded a year-on-year increase of 6% in total sales proceeds derived from the sales of own goods, as well as concessionaire and consignment goods, for the year ended 31 December 2018. The breakdown is as follows:

	For the year ended 31 December		
	2018	2017	
	HK$ million	HK$ million	Change
Proceeds from sales of own goods	**433**	410	6%
Proceeds from concessionaire and consignment sales	**1,493**	1,400	7%
Total:	**1,926**	1,810	6%

Sales of Own Goods

During the year under review, Citistore’s sales of own goods increased by 6% to HK$433 million and its gross margin remained steady at 34%. The Household and Toys category made up approximately 52% of the sales, the Apparels category contributed approximately 31% and the balance of approximately 17% came from the categories of Foods and Cosmetics.

	For the year ended 31 December	
	2018	2017
	HK$ million	HK$ million
Sales of own goods	**433**	410
Gross profit (after netting the cost of inventories sold)	**149**	142
Gross margin	**34%**	35%

Concessionaire and Consignment Sales

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 commission (if any), whichever is higher, as its commission income. During the year under review, the total commission income derived from these concessionaire and consignment counters grew by 5% year-on-year to HK$436 million, reflecting the increase in the sales proceeds generated from both counters as shown below:

	For the year ended 31 December	
	2018	2017
	HK$ million	HK$ million
Sales proceeds from concessionaire counters	**529**	517
Sales proceeds from consignment counters	**964**	883
Total:	**1,493**	1,400
Commission income from concessionaire and consignment counters	**436**	417

Citistore's Profit Contribution

As compared with the year-on-year increase of 6% in its total sales proceeds, Citistore's operating expenses during the year under review increased by less than 1% to HK$434 million, demonstrating its relentless efforts in improving efficiency and controlling operating costs. Citistore's profit after taxation for the year under review amounted to HK$89 million, representing an increase of HK$15 million or 20% over that of HK$74 million for the previous year.

(II) UNY HK

As the acquisition of UNY HK was completed on 31 May 2018, only its turnover for the seven months from 1 June 2018 to 31 December 2018 was recognised in the financial statements of the Group during the year under review.

During this seven-month period, UNY HK generated gross profit (after netting the cost of inventories sold) of HK$169 million against a total sales of own goods of HK$565 million, resulting in a gross margin of 30%. Meanwhile, UNY HK's sales proceeds from consignment counters, as well as their resultant commission income, amounted to HK$226 million and HK$50 million respectively. After deducting the operating expenses, a profit after taxation of HK$4 million was recorded.

Aggregating the above-mentioned operating results of Citistore and UNY HK, the total after-tax profit contribution from the Group's department store operation amounted to HK$93 million for the year ended 31 December 2018. After taking into account the interest income, dividend income and the overhead expenditures of its head office (including one-off professional fees in relation to the aforesaid acquisition), the Group's profit attributable to equity shareholders for the year under review amounted to HK$97 million, representing an increase of HK$19 million or 24% over that of HK$78 million (after excluding the above-mentioned one-off gain) in the previous year.

CORPORATE FINANCE

The consideration for the acquisition of UNY HK, in the sum of approximately HK$300 million, was fully settled by the Group's internal resources during the year under review. At 31 December 2018, the Group had no bank borrowings (2017: HK$Nil) and its cash and bank balances decreased from HK$756 million as at 31 December 2017 to HK$465 million.

PROSPECTS

After scrutinising the performances of its stores, the Group will strategically adjust and optimise the structure of its store network. Both Citistore Tai Kok Tsui store at Metro Harbour Plaza and UNY at Lok Fu Place will be downsized in the second quarter of 2019, whilst PIAGO at Telford Plaza will be closed by the end of March 2019. Efforts will then be focused on improving customer experience and operational efficiency. For instance, UNY at Lok Fu Place will carry out a phased renovation in the second half of 2019, with the aim to offer a refreshing and comfortable shopping environment for customers. The Group will also continue to step up its promotional efforts and cost controls, thereby enabling sustainable business growth.

TRIBUTE

Mr. Leung Hay Man, an independent non-executive director of the Company, passed away during the year under review. Mr. Leung had given invaluable contributions to the Company during his long service to the Board over the past 40 years. The Board deeply regrets his passing.

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.

Finally, the Board has been informed today by Dr. Lee Shau Kee, Director of the Company that he, being advanced in age, is considering to resign as Director after the conclusion of the forthcoming annual general meeting. Details of his decision and future arrangements will be announced on the date of the annual general meeting, 28 May 2019.

Lee Ka Shing
Chairman

Hong Kong, 20 March 2019

BUSINESS RESULTS

Consolidated Statement of Profit or Loss
for the year ended 31 December 2018

	Note	**2018** **HK$ million**	2017 HK$ million
Revenue	3	**1,496**	834
Direct costs		**(1,277)**	(673)
		219	161
Other revenue	4	**11**	10
Other income/gain	5	**13**	44
Selling and marketing expenses		**(29)**	(21)
Administrative expenses		**(98)**	(69)
Profit before taxation	6	**116**	125
Income tax	7	**(19)**	(15)
Profit for the year		**97**	110
Attributable to:			
Equity shareholders of the Company		**97**	111
Non-controlling interests		**-**	(1)
Profit for the year		**97**	110
		HK cents	HK cents
Earnings per share			
– Basic and diluted	10	**3.2**	3.6

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 2018

	2018	2017
	HK$ million	HK$ million
Profit for the year	**97**	110
Other comprehensive income for the year:		
Item that will not be reclassified to profit or loss:		
– Investments in listed securities designated as financial assets at fair value through other comprehensive income: net movement in the fair value reserve	**(4)**	-
Items that may be reclassified subsequently to profit or loss:		
– Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	**-**	2
– Reversal of the exchange reserve from equity to profit or loss	**-**	(25)
Total comprehensive income attributable to equity shareholders of the Company for the year	**93**	87

Consolidated Statement of Financial Position
at 31 December 2018

	Note	**2018** **HK$ million**	2017 HK$ million
Non-current assets			
Fixed assets		**92**	90
Trademarks		**44**	45
Investments in listed securities designated as financial assets at fair value through other comprehensive income		**56**	-
Goodwill		**1,072**	810
Deferred tax assets		**11**	1
		1,275	946
Current assets			
Inventories		**123**	59
Trade and other receivables	11	**68**	18
Tax recoverable		**2**	-
Cash and bank balances		**465**	756
		658	833
Current liabilities			
Trade and other payables	12	**428**	269
Amounts due to affiliates		**75**	67
Current taxation		**8**	5
		511	341
Net current assets		**147**	492
Total assets less current liabilities		**1,422**	1,438
Non-current liabilities			
Provisions for reinstatement costs		**13**	-
Deferred tax liabilities		**8**	8
		21	8
NET ASSETS		**1,401**	1,430

Consolidated Statement of Financial Position

at 31 December 2018 (continued)

	Note	**2018**	2017
		HK$ million	HK$ million
CAPITAL AND RESERVES			
Share capital		**612**	612
Reserves		**789**	818
TOTAL EQUITY		**1,401**	1,430

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 2018 and 2017 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 2017 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 2018 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 as modified by the revaluation of investments in listed securities designated as financial assets at fair value through other comprehensive income.

2 Changes in accounting policies

The HKICPA has issued the following new accounting standards that are first effective for the current accounting period of the Group and the Company, which are relevant to the Group's consolidated financial statements for the current accounting period:

- HKFRS 9, *Financial instruments*

HKFRS 9 replaces the provisions of HKAS 39 and addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces a new impairment model for financial assets and new rules for hedge accounting.

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies. The Group has elected to apply HKFRS 9 retrospectively by restating the opening balances of the Group's consolidated statements of financial position at 1 January 2017 and 1 January 2018, with consequential adjustments to comparatives for the year ended 31 December 2017. Based on the Group's assessment, no such restatement is necessary.

The key issues of the adoption of HKFRS 9 relevant to the Group are discussed as follows:

(i) Classification and measurement of financial assets and liabilities

At the date of initial application of HKFRS 9 (i.e. 1 January 2018), the Group has assessed which business models apply to the financial assets held by the Group and has reclassified its financial assets and liabilities into the appropriate HKFRS 9 categories. There were no changes to the carrying amounts of the financial assets and liabilities upon transition to HKFRS 9. The main effects resulting from this reclassification at 1 January 2018 are as follows:

	Measurement categories	
	Original (HKAS 39)	New (HKFRS 9)
Current financial assets		
Trade and other receivables*	Amortised cost	Amortised cost
Cash and bank balances*	Amortised cost	Amortised cost
Current financial liabilities		
Trade and other payables	Amortised cost	Amortised cost
Amounts due to affiliates	Amortised cost	Amortised cost

* Financial assets originally classified as loans and other receivables under HKAS 39.

2 Changes in accounting policies (continued)

(ii) Impairment of financial assets

Financial assets of the Group carried at amortised cost are subject to the new expected credit loss model prescribed by HKFRS 9. The Group has revised its impairment methodology under HKFRS 9 for each of these classes of assets. The general approach to measuring expected credit losses prescribed by HKFRS 9 is used. The Group considers that the identified impairment losses are immaterial.

Save as disclosed above, there are no material impacts of HKFRS 9 on the preparation or presentation of the Group's results and financial position for the current or prior periods.

- HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a five-step approach: (i) identify the contract(s) with customers; (ii) identify separate performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when a performance obligation is satisfied. The core principle is that revenue from sales of goods or provision of services by the Group would be recognised when the customer obtains control of the promised goods or services in the contract.

The Group has elected to apply HKFRS 15 retrospectively by restating the opening balances of the Group's consolidated statements of financial position at 1 January 2017 and 1 January 2018, with consequential adjustments to comparatives for the year ended 31 December 2017. Based on the Group's assessment, no such restatement is necessary.

The key issues of the adoption of HKFRS 15 relevant to the Group are discussed as follows:

(i) Accounting for customer loyalty programme

The Group operates a customer loyalty programme, where customers accumulate points for purchases made which entitle them to redeem award points for cash coupons or discounts on purchases. Under HKFRS 15, the transaction price is allocated to the product and the award points on a relative stand-alone selling price basis. Revenue from the award points is recognised when the award points are redeemed or expired. Contract liabilities are recognised until the award points are redeemed or expired. In this regard, the Group considers there are no material impacts of HKFRS 15 on the Group's results and financial position for the current or prior period.

2 Changes in accounting policies (continued)

(ii) Presentation of contract liabilities

To reflect the terminology under HKFRS 15, the Group has changed the presentation of certain amounts. Contract liabilities, in relation to prepayments from customers and the provision for customer loyalty points which were previously included in "Trade creditors" and "Accrued expenses and other payables". The change in presentation has no impact of the total balance of trade and other payables at 1 January 2018. Below sets out the details of the impacts of HKFRS 15 on the Group's financial position as compared to HKAS 18 that was previously in effect before the adoption of HKFRS 15.

	Under HKAS 18 HK$ million	Reclassification upon adoption of HKFRS 15 at 1 January 2018 HK$ million	Under HKFRS 15 HK$ million
Trade and other payables at 1 January 2018			
Contract liabilities	-	8	8
Trade creditors	209	(5)	204
Accrued expenses and other payables	48	(3)	45

Save as disclosed above, there are no material impacts of HKFRS 15 on the preparation or presentation of the Group's results and financial position for the current or prior periods.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Up to the date of issue of these financial statements, the HKICPA has issued the following new standard, interpretation and amendments to HKFRSs which are not yet effective for the financial year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for annual periods beginning on or after
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) Interpretation 23, *Uncertainty over income tax treatments*	1 January 2019
Annual improvements to HKFRSs 2015-2017 cycle	1 January 2019

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 would result in an increase in both assets and liabilities and would 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. Right-of-use assets for the lease of property will be measured at its carrying amount as if HKFRS 16 had been applied since the commencement date of the tenancy lease, but discounted using the lessee’s incremental borrowing rate at the date of initial application.

While the assessment has been substantially completed for HKFRS 16, the actual impact upon the initial adoption of HKFRS 16 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 HKFRS 16 is initially applied in the Group’s interim financial report for the six months ending 30 June 2019. The Group does not intend to adopt HKFRS 16 before its effective date. Taking into account the applicability of the practical expedient, the Group has preliminarily assessed that, upon the adoption of HKFRS 16 on 1 January 2019, there would be (i) a retrospective adjustment to the Group’s retained profits (after tax) at 1 January 2019 for a cumulative decrease of HK$50 million; (ii) the recognition of right-of-use assets and lease liabilities in the aggregate amount of HK$827 million and HK$965 million respectively in the Group’s consolidated statement of financial position at 1 January 2019; and (iii) as illustrative reference, the net excess of the aggregate amount of depreciation charge on the right-of-use assets and finance costs on the lease liabilities over and above the operating lease expenses of approximately HK$9 million (after tax) in the Group’s consolidated statement of profit or loss for the financial year ended 31 December 2018. 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 direct sales of goods to customers, commission income from consignment and concessionaire counters, promotion income and administration fee income recognised by the Group during the year. Revenue is analysed as follows:

	2018	2017
	HK$ million	HK$ million
Sales of goods	**998**	410
Commission income from consignment counters	**336**	264
Commission income from concessionaire counters	**150**	153
Promotion income	**8**	7
Administration fee income	**4**	-
	1,496	834

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

	2018	2017
	HK$ million	HK$ million
Receipts from sales of goods by consignment counters	**1,190**	883
Receipts from sales of goods by concessionaire counters	**529**	517
	1,719	1,400

4 Other revenue

	2018	2017
	HK$ million	HK$ million
Sponsorship fees	**2**	3
Rental income for antenna sites	**4**	4
Sundry income	**5**	3
	11	10

5 Other income/gain

	2018	2017
	HK$ million	HK$ million
Bank interest income	**10**	10
Dividend income	**3**	-
Net gain on winding-up of subsidiaries (note)	**-**	33
Sundry income	**-**	1
	13	44

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:

	2018	2017
	HK$ million	HK$ million
(a) Directors' emoluments:		
Directors' fees, salaries, allowances and benefits-in-kind	**2**	1
(b) Staff costs (other than directors' emoluments):		
Salaries, wages and other benefits	**208**	146
Contributions to defined contribution retirement plan	**8**	7
(c) Other items:		
Amortisation of trademarks	**1**	2
Depreciation	**39**	33
Auditors' remuneration		
− audit services	**2**	2
− other services	**2**	1
Operating lease charges in respect of rental premises (note)	**355**	242
Cost of inventories sold	**680**	268

Note: Included contingent rental expenses were HK$6 million (2017: HK$6 million) during the year.

7 Income tax

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

	2018 **HK$ million**	2017 HK$ million
Current tax – Hong Kong		
– provision for the year	**21**	14
Current tax – mainland China		
– provision for the year	**-**	6
Deferred taxation		
– origination and reversal of temporary differences	**(2)**	(5)
	19	15

Provision for Hong Kong Profits Tax has been made at 16.5% (2017: 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 2017/18 subject to a ceiling of HK$30,000 (2016/17: 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 corresponding year ended 31 December 2017 was 25%.

In addition, dividend distribution for the corresponding year ended 31 December 2017 out of the retained profits of foreign-invested enterprises earned after 1 January 2008 was 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 corresponding year ended 31 December 2017 was 5%.

8 Segment reporting

No segmental information for the year ended 31 December 2018 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$1,496 million (2017: HK$834 million) during the year and the pre-tax profit from operation of which amounted to HK$112 million (2017: HK$89 million) during the year.

Geographical information

Since all of the Group's revenue was generated in Hong Kong during the years ended 31 December 2018 and 2017, and all of the Group's fixed assets, trademarks and goodwill at 31 December 2018 and 2017 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

	2018	2017
	HK$ million	HK$ million
Interim dividend declared and paid of HK2 cents (2017: HK2 cents) per share	**61**	61
Final dividend proposed after the end of the reporting period of HK2 cents (2017: 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

	2018	2017
	HK$ million	HK$ million
Final dividend in respect of the previous financial year, approved and paid during the year of HK2 cents (2017: 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$97 million (2017: HK$111 million) and 3,047,327,395 (2017: 3,047,327,395) ordinary shares, being the number of ordinary shares in issue throughout the year.

11 Trade and other receivables

	2018 **HK$ million**	2017 HK$ million
Trade debtors	**15**	12
Deposits, prepayments and other receivables	**53**	6
	68	18

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 2018, all of the trade and other receivables were expected to be recovered or recognised as expense within one year, except for rental deposits of HK$17 million (2017: Nil) which is expected to be recovered after more than one year.

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

	2018 **HK$ million**	2017 HK$ million
Current or under 1 month overdue	**15**	12

12 Trade and other payables

	2018 **HK$ million**	2017 HK$ million
Trade creditors	**319**	204
Contract liabilities (note)	**12**	8
Accrued expenses and other payables	**85**	45
Deposits received	**12**	12
	428	269

Note: Under the requirements of HKFRS 15, the Group has separately presented contract liabilities at 31 December 2018 and 2017 in relation to prepayments from customers and the provision for customer loyalty points, which were previously included in "Trade creditors" and "Accrued expenses and other payables". The change in presentation has no impact on the total balance of trade and other payables at 31 December 2018 and 2017.

During the year ended 31 December 2018, HK$6 million (2017: HK$3 million) that was included in the contract liabilities balance at the beginning of the year is recognised as revenue. Most of the contract liabilities at 31 December 2018 and 2017 are/were expected to be recognised within one year.

At 31 December 2018, all of the trade and other payables were interest-free and repayable within one year or on demand except for an amount of HK$1 million (2017: HK$2 million) which was expected to be settled after more than one year.

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

	2018 **HK$ million**	2017 HK$ million
Due within 1 month or on demand	**281**	186
Due after 1 month but within 3 months	**38**	18
	319	204

13 Review of results

The financial results for the year ended 31 December 2018 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 2018 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 2018.

Material acquisitions and disposals

During the year ended 31 December 2018, the Group made on-market purchases of certain listed securities which were recognised as "Investments in listed securities designated as financial assets at fair value through other comprehensive income" in the Group's consolidated statement of financial position at 31 December 2018.

On 31 May 2018, Urban Kirin Limited, a wholly-owned subsidiary of the Company, acquired the entire issued shares of UNY (HK) Co., Limited ("UNY HK", which was renamed as Unicorn Stores (HK) Limited on 27 July 2018) for an adjusted cash consideration of HK$291 million (the "Acquisition"). UNY HK is engaged in department store operation in Hong Kong and operates three general merchandise stores-cum-supermarket under the names of (i) "*APITA*" at Cityplaza, Taikoo Shing, Hong Kong Island; (ii) "*UNY*" at Lok Fu Place, Lok Fu, Kowloon; and (iii) "*PIAGO*" at Telford Plaza, Kowloon Bay, Kowloon.

Save for the abovementioned, the Group did not undertake any other significant acquisitions or any significant disposals of assets or subsidiaries during the year ended 31 December 2018.

Results of operations

During the year ended 31 December 2018, the Group was engaged in the operation of department stores in Hong Kong under (i) Citistore (Hong Kong) Limited ("Citistore"), a wholly-owned subsidiary of the Company; and (ii) UNY HK, a wholly-owned subsidiary of the Company following the completion of the Acquisition as referred to in the paragraph "Material acquisitions and disposals" above.

(a) Department store operation in Hong Kong

Citistore

The Group recognised the following financial performance of Citistore for the year ended 31 December 2018 as compared with the corresponding year ended 31 December 2017:

	Note	Year ended 31 December **2018** **HK$ million**	 2017 HK$ million	*Increase / (Decrease)* *HK$ million*	*Increase / (Decrease)* *%*
Revenue					
- Sales of goods		**433**	410	*23*	*+6%*
- Commission income derived from consignment counters		**286**	264	*22*	*+8%*
- Commission income derived from concessionaire counters		**150**	153	*(3)*	*-2%*
- Promotion income		**8**	7	*1*	*+14%*
	(i)	**877**	834	*43*	*+5%*
Direct costs					
- Cost of inventories sold		**(284)**	(268)	*(16)*	*+6%*
- Rental and related expenses of the store outlets		**(238)**	(235)	*(3)*	*+1%*
- Staff salaries and related expenses of the store outlets		**(113)**	(113)	*-*	*-*
- Depreciation charge on leasehold improvements		**(28)**	(29)	*1*	*-3%*
- Others		**(33)**	(28)	*(5)*	*+18%*
	(ii)	**(696)**	(673)	*(23)*	*+3%*
Other revenue		**9**	10	*(1)*	*-10%*
Selling and marketing expenses		**(20)**	(21)	*1*	*-5%*
Administrative expenses	*(iii)*	**(63)**	(61)	*(2)*	*+3%*
Profit before taxation		**107**	89	*18*	*+20%*
Income tax	*(iv)*	**(18)**	(15)	*(3)*	*+20%*
Profit after taxation attributable to equity shareholders of the Company		**89**	74	*15*	*+20%*

Notes:

(i) *The year-on-year increase in revenue of HK$43 million, or 5%, is mainly attributable to (i) a remarkably colder weather during the months of January and February 2018 which resulted in an increase in the sales of winter merchandises in January and February 2018 when compared with that for the corresponding period of January and February 2017; (ii) the launch of a special promotion campaign of 11 days in the month of July 2018 which was absent in 2017; and (iii) a generally improved retail market sentiment in Hong Kong during the year ended 31 December 2018 when compared with that for the corresponding year ended 31 December 2017.*

(ii) *The year-on-year increase in direct costs of HK$23 million, or 3%, is mainly represented by the increase in the cost of inventories sold of HK$16 million (or 6%) which was in line with the increase in the revenue derived from the sales of goods of HK$23 million (or 6%) during the year ended 31 December 2018.*

(iii) *Administrative expenses mainly comprise salaries and related expenses of the administrative staffs of HK$41 million (2017: HK$40 million). The year-on-year increase in administrative expenses of HK$2 million, or 3%, is mainly represented by the increase in the salaries and related expenses of the administrative staffs and the increase in rental and related expenses during the year ended 31 December 2018.*

(iv) *Income tax charge relates to the provision for Hong Kong Profits Tax for the year. The year-on-year increase in income tax charge of HK$3 million, or 20%, is due to the increase in the pre-tax profit of Citistore for the year ended 31 December 2018 by HK$18 million.*

Goodwill on acquisition in the amount of HK$810 million (2017: HK$810 million) (the "Citistore Goodwill"), which arose from the Group's acquisition of Citistore in 2014, was recognised in the Group's consolidated statement of financial position at 31 December 2018. The Citistore Goodwill was tested for impairment at 31 December 2018 by determining the value in use of Citistore as a cash-generating unit in comparison with the carrying amount of the Citistore Goodwill at 31 December 2018. The directors of the Company have assessed that there was no impairment on the carrying amount of the Citistore Goodwill at 31 December 2018.

UNY HK

For the reason that the Group completed the Acquisition on 31 May 2018, for the year ended 31 December 2018, the Group recognised revenue contribution from UNY HK for the period of seven months from 1 June 2018 to 31 December 2018 of HK$619 million which comprises (i) revenue generated from the direct sales of goods in the amount of HK$565 million; (ii) commission income in respect of sales generated by licensees in the amount of HK$50 million; and (iii) administration fee income in the amount of HK$4 million.

For the period of seven months from 1 June 2018 to 31 December 2018, UNY HK generated overall gross profit from sales of own goods and consignment business operation of HK$38 million and other revenue of HK$2 million, and also recognised selling expenses of HK$9 million, administrative expenses of HK$26 million and an income tax charge of HK$1 million. As a result, UNY HK recorded a profit after tax of HK$4 million for the period of seven months from 1 June 2018 to 31 December 2018 and which amount is recognised in the Group's consolidated statement of profit or loss for the year ended 31 December 2018 (2017: Nil).

Based on the adjusted consideration paid by the Group for the Acquisition of HK$291 million as referred to in the paragraph "Material acquisitions and disposals" above and the fair value of UNY HK's identifiable assets less liabilities of HK$29 million at 31 May 2018, goodwill on acquisition in the amount of HK$262 million (the "UNY HK Goodwill") was recognised in the Group's consolidated statement of financial position at 31 December 2018. The UNY HK Goodwill was tested for impairment at 31 December 2018 by determining the fair value less cost of disposal of UNY HK as a cash-generating unit in comparison with the carrying amount of the UNY HK Goodwill at 31 December 2018. The directors of the Company have assessed that there was no impairment on the carrying amount of the UNY HK Goodwill at 31 December 2018.

(b) ***Corporate level***

	Note	**Year ended 31 December** **2018** **HK$ million**	2017 HK$ million	*Increase / (Decrease) HK$ million*	*Increase / (Decrease) %*
Other income					
- Bank interest income		**10**	10	-	-
- Net gain on winding-up of subsidiaries	*(v)*	**-**	33	*(33)*	*-100%*
- Dividend income	*(vi)*	**3**	-	*3*	*n/a*
- Sundry income		**-**	1	*(1)*	*-100%*
		13	44	*(31)*	*-70%*
Administrative expenses		**(9)**	(8)	*(1)*	*+13%*
Profit before taxation		**4**	36	*(32)*	*-89%*
Income tax		**-**	-	-	-
Profit after taxation		**4**	36	*(32)*	*-89%*
Non-controlling interest	*(vii)*	**-**	1	*(1)*	*-100%*
Profit after taxation attributable to equity shareholders of the Company		**4**	37	*(33)*	*-89%*

Notes:

(v) *For the corresponding year ended 31 December 2017, the Group recognised a net gain of HK$33 million upon the completion of 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").*

(vi) *The Group recognised dividend income of HK$3 million from the portfolio of listed securities which it had acquired from the market during the year ended 31 December 2018 (2017 : Nil).*

(vii) *For the corresponding year ended 31 December 2017, the amount of HK$1 million represents the share of expenses of the Tianjin joint ventures attributable to the non-controlling interest, upon the completion of the winding-up of the Tianjin joint ventures.*

(c) ***Overall***

Aggregating the abovementioned profits after tax of the department store operation in Hong Kong and at corporate level for the year ended 31 December 2018, the Group recorded total profit after tax attributable to equity shareholders in the amount of HK$97 million for the year ended 31 December 2018 (2017: HK$111 million), representing a year-on-year decrease of HK$14 million, or 13%.

Nevertheless, excluding the financial effect of the net gain of HK$33 million upon the completion of the winding-up of the Tianjin joint ventures as referred to in note (v) in sub-paragraph (b) "Corporate level" above which was a one-off item in nature and which amount did not recur for the Group during the year ended 31 December 2018, the Group's profit after tax attributable to equity shareholders of HK$97 million for the year ended 31 December 2018 represents an increase of HK$19 million, or 24%, over and above the Group's adjusted profit after tax attributable to equity shareholders of HK$78 million for the corresponding year ended 31 December 2017.

Financial resources, liquidity and loan maturity profile

At 31 December 2018, the Group had no bank borrowings (2017: Nil). The Group had net cash and bank balances of HK$465 million at 31 December 2018 (2017: HK$756 million).

During the year ended 31 December 2018, the Group recognised finance costs related to the drawdowns on an available bank loan facility during the year ended 31 December 2018 (including other borrowing costs) of HK$434,965 (2017: Nil).

Based on the Group's net cash and bank balances of HK$465 million at 31 December 2018, 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 2018 and 2017, 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 and foreign exchange rate exposure 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 2018 and 2017.

Charge on assets

Except for pledged bank deposits of HK$101,158 at 31 December 2018 held by UNY HK, assets of the Group were not charged to any other parties at 31 December 2018 and 2017.

Capital commitments

At 31 December 2018, the Group had capital commitments in relation to leasehold improvements contracted but not provided for in the amount of HK$3 million (2017: HK$Nil).

Contingent liabilities

At 31 December 2018 and 2017, the Group did not have any contingent liabilities.

Employees and remuneration policy

At 31 December 2018, the Group had 1,017 (2017: 586) full-time employees and 271 (2017: 144) part-time employees. The increase in the Group's staff headcount is mainly attributable to the additional 459 full-time employees and 127 part-time employees of UNY HK following the completion of the Acquisition.

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 and training programmes.

Total staff costs for the year ended 31 December 2018 amounted to HK$218 million (2017: HK$154 million). The increase in total staff costs for the year ended 31 December 2018 is mainly attributable to the additional staff costs of UNY HK of HK$63 million for the period of seven months from 1 June 2018 to 31 December 2018 following the completion of the Acquisition.

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 Thursday, 23 May 2019 to Tuesday, 28 May 2019, 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 Wednesday, 22 May 2019.

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

   The Register of Members of the Company will be closed from Monday, 3 June 2019 to Wednesday, 5 June 2019, 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 Friday, 31 May 2019.

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 2019 and reviewed the risk management and internal control systems, and the annual report for the year ended 31 December 2018.

Corporate Governance

During the year ended 31 December 2018, 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 for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to 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, 20 March 2019

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 and Au Siu Kee, Alexander.