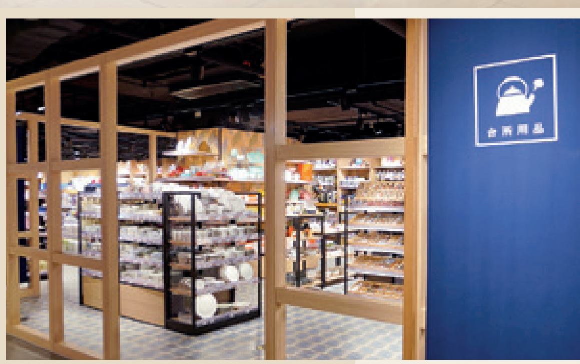
恒基兆業發展有限公司
HENDERSON INVESTMENT LIMITED

Stock Code: 97



2019
Annual Report

Corporate Profile

Listed in Hong Kong since 1972, Henderson Investment Limited is a subsidiary of Henderson Land Development Company Limited, a leading property development group in Hong Kong. It focuses on department store operations and by the end of 2019, there were two department stores-cum-supermarkets (namely, APITA and UNY) and six department stores under the name "Citistore" in Hong Kong.

Contents

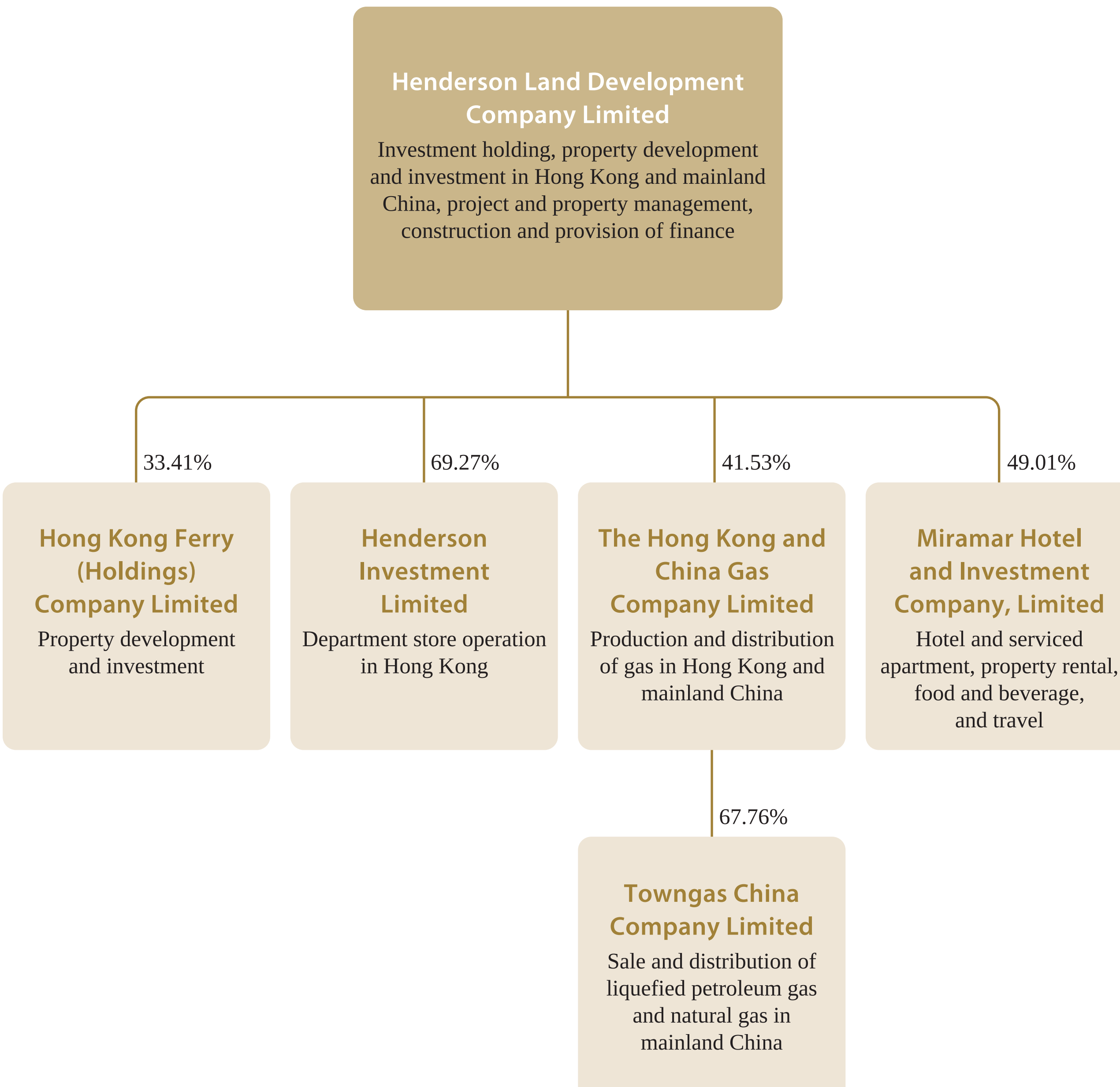
FORWARD-LOOKING STATEMENTS

This annual report contains certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board of Directors of the Company regarding the industry and markets in which it operates. These forward-looking statements are subject to risks, uncertainties and other factors beyond the Company's control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.

Group Structure

Henderson Land Group Structure

Market capitalisation as at 31 December 2019
Henderson Land Development Company Limited: HK$185 billion
Six listed companies of Henderson Land Group: HK$474 billion



Note: All attributable interests shown above were figures as of 31 December 2019.

Chairman's Statement

Lee Ka Shing, JP
Chairman and Managing Director

Profit and Net Asset Value Attributable to Shareholders

The Group's profit attributable to equity shareholders for the year ended 31 December 2019 amounted to HK$62 million, representing a decrease of HK$35 million, or 36% from that of HK$97 million in the previous year. Earnings per share were HK 2.0 cents (2018: HK 3.2 cents).

The decrease in profit was mainly attributable to (i) the weaker economy resulting from the protracted social unrest in Hong Kong; (ii) the costs associated with closing the PIAGO store at Telford Plaza at the end of March 2019; and (iii) lower sales due to the four-month renovation of the UNY store at Lok Fu Place.

At 31 December 2019, the net asset value attributable to equity shareholders amounted to HK$1,288 million or HK$0.42 per share (2018: HK$1,401 million or HK$0.46 per share).

Dividends

The Board recommends the payment of a final dividend of HK 1.0 cent per share to shareholders whose names appear on the Register of Members of the Company on Tuesday, 16 June 2020, 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 2019 will amount to HK 3.0 cents per share (2018: HK 4.0 cents per share).

The proposed final dividend is expected to be distributed to shareholders on Monday, 22 June 2020.

Business Review

The Group focuses on department store operations. Currently, it operates six department stores under the name "Citistore", as well as two department stores-cum-supermarkets through "Unicorn Stores (HK) Limited" (formerly known as "UNY (HK) Co., Limited", hereinafter referred to as "UNY HK") in Hong Kong.

In early 2019, sales during the high season before Chinese New Year were affected by the exceptionally warm weather and the Sino-US trade disputes. In February 2019, the Hong Kong SAR Government proposed to amend the Fugitive Offenders Ordinance and there ensued a series of intensifying protests from June onwards. A significant decrease in tourist arrivals, transport disruptions and dwindling local consumer sentiment resulted, whilst the normal business hours of "Citistore" and "UNY HK" were also affected. Meanwhile, the value of total retail sales in Hong Kong for 2019 decreased by 11.1% compared to a year earlier.

(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	Total lettable area (square feet)
Tsuen Wan	KOLOUR • Tsuen Wan II, New Territories	138,860
Yuen Long	KOLOUR • Yuen Long, New Territories	54,809
Ma On Shan	MOSTown, New Territories	65,700
Tuen Mun	North Wing, The Trend Plaza, New Territories	17,683
Tseung Kwan O	MCP Central, New Territories	71,668
Tai Kok Tsui	Metro Harbour Plaza, Kowloon	39,645*
	Total:	**388,365**

* *Downsized from 84,667 square feet to 39,645 square feet since April 2019.*

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

– In April 2019, Citistore opened a pop-up store for nearly one month in Mira Place, Tsim Sha Tsui, selling pet products and organising workshops for the making of pet accessories. This store also collaborated with an animal welfare organisation to launch a dog adoption programme, with the aim of promoting adoption of abandoned animals. The event was well received by pet lovers, and generated extensive publicity from the media. The brand awareness of Citistore was thus enhanced.

– Citistore obtained the exclusive rights to market a number of popular products (such as the "Minna No Tabo" cartoon bedding collection), by stepping up its co-operation with suppliers. In order to further increase the variety of its goods and expand its customer base, a new private label fashion concept store, "Sth.", was introduced in its Tsuen Wan store. "Sth." sources trendy apparel and accessories from around the world, and offers them to customers in limited edition ranges using a marketing strategy that appeals to the younger generation's desire for individuality.

Citistore, Tseung Kwan O, New Territories

– The "Citi-Fun" customer loyalty programme has been well received since its launch in 2017, with membership numbers surpassing 308,000 by the end of December 2019. Members can now earn bonus points for their spending both online and offline in Citistore and redeem them for a variety of rewards and privileges. Meanwhile, regular promotional campaigns were launched so that members could earn additional bonus points from more spending.

Affected by the above-mentioned unfavourable market conditions, Citistore recorded a year-on-year decrease of 8% in total sales proceeds derived from the sales of own goods, as well as concessionaire and consignment goods, for the year ended 31 December 2019. The breakdown is as follows:

	For the year ended 31 December		
	2019 HK$ million	2018 HK$ million	Change
Proceeds from sales of own goods	**404**	433	-7%
Proceeds from concessionaire and consignment sales	**1,364**	1,493	-9%
Total:	**1,768**	1,926	-8%

Sales of Own Goods

During the year under review, Citistore's sales of own goods decreased by 7% to HK$404 million with a slightly lower gross margin of 33% (2018: 34%) due to intensified price competition in the sluggish retail market. The Household and Toys category made up approximately 55% of the sales, the Apparels category contributed approximately 29% and the balance of approximately 16% came from the categories of Foods and Cosmetics.

	For the year ended 31 December	
	2019 HK$ million	2018 HK$ million
Sales of own goods	**404**	433
Gross profit (after netting the cost of inventories sold)	**133**	149
Gross margin	**33%**	34%

Concessionaire and Consignment Sales

Citistore's concessionaire sales are conducted by concessionaires at their own shop spaces which are set up in Citistore's stores under licence agreements, whilst consignment sales comprise the sales of consignors' products on consignment basis, in designated shelves or areas. 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 decreased by 7% year-on-year to HK$406 million, reflecting the decrease in the sales proceeds generated from both counters as shown below:

	For the year ended 31 December	
	2019 HK$ million	2018 HK$ million
Sales proceeds from concessionaire counters	**496**	529
Sales proceeds from consignment counters	**868**	964
Total:	**1,364**	1,493
Commission income from concessionaire and consignment counters	**406**	436

Citistore's Profit Contribution

With the decrease in gross profit of HK$16 million from the sale of own goods, as well as the decrease in commission income from concessionaire and consignment counters in the aggregate amount of HK$30 million, Citistore's profit after taxation for the year under review decreased by HK$13 million or 15% year-on-year to HK$76 million, despite its relentless efforts to control operating costs.

(II) UNY HK

The acquisition of UNY HK was completed on 31 May 2018. PIAGO at Telford Plaza, a loss-making store included in the acquisition, was closed at the end of March 2019, as originally planned in the course of the acquisition and the post-acquisition integration assessment. Currently, UNY HK operates two department stores-cum-supermarkets in the following densely-populated residential districts:

UNY, Lok Fu, Kowloon

	Location	Total lettable area (square feet)
APITA	Cityplaza, Taikoo Shing, Hong Kong Island	118,691
UNY	Lok Fu Place, Lok Fu, Kowloon	70,045*
	Total:	**188,736**

* *Downsized from 112,464 square feet to 70,045 square feet since June 2019.*

UNY HK is striving to make changes in order to improve its overall shopping environments and thus attract more shoppers. For instance, UNY at Lok Fu Place completed its four-month phased renovations in November 2019, offering a refreshing and comfortable shopping experience for customers. In addition, a new Japanese supermarket in Yuen Long will be opened in mid-2020, offering fresh Japanese produce and food products, as well as daily necessities to customers.

Affected by the above-mentioned unfavourable market conditions, as well as the closure of its store at Telford Plaza and the renovation works of its store at Lok Fu Place, UNY HK recorded a year-on-year decrease of 18% in total proceeds derived from the sales of own goods and consignment sales for the year ended 31 December 2019. The breakdown is as follows:

	For the year ended 31 December		
	2019 HK$ million	2018 (note) HK$ million	Change
Proceeds from sales of own goods	**816**	974	-16%
Proceeds from consignment sales	**313**	410	-24%
Total:	**1,129**	1,384	-18%

Note: The comparative figures for the corresponding year ended 31 December 2018 were for reference only as the Group's acquisition of "UNY HK" was completed on 31 May 2018.

Sales of Own Goods

	For the year ended 31 December	
	2019 HK$ million	2018 (note) HK$ million
Sales of own goods	**816**	974
Gross profit (after netting the cost of inventories sold)	**246**	290
Gross margin	**30%**	30%

Note: The comparative figures for the corresponding year ended 31 December 2018 were for reference only as the Group's acquisition of "UNY HK" was completed on 31 May 2018.

Consignment Sales

	For the year ended 31 December	
	2019 HK$ million	2018 (note) HK$ million
Sales proceeds from consignment counters	**313**	410
Commission income from consignment counters and administration fee income	**74**	94

Note: The comparative figures for the corresponding year ended 31 December 2018 were for reference only as the Group's acquisition of "UNY HK" was completed on 31 May 2018.

After deducting the operating expenses, a loss after taxation of HK$22 million was recorded during the year under review, mainly due to the rental expenditure in the aggregate amount of HK$22 million incurred on the PIAGO premises after its closure on 31 March 2019.

The after-tax profit contribution from Citistore and UNY HK amounted to HK$54 million in aggregate for the year ended 31 December 2019. After taking into account the interest income, dividend income and the overhead expenditures of its head office, the Group's profit attributable to equity shareholders during the year under review amounted to HK$62 million, representing a decrease of HK$35 million or 36% from that of HK$97 million in the previous year.

Corporate Finance

Given its strong financial position, the Group had no bank borrowings (2018: HK$Nil) and its cash and bank balances amounted to HK$363 million (2018: HK$465 million) at 31 December 2019.

Prospects

Given the recent outbreak of novel coronavirus infection in Hong Kong, consumer sentiment is expected to remain subdued. The Group will closely monitor the situation, assess risks, and take appropriate measures.

The Group will continue to integrate the businesses of Citistore and UNY HK so as to enhance their operational synergies, as well as cost efficiency. Efforts will also be made to launch innovative promotional campaigns and optimise the merchandise mix. Together with the forthcoming addition of a new Japanese supermarket in Yuen Long, the possible negative impact of the epidemic should be mitigated, thereby improving the Group's overall results.

Appreciation

Dr Lee Shau Kee, the founder of the Company, retired from the directorship of the Company on 28 May 2019 due to his advanced age. On behalf of the Board, I would like to express my sincere gratitude to Dr Lee Shau Kee for his leadership and invaluable contribution to the Company in the past four decades. I would also like to take this opportunity to extend my appreciation to my fellow directors for their wise counsel, and to thank all our staff for their commitment and hard work throughout the year.

Lee Ka Shing
Chairman

Hong Kong, 23 March 2020

Business Model and Strategic Direction

The retailing operation in Hong Kong has become the sole business of the Group since the acquisition by the Group of the "Citistore" business completed in December 2014. In May 2018, the Group acquired UNY (HK) Co., Limited (now renamed as "Unicorn Stores (HK) Limited") to expand its store coverage.

Business Model

Strong brand

The retailing operation comprises six general merchandise stores operating under the name "Citistore" and two general merchandise stores-cum-supermarkets operating under the names of "APITA" and "UNY" (collectively, "Unicorn Stores"). Both "Citistore" and "UNY" are established brands with more than 20 years and 30 years of operating track record respectively, which are strong brands that are trusted among the consuming public in Hong Kong.

Stable income and profitability

With strategic store location and diversified product range, the Group's retailing operation aims to provide products offerings of daily necessities for which demand does not fluctuate significantly regardless of changes in the overall market conditions and hence achieves stable income and improvements in profitability.

Strategic Direction

Strategic location

All the Group's stores are strategically located in well established and densely-populated residential districts and are in close proximity to local transport hubs to balance convenience to their customers and cost efficiency. Such strategic store locations allow the Group's retailing business to penetrate its targeted consumers and in turn strengthen its competitive position in the market.

Effective merchandising strategy

One of the Group's merchandising strategies is to source and purchase quality products which are not commonly offered by its competitors, the procurement team pays regular visits to mainland China, Japan and other countries with a view to discovering new suppliers and new products which are attractive to its consumers. In addition, the contractual merchandising arrangement with UNY Japan as supplier has broadened the range of Japanese products offered by the Group.

Diversified products and competitive prices

The Group's stores offer a diversified range of goods and merchandise, including apparel, cosmetics, housewares, foods and daily necessities. In particular, Unicorn Stores are renowned for supply of high-quality Japanese fresh produce and food, which enable customers to enjoy the convenience of a one-stop shopping experience for a wide variety of products at reasonable and competitive prices.

Management Discussion and Analysis

Financial review

The following discussions should be read in conjunction with the Company's audited consolidated financial statements for the year ended 31 December 2019.

Adoption of new accounting standard

Hong Kong Financial Reporting Standard 16, *Leases* ("HKFRS 16") became effective for the Group commencing on 1 January 2019, under which a lessee is required to recognise, at the earlier of the commencement of a lease or the adoption of HKFRS 16, 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.

The Group has adopted the modified retrospective approach under HKFRS 16 and does not restate comparative amounts for the corresponding year ended 31 December 2018 prior to the first adoption of HKFRS 16. As a result, in relation to the relevant leases of which the Company or any of its subsidiaries is a lessee, the Group recognised a retrospective adjustment to the consolidated retained profits (after tax) at 1 January 2019 for a cumulative decrease of HK$50 million. Furthermore, the Group recognised (i) right-of-use assets and lease liabilities of HK$827 million and HK$966 million respectively in the Group's consolidated statement of financial position at 1 January 2019; and (ii) depreciation charge on the right-of-use assets and finance costs on the lease liabilities in the amounts of HK$216 million and HK$44 million respectively in the Group's consolidated statement of profit or loss for the year ended 31 December 2019.

Material acquisitions and disposals

The Group did not undertake any significant acquisitions or disposals of assets or subsidiaries during the year ended 31 December 2019.

Results of operations

During the year ended 31 December 2019, 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) Unicorn Stores (HK) Limited ("UNY HK", a wholly-owned subsidiary of the Company and which was formerly known as UNY (HK) Co., Limited until 27 July 2018 on which date the current name was adopted).

(a) Department store operation in Hong Kong

Citistore

The Group recognised the following financial performance of Citistore for the year ended 31 December 2019 as compared with the corresponding year ended 31 December 2018:

	Note	Year ended 31 December 2019 HK$ million	2018 HK$ million	*Increase/ (Decrease) HK$ million*	*Increase/ (Decrease) %*
Revenue					
– Sales of goods		**404**	433	*(29)*	*-7%*
– Commission income derived from consignment counters		**260**	286	*(26)*	*-9%*
– Commission income derived from concessionaire counters		**146**	150	*(4)*	*-3%*
– Promotion income		**7**	8	*(1)*	*-13%*
	(i)	**817**	877	*(60)*	*-7%*
Direct costs					
– Cost of inventories sold		**(271)**	(284)	*13*	*-5%*
– Rental and related expenses	(ii)	**(52)**	(238)	*186*	*-78%*
– Staff salaries and related expenses		**(112)**	(113)	*1*	*-1%*
– Depreciation charge on leasehold improvements		**(23)**	(28)	*5*	*-18%*
– Depreciation charge on right-of-use assets	(ii)	**(136)**	–	*(136)*	*n/a*
– Others		**(35)**	(38)	*3*	*-8%*
		(629)	(701)	*72*	*-10%*
Other revenue		**9**	9	–	–
Selling and marketing expenses		**(17)**	(20)	*3*	*-15%*
Administrative expenses		**(57)**	(58)	*1*	*-2%*
Profit from operations		**123**	107	*16*	*+15%*
Finance costs on lease liabilities	(ii)	**(32)**	–	*(32)*	*n/a*
Profit before taxation		**91**	107	*(16)*	*-15%*
Income tax charge		**(15)**	(18)	*3*	*-17%*
Profit after taxation attributable to equity shareholders of the Company		**76**	89	*(13)*	*-15%*

Notes:

(i) *The year-on-year decrease in revenue of HK$60 million, or 7%, is mainly attributable to a remarkably warmer weather during the months of January and February 2019 which resulted in a decrease in the sales of winter merchandises in January and February 2019 when compared with that for the corresponding period of January and February 2018, and the cautious consumption and retail market sentiment in Hong Kong starting from May 2019 amid external uncertainties as well as the disruption to Citistore's normal business hours due to the social unrest in Hong Kong during the second half of 2019.*

(ii) *The Group has adopted HKFRS 16 on 1 January 2019 under which the "practical expedient" is applicable to the short-term leases of a reporting entity whose expiry dates are within one year from the date of initial adoption of HKFRS 16. As a result, the accounting treatment of HKFRS 16 is not applicable to such short-term leases, and therefore the rental and related expenses of such short-term leases continued to be recognised in the reporting entity's statement of profit or loss for the year ended 31 December 2019.*

Also, under HKFRS 16, the distinction between operating and finance leases is removed. As a result, for each tenancy lease of Citistore other than the short-term leases in relation to which the "practical expedient" under HKFRS 16 is applicable, Citistore has recognised the following:

- *right-of-use assets in the statement of financial position measured at their carrying amounts (as if HKFRS 16 had been applied since the commencement date of the tenancy lease) but discounted using Citistore's incremental borrowing rate at 1 January 2019. Accordingly, Citistore recognised the related depreciation charge on the right-of-use assets in the aggregate amount of HK$140 million (of which HK$136 million is classified under "Direct costs" and HK$4 million is classified under "Administrative expenses") in the statement of profit or loss for the year ended 31 December 2019; and*

- *lease liabilities in the statement of financial position, which are interest-bearing at Citistore's incremental borrowing rate at 1 January 2019. Accordingly, Citistore recognised the related finance cost on the lease liabilities in the amount of HK$32 million in the statement of profit or loss for the year ended 31 December 2019.*

As the Group applies the modified retrospective approach under HKFRS 16, no restatement is made to the comparative amounts for the corresponding year ended 31 December 2018 prior to the first adoption of HKFRS 16. Therefore, for the purpose of direct comparison between the two financial years ended 31 December 2019 and 2018, the rental and related expenses of HK$54 million (of which HK$52 million is classified under "Direct costs" and HK$2 million is classified under "Administrative expenses"), the depreciation charge on right-of-use assets of HK$140 million (see above) and the finance cost on the lease liabilities of HK$32 million (see above) are aggregated which amounted to HK$226 million for the year ended 31 December 2019 (2018: rental and related expenses of HK$246 million, comprising an amount of HK$238 million which is classified under "Direct costs" and an amount of HK$8 million which is classified under "Administrative expenses"), and the year-on-year decrease of HK$20 million is attributable to (i) the rental concessions which have arisen from the disruption to Citistore's normal business hours due to the social unrest in Hong Kong during the second half of 2019; and (ii) the decrease in turnover rentals payable by Citistore due to the decrease in revenue during the year ended 31 December 2019.

Goodwill on acquisition in the amount of HK$810 million (2018: 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 2019. The Citistore Goodwill was tested for impairment at 31 December 2019 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 2019. The directors of the Company have assessed that there was no impairment on the carrying amount of the Citistore Goodwill at 31 December 2019.

UNY HK

Since the acquisition of UNY HK was completed on 31 May 2018 (the "UNY HK Acquisition"), the 2018 comparative figures below only contained the financial performance of UNY HK for the period of seven months from 1 June 2018 to 31 December 2018.

	Note	Year ended 31 December 2019 HK$ million	Year ended 31 December 2018 HK$ million	*Increase/ (Decrease) HK$ million*	*Increase/ (Decrease) %*
Revenue					
– Sales of goods		**816**	565	*251*	*+44%*
– Commission income derived from consignment counters		**69**	50	*19*	*+38%*
– Administration fee income		**5**	4	*1*	*+25%*
	(iii)	**890**	619	*271*	*+44%*
Direct costs					
– Cost of inventories sold		**(570)**	(396)	*(174)*	*+44%*
– Rental and related expenses	(iv)	**(66)**	(107)	*41*	*-38%*
– Staff salaries and related expenses		**(76)**	(51)	*(25)*	*+49%*
– Depreciation charge on leasehold improvements		**(8)**	(7)	*(1)*	*+14%*
– Depreciation charge on right-of-use assets	(iv)	**(74)**	–	*(74)*	*n/a*
– Others		**(41)**	(28)	*(13)*	*+46%*
		(835)	(589)	*(246)*	*+42%*
Other revenue		**3**	2	*1*	*+50%*
Other expense	(v)	**(21)**	–	*(21)*	*n/a*
Selling and marketing expenses		**(16)**	(9)	*(7)*	*+78%*
Administrative expenses		**(35)**	(18)	*(17)*	*+94%*
(Loss)/profit from operations		**(14)**	5	*(19)*	*-380%*
Finance costs on lease liabilities	(iv)	**(12)**	–	*(12)*	*n/a*
(Loss)/profit before taxation		**(26)**	5	*(31)*	*-620%*
Income tax credit/(charge)		**4**	(1)	*5*	*+500%*
(Loss)/profit after taxation attributable to equity shareholders of the Company		**(22)**	4	*(26)*	*-650%*

Notes:

(iii) *The year-on-year increase of HK$271 million, or 44%, in the revenue of UNY HK for the year ended 31 December 2019 when compared with the revenue for the corresponding year ended 31 December 2018 is attributable to the effect of recognising UNY HK's financial performance for the full year ended 31 December 2019 when compared with the financial performance only for the period of seven months from 1 June 2018 to 31 December 2018 in relation to the corresponding year ended 31 December 2018.*

However, referring to the revenues of UNY HK of HK$890 million and HK$1,068 million for the full years ended 31 December 2019 and 2018 respectively, the year-on-year decrease of HK$178 million, or 17%, is mainly attributable to the closing down of the PIAGO store at Kowloon Bay, the renovation of the UNY store at Lok Fu Place, cautious consumption and retail market sentiment in Hong Kong starting from May 2019 amid external uncertainties as well as the disruption to UNY HK's normal business hours due to the social unrest in Hong Kong during the second half of 2019.

(iv) *Under HKFRS 16, the distinction between operating and finance leases is removed. As a result, for each tenancy lease of UNY HK other than the short-term leases in relation to which the "practical expedient" under HKFRS 16 is applicable, UNY HK has recognised the following:*

- *right-of-use assets in the statement of financial position measured at their carrying amounts (as if HKFRS 16 had been applied since the commencement date of the tenancy lease) but discounted using UNY HK's incremental borrowing rate at 1 January 2019. Accordingly, UNY HK recognised the related depreciation charge on the right-of-use assets in the aggregate amount of HK$76 million (of which HK$74 million is classified under "Direct costs" and HK$ 2 million is classified under "Administrative expenses") in the statement of profit or loss for the year ended 31 December 2019; and*
- *lease liabilities in the statement of financial position, which are interest-bearing at UNY HK's incremental borrowing rate at 1 January 2019. Accordingly, UNY HK recognised the related finance cost on the lease liabilities in the amount of HK$12 million in the statement of profit or loss for the year ended 31 December 2019.*

As the Group applies the modified retrospective approach under HKFRS 16, no restatement is made to the comparative amounts for the corresponding year ended 31 December 2019 prior to the first adoption of HKFRS 16. Therefore, for the purpose of direct comparison between the two financial years ended 31 December 2019 and 2018, the rental and related expenses of HK$69 million (of which HK$66 million is classified under "Direct costs" and HK$3 million is classified under "Administrative expenses"), the depreciation charge on right-of-use assets of HK$76 million (see above) and the finance cost on the lease liabilities of HK$12 million (see above) are aggregated which amounted to HK$157 million for the year ended 31 December 2019 (2018: rental and related expenses of HK$109 million, comprising an amount of HK$107 million which is classified under "Direct costs" and an amount of HK$2 million which is classified under "Administrative expenses"), and the year-on-year increase of HK$48 million is mainly attributable to the effect of recognising UNY HK's financial performance for the full year ended 31 December 2019 when compared with the financial performance only for the period of seven months from 1 June 2018 to 31 December 2018 in relation to the corresponding year ended 31 December 2018.

(v) *Other expense in the amount of HK$21 million for the year ended 31 December 2019 (2018: Nil) is mainly attributable to the rental expenditure of HK$22 million in relation to the shop premise of the PIAGO store at Kowloon Bay, whose business operation ceased on 31 March 2019, for the period from 1 April 2019 to 20 October 2019 (being the expiry date of the tenancy lease).*

On 31 March 2019, UNY HK ceased its business operation of the PIAGO store at Kowloon Bay but, during the period from 1 April 2019 to 20 October 2019, UNY HK continued to incur rental expenditure on the shop premise of PIAGO (whose tenancy lease expired on 20 October 2019). For the period from 1 April 2019 to 20 October 2019, the aggregate amount of rental expenditure incurred by UNY HK on the PIAGO premise amounted to HK$22 million (see note (v) above), which mainly accounted for UNY HK's loss for the year ended 31 December 2019.

Goodwill on acquisition in the amount of HK$262 million (2018: HK$262 million) (the "UNY HK Goodwill"), which arose from the UNY HK Acquisition, was recognised in the Group's consolidated statement of financial position at 31 December 2019. The UNY HK Goodwill was tested for impairment at 31 December 2019 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 2019. The directors of the Company have assessed that there was no impairment on the carrying amount of the UNY HK Goodwill at 31 December 2019.

(b) Overall

Aggregating the abovementioned profit/(loss) after tax of the department store operation in Hong Kong and the profit after tax at corporate level of HK$8 million for the year ended 31 December 2019 (2018 : HK$4 million) mainly due to the Group's bank interest income and dividend income less administrative expenses, the Group recorded total profit after tax attributable to equity shareholders in the amount of HK$62 million for the year ended 31 December 2019 (2018: HK$97 million), representing a year-on-year decrease of HK$35 million, or 36%.

Finance costs on bank borrowing

During the year ended 31 December 2019, the Group recognised finance costs (including other borrowing costs) of HK$64,910 (2018: HK$434,965) in relation to the Group's bank borrowing drawdown on an available bank loan facility but which was fully repaid at 31 December 2019, as referred to in the paragraph headed "Financial resources, liquidity and loan maturity profile" below.

Financial resources, liquidity and loan maturity profile

At 31 December 2019, the Group did not have any bank borrowing (2018: Nil) after its full repayment of the amounts drawdown during the year ended 31 December 2019 pursuant to the term and revolving bank loan facility which has a final maturity date of 31 January 2021.

At 31 December 2019, the Group had cash and bank balances of HK$363 million (2018: HK$465 million). Excluding the Group's lease liabilities recognised under HKFRS 16 of HK$830 million at 31 December 2019 (2018: Nil), the Group had net cash and bank balances of HK$363 million at 31 December 2019 (2018: HK$465 million).

For the year ended 31 December 2019, the Group's profit from operations (including bank interest income but excluding finance costs) before taxation amounted to HK$116 million (2018: HK$116 million). Based on the Group's finance costs related to bank borrowings (and excluding the finance costs on lease liabilities recognised under HKFRS 16) of HK$64,910 for the year ended 31 December 2019 (2018: HK$434,965) as referred to in the paragraph headed "Finance costs on bank borrowing" above, the Group's interest cover was 1,787 times for the year ended 31 December 2019 (2018: 267 times).

Based on the Group's net cash and bank balances of HK$363 million at 31 December 2019, 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 2019 and 2018, 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 2019 and 2018.

Charge on assets

Except for a pledged bank deposit of HK$101,562 at 31 December 2019 (2018: HK$101,158) held by UNY HK, assets of the Group were not charged to any other parties at 31 December 2019 and 2018.

Capital commitments

At 31 December 2019, the Group had capital commitments in relation to leasehold improvements contracted but not provided for in the amount of HK$4 million (2018: HK$3 million).

Contingent liabilities

At 31 December 2019 and 2018, the Group did not have any contingent liabilities.

Employees and remuneration policy

At 31 December 2019, the Group had 934 (2018: 1,017) full-time employees and 254 (2018: 271) part-time employees. The decrease in the Group's headcount of full-time employees is mainly attributable to the reduction in UNY HK's staff headcount after the cessation of UNY HK's business operation of the PIAGO store at Kowloon Bay on 31 March 2019.

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 2019 amounted to HK$250 million (2018: HK$218 million). The increase in total staff costs for the year ended 31 December 2019 is mainly due to the addition of UNY HK's staff costs for the full year ended 31 December 2019, whilst for the corresponding year ended 31 December 2018 the Group recognised UNY HK's staff costs only for the period of seven months from 1 June 2018 to 31 December 2018.

Five Year Financial Summary

		Year ended 31 December				
	Note	2015 HK$ million	2016 HK$ million	2017 HK$ million	2018 HK$ million	2019 HK$ million
Profit for the year	1	449	100	111	97	62
		HK cents	HK cents	HK cents	HK cents	HK cents
Earnings per share	1	14.7	3.3	3.6	3.2	2.0
Dividends per share	1	4.0	4.0	4.0	4.0	3.0

		At 31 December				
	Note	2015 HK$ million	2016 HK$ million	2017 HK$ million	2018 HK$ million	2019 HK$ million
Fixed assets		73	101	90	92	118
Right-of-use assets		–	–	–	–	699
Lease liabilities		–	–	–	–	830
Net asset value	1	1,489	1,465	1,430	1,401	1,288
		HK$	HK$	HK$	HK$	HK$
Net asset value per share	1	0.49	0.48	0.47	0.46	0.42

Note:

1. *The profits, earnings, dividends and net asset values shown or referred to above were all attributable to equity shareholders of the Company.*

Sustainability and CSR

1 About This Section

Reporting Standard and Scope

This annual Environmental, Social and Governance ("ESG") Report (the "Report") was prepared in accordance with the requirements of the ESG Reporting Guide (the "ESG Guide") set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEx"). It provides an overview of the Company's management approach as well as ESG initiatives and performance in regard to human capital, environment, value chain, and community investment for the period from 1 January 2019 to 31 December 2019 (the "reporting period"). The following entities, which are included in this Report, represent and cover businesses which have the most significant impact on the Company's environmental and social performance:

Department Store	Citistore / APITA / UNY

For a full list of ESG Aspects, respective key performance indicators ("KPIs"), and their reference within this Report, please see the Performance Table and HKEx ESG Guide Content Index included on pages 31 to 33 of the Annual Report.

Stakeholder Engagement and Materiality Assessment

Ongoing and two-way communication with stakeholders is crucial for our understanding of their perceptions and expectations of our ESG efforts, performance and future strategies. In preparation for this Report, the Company appointed an independent consultant to conduct a comprehensive stakeholder engagement and materiality assessment by following a three-step process as detailed below to determine the most material ESG topics for disclosure.

Stage 1

Identification

- The ESG disclosures of local, regional and International peers were reviewed to identify common industry disclosure practices.
- An online survey was conducted with internal and external stakeholders to rank the importance of various ESG issues.

Stage 2

Prioritisation

- The results of the peer benchmarking and stakeholder online survey were combined and analysed. A prioritised list of ESG issues of varying materiality levels was consolidated for confirmation.

Stage 3

Validation

- The Company's senior management convened a meeting with the independent consultant to confirm a finalised list of material KPIs for disclosure.

Sustainability Governance

A well-established sustainability governance structure is essential in managing ESG-related risks and for the enhancement of sustainability performance over time. Our risk management framework combines a top-down strategic view with a corresponding bottom-up process in which ESG-related risks are effectively identified, assessed, and managed. The Board provides strategic guidance on our approach to sustainability and maintains oversight of the Company's risk management and internal control systems. Reporting directly to the Board is our senior management, who are responsible for the detailed monitoring and regular updating of our ESG performance for further Board review.

The ESG working group comprises representatives from various departments and has been established to plan and coordinate ESG initiatives within the Company. This working group helps to coordinate the day-to-day execution of our ESG strategy and is supervised by members of the senior management.

For more details on our approach to risk management and internal control systems, please refer to the Corporate Governance Report on pages 34 to 48 of the Annual Report.

2 Engaging Our Customers and Suppliers

Through our robust and diverse experience within the retail industry, we recognise that maintaining a healthy relationship with our customers and supply chain partners is an integral part of adapting to fast-paced consumer trends. To strengthen these positive relationships, we conduct meaningful engagements with our vendors to incorporate quality merchandise into our portfolio and proactively seek customer opinions to help us continue to deliver the high-quality service they expect from us.

Customer First

Our "Customer First" philosophy underpins everything the Company does, with a primary focus on enabling our customers to enjoy a quality lifestyle by providing them with quality merchandise and services. To embed this philosophy in our daily operations, Citistore has adopted the **"Three Qs Missions"** as follows:

Quality Services	Quality Merchandise	Quality Lifestyle
We aim at offering quality services so as to let customers find their shopping enjoyment in Citistore.	Our diversified merchandising mix provides customers with various and better choice of their necessities at a reasonable price.	Our quality services and quality merchandises intend to raise the quality of living standard for the general public.

To provide our customers with the most hygienic and comfortable shopping environment, we conduct extensive cleaning operations before and after business hours at all our stores. Additionally, our Engineering Department monitors the status of the engine room and air-conditioners three times daily to regulate indoor temperatures for ideal comfort.

Together with the procurement of quality merchandise and the provision of a comfortable shopping environment, our service quality is an equally important part of maintaining our relationship with customers. To ensure customer satisfaction levels are consistently at a level which meets our expectations, we undergo internal and external assessments to better understand customer needs and emerging consumer trends. The Company has several feedback channels and engagement mechanisms to collect the thoughts and views of our customers, including Facebook pages, designated telephone hotlines, and public email accounts. Any formal complaints received through the above channels will be investigated and resolved by dedicated representatives in strict confidence. After the investigation process is completed the Company will provide an update to the complainant through a formal written reply via email in a timely manner.

During the reporting period, a total of 68 written customer complaints were received via various communication channels relating to purchased products and services, which were all satisfactorily resolved according to the established complaint handling guidelines and procedures.

Mystery Shopper Programme

To offer our customers the best possible shopping experience, we implemented a mystery shopper programme in six stores of Citistore to gather insight into our performance from a customer's point of view. The valuable information gained from this programme allowed us to have a better understanding of our own strengths and highlighted areas for improvement. Through this programme we can assess, adapt, and improve our daily operations and continue to raise the quality of our customers' shopping experience.

The Company was heartened to receive 17 compliment letters from customers during the reporting period. This recognition and appreciation from our customers reinforces our continuous commitment to provide an exceptional quality of service.

Product Responsibility

Before any merchandise is presented to our customers, we must first exercise due diligence to ensure only products which meet our stringent quality standards are placed on our shelves. Every shipment received is thoroughly checked upon arrival, including important details such as labels, packaging, and expiry dates. Any discrepancies discovered will be reported to the department heads immediately to carry out investigative and corrective actions.

To provide customers with the necessary information to make an informed buying decision, our product arrangement strategy includes provisions for the presentation of certain particulars such as brand name, product description, maintenance details, expiry dates, and warnings alongside the price tags.

We work to ensure the protection of customer privacy and only collect a minimal amount of necessary personal information[1]. All personal data collected from the Citistore website, Citistore Membership (Citi-fun), and other channels is securely stored on the Company's core network which is protected by up-to-date firewall and anti-virus software, and may only be accessed by authorized personnel. A similar mechanism is in place at APITA and UNY, covering the collection, use and management of data and information in accordance with relevant legislation.

During the reporting period there were zero non-compliance cases with the relevant laws and regulations[2] relating to product health and safety, advertising, labelling, and privacy matters.

Supply Chain Management

We understand the key role our suppliers play in facilitating the delivery of quality merchandise and enhanced operational efficiency for the sustained success of our business. To this end, we work closely with supply chain partners who share our dedication to sustainability, service excellence, product responsibility, and business ethics. While

Notes:

1. *The customer privacy policy is publicly available on the Citistore website at: https://www.citistore.com.hk/en/privacy_policy_chi/*
2. *Including but not limited to Trade Descriptions Ordinance (Cap. 362), Food and Drugs (Composition and Labelling) Regulations (Cap. 132), Consumer Goods Safety Regulation (Cap. 456), Personal Data (Privacy) Ordinance (Cap. 486).*

selecting our suppliers, we take product and service quality, price, and regulatory compliance[3] into account, and require all partners to adhere to the Company's guidelines concerning anti-corruption and bribery. For our food products at APITA/UNY, we only engage with licensed suppliers and may request test reports or other relevant documentation for quality assurance purposes, if necessary. With respect to competitive fairness, for all non-selling items all new supplier engagements must invite two or more parties to submit their quotations.

As a responsible corporate citizen, we strictly uphold intellectual property rights and are mindful of the products sold by our consignment and concessionaire counters. All suppliers and vendors are bound by the terms and conditions set out in our Vendor Agreement which stipulate their full responsibility in relation to the infringement of patent, design, trade mark, trade name, copyright, or other intellectual property rights, as well as any defects or malfunction of the merchandise delivered.

3 Conserving Our Resources

The Company has shown a consistent drive to promote an environmentally conscious culture amongst customers and employees. The Company is committed to sustainable usage and management of resources within our operations. We adhere to stringent regulatory standards and operate in an environmentally responsible manner which is expected from our customers and other stakeholders. To this end, our comprehensive Environmental Policy was formulated to guide our decisions, strategies and initiatives to manage our impacts on the environment and natural resources, and to promote an environmentally conscious culture throughout our value chain.

During the reporting period, there were zero non-compliance cases with the relevant laws and regulations[4] relating to environmental issues.

To meet all applicable legal and regulatory requirements on Corporate Social Responsibility ("CSR") matters	To give due consideration to environmental impacts in the supply chain management and operation management processes	To reduce consumption of resources such as paper, water and fuels used by the company fleet
To review the Environmental Policy on a regular basis or as required, ensuring its relevance and effectiveness	**Henderson Investment Limited Environmental Policy**	To reduce energy consumption and carbon emissions by using energy-efficient electrical appliances
To provide a safe and healthy working environment to all staff in compliance with the applicable legal requirements	To promote environmental awareness amongst our business partners, customers and staff in relation to environmental protection and sustainability	To support suitable CSR initiatives in relation to environmental protection and sustainability

Notes:

3. *Including but not limited to Toys and Children's Products Safety Ordinance (Cap. 424) and Electrical Products (Safety) Regulation (Cap. 406).*
4. *Including but not limited to Waste Disposal Ordinance (Cap. 354).*

Use of Resources

Energy Use

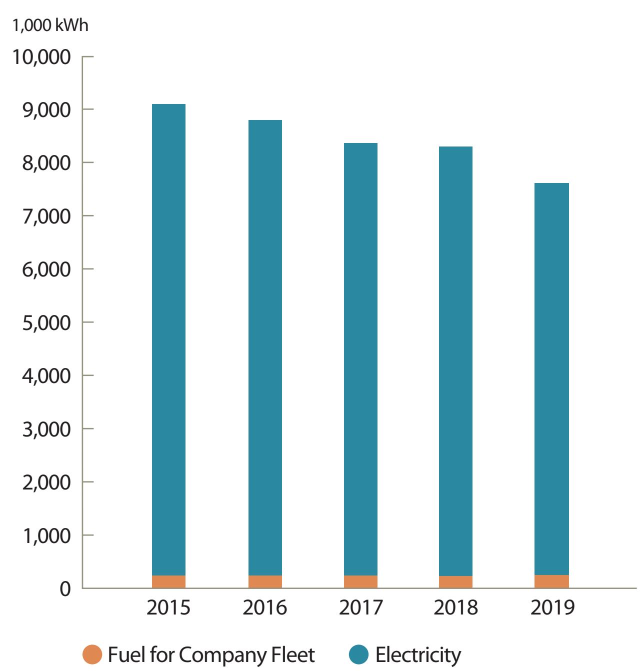
The Company recognises that energy use is among the more relevant environmental impacts which arise from our business operations. We have implemented a wide range of initiatives at our stores and offices to reduce our energy consumption whilst maintaining a high-quality and comfortable shopping experience. We closely monitor the indoor temperature of all our stores to ensure our air conditioning systems are operating as efficiently as possible by maintaining a comfortable 25°C to 26°C. To further reduce our energy consumption, designated staff will manually switch off the Fan Coil Unit whenever appropriate.

To improve the efficiency of our lighting systems, we seized the opportunity to replace our traditional store lighting with LED lighting at Lok Fu UNY during a scheduled renovation in October 2019. Moving forward, we have formalised plans to continue to install LED lighting at APITA during our next renovation phase.

The Company continued to demonstrate its dedicated support to Worldwide Fund for Nature's ("WWF") "Earth Hour" campaign in 2019. We have participated in this campaign for the past number of years by switching off all lighting fixtures on our external wall signage and window displays for one hour. We are pleased to support this campaign to raise awareness about the impacts of energy consumption and help remind customers and staff to practise energy efficient habits on a daily basis.

"Earth Hour 2019", Tsuen Wan Citistore

Citistore Energy Consumption



Packaging Materials

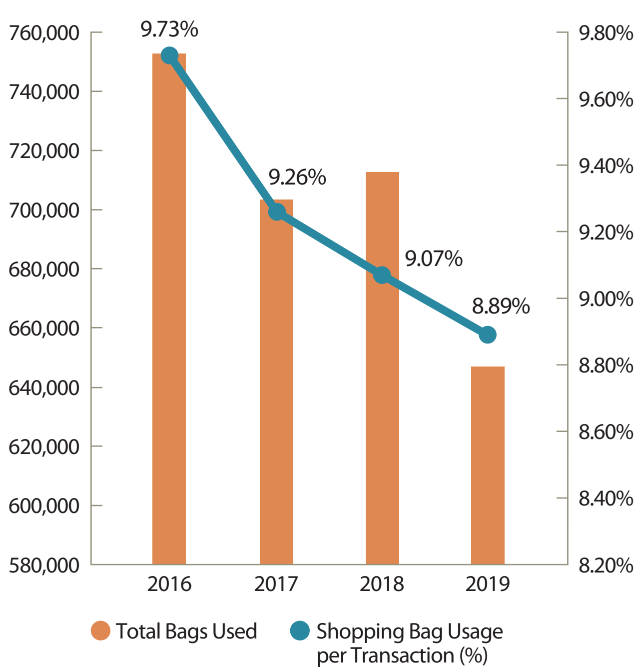
In 2015, Citistore was one of the first retailers to support the Plastic Shopping Bag Charge ("PSB Charge") Collaborative Platform established by three environmental organisations (The Conservancy Association, Greeners Action, and Green Power). The Platform uses the funds collected from the Government's PSB Charge to support waste reduction projects and promote an environmentally friendly shopping culture among consumers. Committed to reducing the use of plastic shopping bags, we continue to actively promote environmentally friendly shopping by encouraging customers to "BYOB" (bring-your-own-bag) and offer the sale of durable and reusable shopping bags.

Emissions and Waste Management

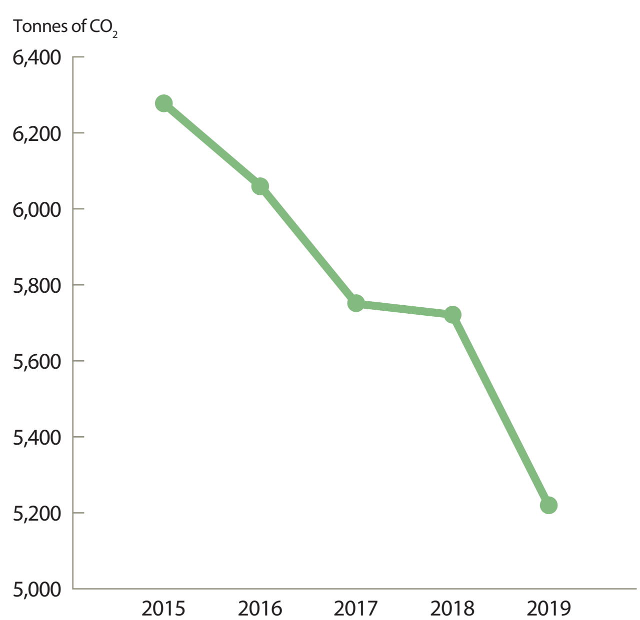
Climate Change

As outlined in the principal pledges of our Environmental Policy, we endeavour to play our role as a responsible corporate citizen and work to reduce our greenhouse gas ("GHG") emissions and the fuel consumed by our company fleet. The Company will continue to consider the feasibility of different energy-saving opportunities and carefully monitor the usage of the company fleet to minimise our GHG emissions.

Citistore Shopping Bag Usage



Citistore Greenhouse Gas Emissions

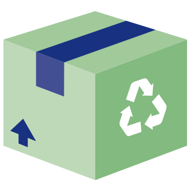


Waste Management

As the impacts of Hong Kong's landfills and waste continue to compound and negatively affect our environment, it is becoming increasingly important for companies to efficiently manage their waste generation and disposal.

Through various initiatives implemented in our daily operations, we promote a reuse and recycling culture among our staff for the most commonly used materials and resources. All office staff are reminded to print on both sides and reuse scrap paper whenever possible. At our stores, cardboard is one of the most abundant materials handled daily by staff. As such, we encourage the reuse of cardboard boxes as much as possible, most commonly for deliveries to customers and storage of documents and backroom products. Any cardboard not suitable for reuse will be recycled if possible. Obsolete electronic equipment is collected for recycling through third-party outlets.

The Company remains a proud contributor and supporter of the Greeners Action annual Lai See Reuse and Recycle Program held over the Chinese New Year holiday. Collection points were set up inside Citistore stores which were available to customers and staff to drop off used and unwanted red packets. Red packets in good condition were repackaged and distributed for reuse, while the rest were delivered to be recycled. In 2019, a total of 639 kg of red packets were collected and delivered to Greeners Action for processing.

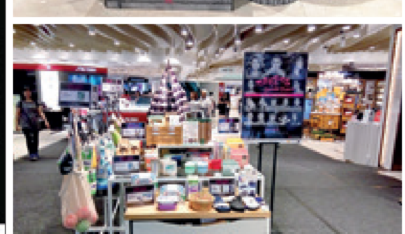


318,332kg of cardboard boxes recycled in 2019

62pcs of electronic equipment recycled in 2019

"Enough Plastic" Collaboration with ECO Drive Hong Kong

For the duration of the "Enough Plastic" campaign, Citistore prominently featured a display of environmentally friendly products to highlight the alternatives to single use plastics. The goal of this campaign was to build awareness of the pervasiveness of plastic waste and the available alternatives to single use plastics. Featured items on display included reusable shopping bags, collapsible lunch boxes and mugs, and washable takeaway utensils.



4 Nurturing Our People

The success of our business is greatly dependant on our talented and dedicated workforce. We are fully committed to providing the necessary support to our staff to facilitate their delivery of quality products and outstanding customer service to consumers. The Company takes great care to provide a safe, positive, collaborative, and bias-free working space for all employees.

During the reporting period, there were zero non-compliance cases with the relevant laws and regulations[5] relating to recruitment and employment practices, anti-discrimination, age group, gender, and other benefits and welfare.

Caring Our Employee

We ensure our workplace is free from any prejudice or discrimination and support employment practices in line with the principles of fairness and equal opportunity. The recruitment of all new staff members is strictly conducted on a merit-based criterion. Any potential candidate is assessed solely based on their relevant skills and qualifications. Employee remuneration packages are awarded with consideration of working experience and individuals' roles and responsibilities within the Company. To further strengthen staff morale and employee retention, the Company offers employees a wide range of attractive benefits such as our Staff Purchase Discount Programme and competitive leave allowances, including annual leave, compassionate leave, maternity leave, and marriage leave.

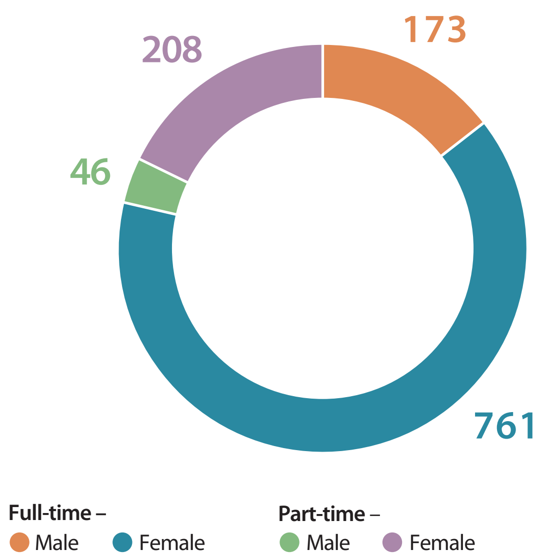
Through our policies and initiatives, we strive to cultivate and advocate a strong communal and caring spirit within the Company. To support our employees in maintaining their work-life balance and strong sense of belonging and compassion, we provide ample rest periods and reasonable working hours to all staff. We also coordinate social activities outside of our regular work environment, such as our annual Christmas and staff parties, to facilitate deeper interpersonal connections and relationships among our staff.

Citistore Annual Dinner 2019

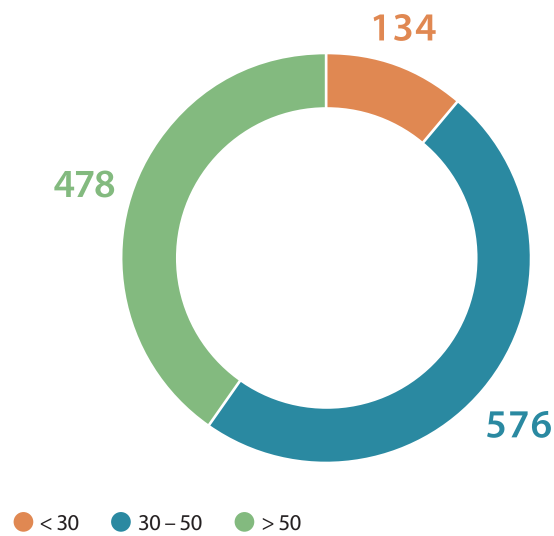
Note:

5. *Including but not limited to the Employment Ordinance (Cap. 57), Employees' Compensation Ordinance (Cap. 282), Disability Discrimination Ordinance (Cap. 487), Minimum Wage Ordinance (Cap. 608).*

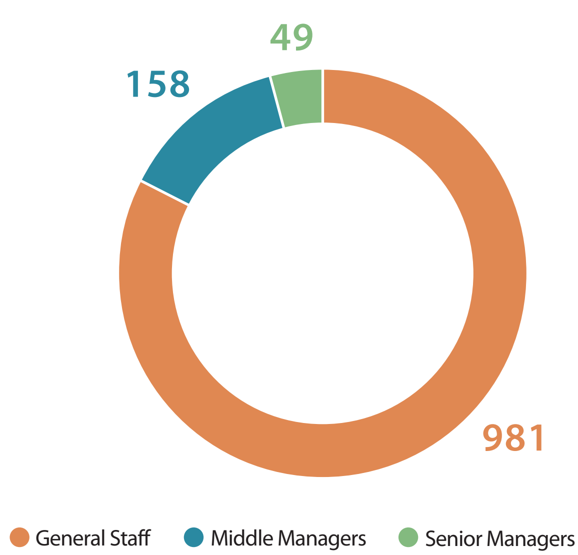
Total Workforce by Gender and Employment Type



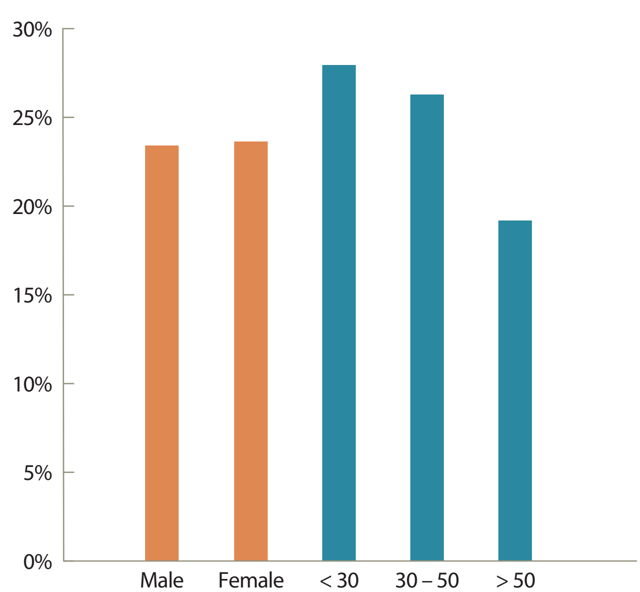
Total Employees by Age



Total Workforce by Employee Category



Employee Turnover Rate by Gender and Age



Note:

Data scope is expanded to include Citistore, APITA and UNY.

Health and Safety

The Company takes an uncompromising stance to the health and safety of our staff. We have worked diligently and implemented proactive measures to minimise potential occupational hazards on our company premises. Every year, the Occupational Safety and Health (Integrated Service) Operation Team of Hong Kong Labour Department conducts multiple safety inspections. During the reporting period, the operation teams found no cases of non-compliance. To raise staff awareness on the importance of workplace health and safety, we hold regular first aid training sessions and advise frontline staff of precautionary measures to avoid injury or chronic illnesses such as back pain. We also provide all permanent staff members with comprehensive medical coverage.

If any work-related injuries occur, an incident report form must be completed by the injured party, a witness, and the store manager. The incident report form is then immediately submitted to our Human Resources Department, who will subsequently report the incident to the Labour Department for further action.

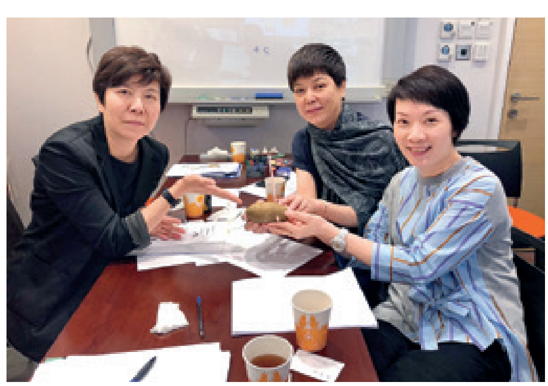
During the reporting period, there were zero non-compliance cases with the relevant laws and regulations[6] relating to the provision of a safe work environment and the protection of employees from occupational hazards.

Development and Training

In the formulation of our employee development and training strategy, we recognised that we cannot take a one-size-fits-all approach. As such, we tailored our training programme to cater to the needs of employees from across departments and at various stages of their careers. We emphasise the importance of soft skills such as communication, cooperation, and emotional understanding in addition to more traditional skills focused on topics such as product knowledge and consumer trends.

We aspire to equip our staff with the relevant skills and knowledge necessary for success. New staff joining our company will attend an orientation class, while store staff are provided with an additional Service and Selling Skills class as part of their preliminary training. We also provide selected frontline staff with an Emotional Quotient ("EQ") in Service training to supplement their personal toolkits to deal with customers in their daily work. To facilitate effective communication between our in-store staff, all store supervisors would attend our Better Communication and Effective Coaching class which strengthens their ability to concisely and effectively convey meaning through optimal communication methods. Floor and store managers would attend Supervisor Skills Series and Motivating Your Team classes to strengthen their people-oriented management skills to better help their team members unlock their respective potentials.

Floor Manager Supervisory Skills Series 2019



Note:

6. *Including but not limited to the Occupational Safety and Health Ordinance (Cap. 509).*

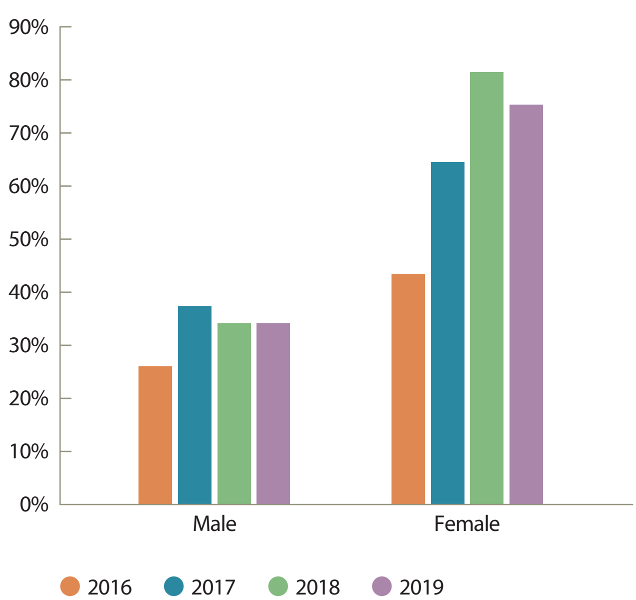
For our office staff we centre our training around teamwork, communication and cooperation. To this end, we organise regular workshops and classes to constantly improve and update their skills with the latest trends and practices. In 2019, we arranged for our Citistore staff to attend a "Dialogue in the Dark Workshop" to gain valuable insight into alternative methods of communication and understanding. During the 2-hour experiential workshop, staff were guided by visually impaired trainers to perform a series of team tasks in complete darkness. This workshop enables staff to build mutual trust and respect as well as reinforces teamwork within the Company.

Average training hours per trained employee

10.5 hours

Citistore staff participating in the "Dialogue in the Dark Workshop"

Percentage of Employees Trained by Gender of Citistore



Percentage of Employees Trained by Employee Category of Citistore

Ethics and Integrity

The guidelines and polices stipulated in our Staff Handbook clearly state our expectations of appropriate and ethical behaviour for all employees. In line with these policies the Company has zero tolerance for any fraudulent or unethical conduct and strictly prohibits the acceptance of money or any other gifts from outside entities.

The Company continues to maintain its vigilance against unethical and corrupt behaviour and ensures organisational accountability through our Whistle-blowing Policy. Any employee may report a grievance or concern about suspected misconduct, malpractice, or irregular behaviour regarding all matters within the Company in strict confidence without fear of reprisal. Any information received through our whistle-blowing channel is handled via a secure communication line to ensure full anonymity. All reported cases shall be thoroughly investigated and presented to management.

During the reporting period there were zero non-compliance cases with the relevant laws and regulations[7] relating to corrupt practices.

5 Caring for Our Community

Building on our people-centric philosophy, we strive to extend our care to the wider community we serve. We leverage our resources and human capital to create a more connected society through volunteering, collaboration with non-governmental organisations and social enterprises, and charitable donations. During the reporting period, we contributed a total donation of HK$228,945.

Community Programmes and Resources Contributed in 2019:

Organisations/Beneficiaries	Programmes	Contributions
Green Power	Plastic Shopping Bags Charge Collaborative Platform	Donation of HK$168,945
Greeners Action	Lai See Reuse and Recycle Program	Donation of HK$60,000
Greeners Action	Lai See Reuse and Recycle Program	Collected and delivered a total of 639 kg of red packets for re-use
Home Market	Technical support on the Point-Of-Sale (“POS”) system	40 man-hours from the Company’s Management Information Systems team
Other NGOs	In-kind donations to churches, schools, and The Salvation Army	Donated more than 5,000 pieces of clothing, household goods, and accessories

Note:

7. *Including but not limited to the Prevention of Bribery Ordinance (Cap. 201).*

Along with our continual efforts on community involvement and development, we have actively leveraged our stores as venues for experiential learning. This year, three visits were arranged at Citistore in Tsuen Wan and Yuen Long for kindergarten students to broaden their learning experience outside the classroom. Additionally, we partnered with St. Anna Anglo-Chinese Kindergarten to organise a store visit field trip at APITA for a group of K3 students. During the visit, we introduced them to the basic operations of a supermarket and enriched their first shopping experience by enabling them to choose and buy their favourite items.

Store visit for kindergarten students

Performance Table

HKEX KPI		Unit	2019 Citistore	2019 APITA and UNY[8]	2018 Citistore
A. Environmental					
A1.2	**Greenhouse gas emissions**				
	Scope 1 emissions	Tonnes of CO_2e	67.7	6.7	62.6
	Scope 2 emissions	Tonnes of CO_2e	5,154.2	5,685.4	5,646.2
	Scope 3 emissions	Tonnes of CO_2e	11.8	10.1	13.3
	– total	Tonnes of CO_2e	5,233.7	5,702.2	5,722.1
	– intensity	Tonnes of CO_2e per FTE[9]	9.5	15.0	10.3
A1.4	**Total non-hazardous waste produced**				
	Recycled materials/wastes				
	Cardboard boxes	Kg	318,332	N/A	396,353
	Electronic items	Items	62	N/A	245
A2.1	**Energy consumption by type**				
	Fuel for company fleet	1,000 kWh	248.7	23.5	229.8
	Electricity	1,000 kWh	7,363.1	8,122.1	8,066.0
	– total	1,000 kWh	7,611.8	8,145.6	8,295.8
	– intensity	1,000 kWh per FTE	13.8	21.4	14.9
A2.5	**Packaging material used**				
	Total plastic shopping bag consumption				
	– total	Number	646,949	4,478,300	712,671
B. Social					
B1.1	**Total workforce by gender, employment type and age group**				
	By gender				
	Male	No. of people	110	109	109
	Female	No. of people	614	355	593
	By employment type				
	Full-time	No. of people	552	382	558
	Part-time	No. of people	172	82	144
	By age group				
	<30	No. of people	76	58	89
	30-50	No. of people	355	221	355
	>50	No. of people	293	185	258
B1.2	**Employee turnover rate by gender and age group**				
	By gender				
	Male	%	20.9	25.7	12.1
	Female	%	19.2	31.3	49.1
	By age group				
	<30	%	25.0	32.8	23.8
	30-50	%	24.2	29.0	25.9
	>50	%	12.3	30.3	11.5

Notes:

8. *The data reporting scope in 2019 is extended to include APITA and UNY.*
9. *Given the inclusion of APITA and UNY, the Company's FTE (Full-time Equivalent Employees) is 934 in 2019.*

HKEX KPI		Unit	2019 Citistore	2019 APITA and UNY[8]	2018 Citistore
B2.1	**Number and rate of work-related fatalities**				
	By number	No. of people	0	0	N/A
	By rate	%	0	0	N/A
B2.2	**Lost days due to work injury**				
		Days	20	593	N/A
B3.1	**The percentage of employees trained by gender and employee category**				
	Male	%	34.0	100.0	33.9
	Female	%	75.0	100.0	81.1
	General	%	67.5	100.0	76.9
	Middle Managers	%	67.8	100.0	61.7
	Senior Managers	%	77.5	100.0	66.7
B3.2	**The average training hours completed per employee by gender and employee category**				
	By gender				
	Male	Hours	6.4	15.7	5.4
	Female	Hours	5.3	15.5	6.8
	By employment category				
	General	Hours	4.0	15.5	6.8
	Middle Managers	Hours	9.3	15.3	5.9
	Senior Managers	Hours	6.9	16.0	6.9

HKEX ESG Guide Content Index

Aspect	HKEX KPI	Description	Page Number	Remarks
A. Environmental				
A1 Emissions	A1	General Disclosure	21-24	
	A1.1	The type of emissions and respective emissions data	/	Due to the business nature of the Company, this KPI is considered not material.
	A1.2	Greenhouse gas emissions in total and intensity	23, 31	
	A1.3	Total hazardous waste produced	/	Due to the business nature of the Company, this KPI is considered not material.
	A1.4	Total non-hazardous waste produced	31	
	A1.5	Description of measures to mitigate emissions and results achieved	22-23	
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	24	
A2 Use of Resources	A2	General Disclosure	21-23	
	A2.1	Direct and/or indirect energy consumption by type in total and intensity	31	
	A2.2	Water consumption in total and intensity	/	Due to the business nature of the Company, this KPI is considered not material.
	A2.3	Energy use efficiency initiatives and results achieved	22-23	
	A2.4	Issue in sourcing water, water efficiency initiatives	/	Due to the business nature of the Company, this KPI is considered not material.
	A2.5	Total packaging material used for finished products	31	

Aspect	HKEX KPI	Description	Page Number	Remarks
A3 The Environment and Natural Resources	A3	General Disclosure	21-24	
	A3.1	Description of the significant impacts of activities on the environment and natural resources	21-24	
B. Social				
B1 Employment	B1	General Disclosure	25	
	B1.1	Total workforce by gender, employment type, age group and geographical region	31	
	B1.2	Employee turnover rate by gender, age group and geographical region	31	
B2 Health and Safety	B2	General Disclosure	27	
	B2.1	Number and rate of work-related fatalities	32	
	B2.2	Lost days due to work injury	32	
	B2.3	Occupational health and safety measures	27	
B3 Development and Training	B3	General Disclosure	27-28	
	B3.1	Percentage of employees trained by gender and employee category	32	
	B3.2	Average training hours completed per employee by gender and employee category	32	
B4 Labour Standards	B4	General Disclosure	/	The Company has set up rigorous recruitment procedures to strictly prohibit the employment of children and forced labour in accordance with the Employment Ordinance (Cap. 57). In 2019, no relevant cases of non-compliance were recorded.
B5 Supply Chain Management	B5	General Disclosure	20-21	
	B5.2	Practices relating to engaging suppliers, no. of suppliers where and how the practices are being implemented	20-21	
B6 Product Responsibility	B6	General Disclosure	19-20	
	B6.2	Number of products and service related complaints received and how they are dealt with	19-20	
	B6.3	Description of practices relating to observing and protecting intellectual property rights	21	
	B6.4	Description of quality assurance process and recall procedures	19-20	
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	20	
B7 Anti-corruption	B7	General Disclosure	29	
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	29	
	B7.2	Preventive measures and whistle-blowing procedures, how they are implemented and monitored	29	
B8 Community Investment	B8	General Disclosure	29	
	B8.1	Focus areas of contribution	29-30	
	B8.2	Resources contributed to the focus area	29-30	

Corporate Governance Report

The Board of Directors of the Company (the "Board") is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2019.

1 Commitment to Corporate Governance

The Company acknowledges the importance of good corporate governance practices and procedures and regards a pre-eminent board of directors, sound risk management and internal controls, and accountability to all shareholders as the core elements of its corporate governance principles. The Company endeavours to ensure that its businesses are conducted in accordance with rules and regulations, and applicable codes and standards.

2 Corporate Governance Code

During the year ended 31 December 2019, 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's in-depth expertise and knowledge in business and the Group.

3 Board of Directors

(a) Responsibilities of and Support for Directors

The Board has the responsibility for the management of the Company, which includes formulating business strategies, and directing and supervising the Company's affairs, approving interim reports and annual reports, announcements and press releases of interim and final results, considering dividend policy, approving the issue, allotment or disposal, or grant of options, in respect of securities or debentures of the Company and reviewing the effectiveness of the risk management and internal control systems which include reviewing the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Board makes broad policy decisions and has delegated the responsibility for detailed considerations and implementation of the above matters to the standing committee of the Board (the "Standing Committee").

The day-to-day management, administration and operation of the Company are delegated to the management team. The Board gives clear directions to the management as to their powers of management, and circumstances in which the management should report back.

Every Director ensures that he gives sufficient time and attention to the affairs of the Company. Each Director shall disclose to the Company at the time of his appointment the directorships held in listed companies or nature of offices held in public organisations and other significant commitment, with the identity of such listed companies or public organisations. The Company has also requested Directors to provide in a timely manner any change on such information. Each Director is also required to disclose to the Company his time commitment. The details of the Directors' time commitment are disclosed under the sub-paragraph "Directors' Time Commitment and Trainings" below.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Directors will be notified of code provision amendment updates in respect of the CG Code so as to be kept abreast of latest code provision requirements and be assisted in fulfilling their responsibilities. The Directors are also provided with monthly updates which contain periodic financials with summaries of key events, outlook and business related matters of the Group. The monthly updates present a balanced and understandable assessment of the Company's performance and position. The Independent Non-executive Directors may take independent professional advice at the Company's expense in carrying out their functions, after making a request to the Board.

(b) Corporate Governance Functions

The Board has undertaken the corporate governance functions as required under the CG Code. The terms of reference of the corporate governance functions as set out in the CG Code have been approved by the Board, which are available on the Company's website.

(c) Board Composition

The Board currently comprises nine members, as detailed below:

Executive Directors	**Independent Non-executive Directors**
Lee Ka Shing *(Chairman and Managing Director)*	Kwong Che Keung, Gordon
Dr Lee Ka Kit *(Vice Chairman)*	Professor Ko Ping Keung
Dr Lam Ko Yin, Colin *(Vice Chairman)*	Wu King Cheong
Li Ning	Au Siu Kee, Alexander
Lee Tat Man	

The changes to the Board and the biographical details of the Directors are set out on page 51 and pages 69 to 72 of this Annual Report respectively. Mr Lee Ka Shing is the brother of Dr Lee Ka Kit, the brother-in-law of Mr Li Ning and the relative of Mr Lee Tat Man. Save as aforesaid, none of the members of the Board is related to one another. A List of Directors and their Role and Function is available on the Company's website.

The term of office of all Independent Non-executive Directors has been fixed for a specific term of not more than three years. All Directors are subject to retirement by rotation and re-election at the Company's Annual General Meeting ("AGM") in accordance with the Articles of Association of the Company ("Articles").

During the year ended 31 December 2019, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors and at least one-third of its members being Independent Non-executive Directors, with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received confirmation in writing of independence from each of the Independent Non-executive Directors and considers them to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgement. The Board considers that each of the Independent Non-executive Directors brings his own relevant expertise to the Board.

(d) Appointment and Re-election of Directors

The Board is empowered under the Articles to appoint any person, as a Director, either to fill a casual vacancy on or to be an additional member of the Board. Only the most suitable candidates who are experienced and competent and able to fulfill the fiduciary duties and exercise reasonable care, skill, and diligence would be recommended to the Board for selection. Appointments are first considered by the Nomination Committee in accordance with its terms of reference with due regard to the Company's Nomination Policy and Board Diversity Policy, and recommendations of the Nomination Committee are then put to the Board for decision.

In accordance with the Articles, new appointments to the Board are subject to re-election at the next following AGM. Furthermore, nearest one-third of the Directors, including those appointed for a specific term, shall retire from office by rotation but are eligible for re-election at the AGM and the Board will ensure that every Director is subject to retirement by rotation at least once every three years. Each Director was appointed by a letter of appointment setting out the key terms and conditions of his appointment.

The appointment of Independent Non-executive Directors adheres to the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules. Mr Au Siu Kee, Alexander ("Mr Au"), an Independent Non-executive Director, has the following directorships which fall within the independence guideline in Rule 3.13(7) of the Listing Rules:

(i) Mr Au is currently the chairman and a non-executive director of Henderson Sunlight Asset Management Limited ("HSAM"), a subsidiary of Henderson Land Development Company Limited ("HLD"), the holding company of the Company, and the manager of the publicly-listed Sunlight Real Estate Investment Trust ("Sunlight REIT"). Sunlight REIT is regarded as a core connected person of the Company for the purpose of the Listing Rules. As Mr Au plays a non-executive role in HSAM, and Sunlight REIT is not a subsidiary of either of the Company or HLD, the Company considers that such non-executive role in HSAM has no bearing on Mr Au's independence.

(ii) Mr Au is currently also an independent non-executive director of HLD and a non-executive director of Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited, both of which are associated companies of HLD. As an independent non-executive director/ a non-executive director, Mr Au does not/did not take part in the day-to-day management of and has no/ had no executive role in such companies. The Company considers that Mr Au's role in such companies has no impact on his independence as an Independent Non-executive Director of the Company.

(e) Board Meetings

(i) Number of Meetings and Directors' Attendance

The Board meets from time to time and at least four times a year to discuss and exchange ideas on the affairs of the Company. During the year ended 31 December 2019, the Board held four meetings to approve interim/final results announcements and interim/annual reports, to determine the level of dividends, to discuss significant issues and the general operation of the Company and to approve matters and transactions specifically reserved to the Board for its decision. The Board also discharged its corporate governance duties by reviewing the Company's policies and practices on corporate governance, and the training and continuous professional development of Directors and senior management. The attendance of the Directors is set out in the table on page 41.

During the year, the Independent Non-executive Directors held a meeting among themselves. In addition, the Chairman held a meeting with the Independent Non-executive Directors without the presence of other Directors in accordance with the CG Code.

(ii) Practices and Conduct of Meetings

Notices of regular Board meetings are given to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given. Meeting agenda and accompanying Board papers are sent to all Directors in a timely manner and at least three days before the Board/committee meetings.

The Company Secretary of the Company is responsible to take and keep minutes of all Board and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final signed version is open for Directors' inspection with copies sent to all Directors for their records.

(f) Conflict of Interest

If a Director has a material interest in a matter to be considered by the Board, a physical meeting will be held to discuss the matter instead of seeking Directors' written consent by way of circulation of written resolution. In accordance with the Articles, such Director who is considered to be materially interested in the matter shall abstain from voting and not be counted in the quorum.

(g) Director's and Officer's Liability Insurance

The Company has arranged director's and officer's liability insurance to indemnify the Directors and senior management against any potential liability arising from the Company's business activities which such Directors and senior management may be held liable.

The Company also keeps Directors indemnified against any claims to the fullest extent permitted by the applicable laws and regulations arising out of the Directors' proper discharge of duties except for those attributable to any gross negligence or wilful misconduct.

(h) Directors' Time Commitment and Trainings

Each Director had ensured that he had given sufficient time and attention to the affairs of the Company for the year. Directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, with the identity of the public companies and organisations and an indication of the time involved. Directors are encouraged to participate in professional, public and community organisations. They are also reminded to notify the Company of any change of such information in a timely manner. Other details of Directors, including their directorships held in listed public companies in the past three years, are set out in the biographical details of Directors on pages 69 to 72 of this Annual Report.

During the year, arrangements were made for speakers delivering talks and presentations to Directors of the Company on topics relating to business development and technology relevant to the Group's businesses. Legal and regulatory updates are provided from time to time to the Directors for their reading. Directors are also encouraged to attend outside talks and seminars to enrich their knowledge in discharging their duties as a director. On a regular basis, information on seminars organised by professional bodies are provided to the Directors, and the seminar enrolments are handled by the company secretarial department.

According to the training records provided by the Directors to the Company, they participated in continuous professional development in 2019 which comprised attending seminars and talks, and reading legal and regulatory updates and other reference materials. The seminars and talks involved topics on anti-money laundering, rule amendments, financial and information technologies, etc. During the year, the trainings undertaken by the Directors are summarised as follows:

	Attending Seminars, Talks and Briefings	Reading Legal and Regulatory Updates and other Reference Materials
Executive Directors		
Lee Ka Shing *(Chairman and Managing Director)*	✓	✓
Lee Ka Kit	✓	✓
Lam Ko Yin, Colin	✓	✓
Li Ning	✓	✓
Lee Tat Man	✓	✓
Independent Non-executive Directors		
Kwong Che Keung, Gordon	✓	✓
Ko Ping Keung	✓	✓
Wu King Cheong	✓	✓
Au Siu Kee, Alexander	✓	✓

4 Board Committees

The Board has four Board Committees, namely, the Standing Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. The Standing Committee of the Board operates as a general management committee with delegated authority from the Board.

The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

(a) Audit Committee

The Audit Committee was established in December 1998 and reports to the Board. The members of the Audit Committee are:

Independent Non-executive Directors

Kwong Che Keung, Gordon *(Chairman)*
Professor Ko Ping Keung
Wu King Cheong
Au Siu Kee, Alexander

Both the Chairman and Mr Au Siu Kee, Alexander have the appropriate professional qualifications as required under the Listing Rules. None of the members of the Audit Committee was a former partner of the Company's existing external auditor within two years immediately prior to the dates of their respective appointments. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of public companies. The Board expects the Committee members to exercise independent judgement in conducting the business of the Committee.

The written terms of reference include the authority and duties of the Audit Committee and amongst its principal duties are the review and supervision of the Company's financial reporting process and risk management and internal control systems. The terms of reference of the Audit Committee are available on the Company's website.

The Audit Committee held three meetings during the year ended 31 December 2019. The major work performed by the Audit Committee in respect of the year ended 31 December 2019 included reviewing and recommending the re-appointment of external auditor, approving the terms of engagement (including the remuneration) of the external auditor and the audit plan, reviewing the unaudited interim report and interim results announcement for the six months ended 30 June 2019, reviewing the audited financial statements and final results announcement for the year ended 31 December 2018, reviewing the work of the Group's audit department and assessing the effectiveness of the Group's systems of risk management and internal control. The Audit Committee also discussed with the management to ensure that the Company is having adequate resources, qualified and experienced staff of the accounting and financial reporting function, training programmes and budget.

(b) Remuneration Committee

The Remuneration Committee which was established in January 2005 comprises:

Executive Directors	Independent Non-executive Directors
Lee Ka Shing	Wu King Cheong *(Chairman)*
Dr Lam Ko Yin, Colin	Kwong Che Keung, Gordon
	Professor Ko Ping Keung

Each member is sufficiently experienced and is appropriately skilled in the issues of determining executive compensations in public companies. The Board expects the committee members to exercise independent judgement in conducting the business of the committee.

The written terms of reference include the specific duties of determining, with delegated responsibility, the remuneration package of the individual Executive Director and senior management and making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management. The terms of reference of the Remuneration Committee are available on the Company's website.

During the year ended 31 December 2019, the Remuneration Committee held a meeting to review the salary structure of the employees of the Company and the level of salary increment for 2020 as well as the remuneration of senior management staff and the Directors with reference to the remuneration level of directors of comparable listed companies.

Particulars of the Directors' emoluments disclosed pursuant to the Companies Ordinance (Cap. 622) and Appendix 16 of the Listing Rules are set out in note 9 to the financial statements on pages 106 to 108 while the analysis of the senior management's emoluments by band is set out in note 10 to the financial statements on page 108. The Director's fees are fixed at the rate of HK$50,000 per annum for each Executive Director/ Independent Non-executive Director. In the event that an Independent Non-executive Director acts as a member of the Audit Committee, he will be paid an additional fee of HK$200,000 per annum. The above remuneration remains unchanged until the Company in general meetings otherwise determines. Other emoluments shall from time to time be determined by the Board with reference to the Directors' duties and responsibilities and subject to a review by the Remuneration Committee.

(c) Nomination Committee

The Nomination Committee which was established in December 2011 comprises:

Executive Directors	Independent Non-executive Directors
Lee Ka Shing *(Chairman)*	Kwong Che Keung, Gordon
Dr Lam Ko Yin, Colin	Professor Ko Ping Keung
	Wu King Cheong

Each member is sufficiently experienced and is appropriately skilled in the issues of nomination of directors to the Board. The Company has provided the Nomination Committee with sufficient resources to perform its duties. The Nomination Committee may seek independent professional advice, at the Company's expense, to perform its responsibilities.

The written terms of reference include the specific duties of reviewing the structure, size and composition of the Board with due regard to the Board Diversity Policy and making recommendation on any proposed changes to the Board to complement the Company's corporate policy. Nominations will be made in accordance with the Nomination Policy and the ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The terms of reference of the Nomination Committee are available on the Company's website.

The Nomination Committee held two meetings during the year ended 31 December 2019. The major work performed by the Nomination Committee in respect of the year included assessing the independence of Independent Non-executive Directors of the Company, and making recommendation to the Board on the retiring Directors' eligibility for re-election at the AGM and the extension of the terms of office of Independent Non-executive Directors. It also reviewed the size and composition of the Board, the Board Diversity Policy and the Nomination Policy, and considered that the said policies were appropriate and effective.

The Nomination Committee has to follow the principles set out in the Nomination Policy and the Board Diversity Policy adopted by the Board which are more particularly described in the paragraph "Board Policies" below.

(d) Attendance Record at Board Meeting, Committees' Meeting and AGM

The attendance of the individual Director at the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee and the AGM during the year ended 31 December 2019 is set out in the following table:

	No. of meetings attended/No. of meetings held				
	Board	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**AGM**
Executive Directors					
Lee Ka Shing *(Chairman and Managing Director)*	4/4	N/A	1/1	2/2	1/1
Lee Ka Kit	4/4	N/A	N/A	N/A	1/1
Lam Ko Yin, Colin	4/4	N/A	1/1	2/2	1/1
Lee Shau Kee	0/1[1]	N/A	N/A	N/A	0/1
Li Ning	4/4	N/A	N/A	N/A	1/1
Lee Tat Man	1/4	N/A	N/A	N/A	0/1
Independent Non-executive Directors					
Kwong Che Keung, Gordon	4/4	3/3	1/1	2/2	1/1
Ko Ping Keung	4/4	3/3	1/1	2/2	1/1
Wu King Cheong	4/4	3/3	1/1	2/2	1/1
Au Siu Kee, Alexander	4/4	3/3	N/A	N/A	1/1

Remark:

1. *Antecedent to the retirement of Dr Lee Shau Kee as an Executive Director of the Company on 28 May 2019, there was one Board meeting held.*

5 Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2019, which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the statutory requirements and applicable accounting standards.

The statement of the Auditor of the Company about their reporting responsibilities on the financial statements of the Company is set out in the Independent Auditor's Report on pages 74 to 77.

6 Auditor's Remuneration

For the year ended 31 December 2019, the Auditor(s) of the Company and its subsidiaries agreed to receive approximately HK$2 million for audit and audit related services (2018: HK$2 million). There were no non-audit services provided by the Auditor(s) of the Company for the year ended 31 December 2019 and, accordingly, no relevant remuneration was received (2018: HK$2 million). The remuneration of the Auditor(s) in respect of audit and non-audit services (if any) is reviewed by the Audit Committee twice a year.

7 Model Code

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 confirms that all Directors have complied with the required standards as set out in the Model Code.

8 Continuing Connected Transactions

The Independent Non-executive Directors and the Auditor of the Company conducted reviews on the continuing connected transactions as disclosed in the Report of the Directors of this Annual Report (the "Continuing Connected Transactions"). The Audit Department of the Company has reviewed the Continuing Connected Transactions together with the relevant internal controls and confirmed to the Independent Non-executive Directors of the Company that the Continuing Connected Transactions were conducted in accordance with the pricing mechanism under the relevant agreements.

9 Board Policies

The following are the summaries of certain major policies adopted by the Board:

(i) Inside Information Policy

The Board approved and adopted the Inside Information Policy in December 2012 which contains the guidelines to the directors, officers and all relevant employees (likely possessing the unpublished inside information) of the Group to ensure that the inside information of the Group is to be disseminated to public in equal and timely manner in accordance with the applicable laws and regulations.

(ii) Board Diversity Policy

The Board approved and adopted the Board Diversity Policy in June 2013 which provides that selection of candidates during the nomination process will be based on a range of diversity perspectives. These perspectives include but not be limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

(iii) Nomination Policy

The Board approved and adopted the Nomination Policy in December 2018 which sets out the principles guiding the Nomination Committee to identify and evaluate a candidate for nomination to the Board for appointment or to the shareholders of the Company for election as a Director of the Company. The policy contains a number of factors to which the Nomination Committee has to adhere when considering nominations. These factors include the candidate's skills and experience, diversity perspectives set out in the Board Diversity Policy, the candidate's time commitment and integrity, and the independence criteria under Rule 3.13 of the Listing Rules if the candidate is proposed to be appointed as an Independent Non-executive Director. The policy also lays down the following nomination procedures: the Nomination Committee (a) will take appropriate measures to identify and evaluate a candidate; (b) may consider a candidate recommended or offered for nomination by a shareholder of the Company; and (c) will, on making the recommendation, submit the candidate's personal profile to the Board for consideration.

(iv) Dividend Policy

The Board approved and adopted the Dividend Policy in December 2018 which sets out the guidelines for the Board to determine whether to pay a dividend and the level of such dividend to be paid. In general, it is the policy of the Company to allow its shareholders to participate in the Company's profits whilst retaining adequate reserves for future growth. Normally, the Company pays dividends twice a year, which are the interim dividend and final dividend. The Board may also declare special dividends in addition to such dividends as it considers appropriate. The policy also contains a number of factors for which the Board has to consider in determining the frequency, amount and form of any dividend in any financial year/period. The Board may also consider the issuance of bonus shares on a basis as permitted by the applicable laws and regulations.

The full text of the above Board policies are available on the Company's website.

10 Internal Audit, Risk Management and Internal Controls

Internal Audit

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

The Audit Department of the Company, which reports directly to the Audit Committee and is independent of the Company's daily operations, is responsible for conducting regular audits on the major activities of the Company. Its objective is to ensure that all material controls, including financial, operational and compliance controls and risk management functions are in place and functioning effectively. It is also considered that the resources, staff qualifications and experience and training programmes are adequate.

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

Risk Management and Internal Controls

The successful management of risks is essential for the long-term growth and sustainability of the Group's business. The Board is responsible for setting strategies, business objectives and risk appetite as well as ensuring a review of effectiveness of the risk management and internal control systems, and overseeing management in the design, implementation and monitoring of the risk management and internal control systems. Management staff of various departments of the Group have provided confirmations to the Board on the effectiveness of such systems.

Risk management is proactive to ensure that significant risks are:

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

(i) Approach to Risk Management

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

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

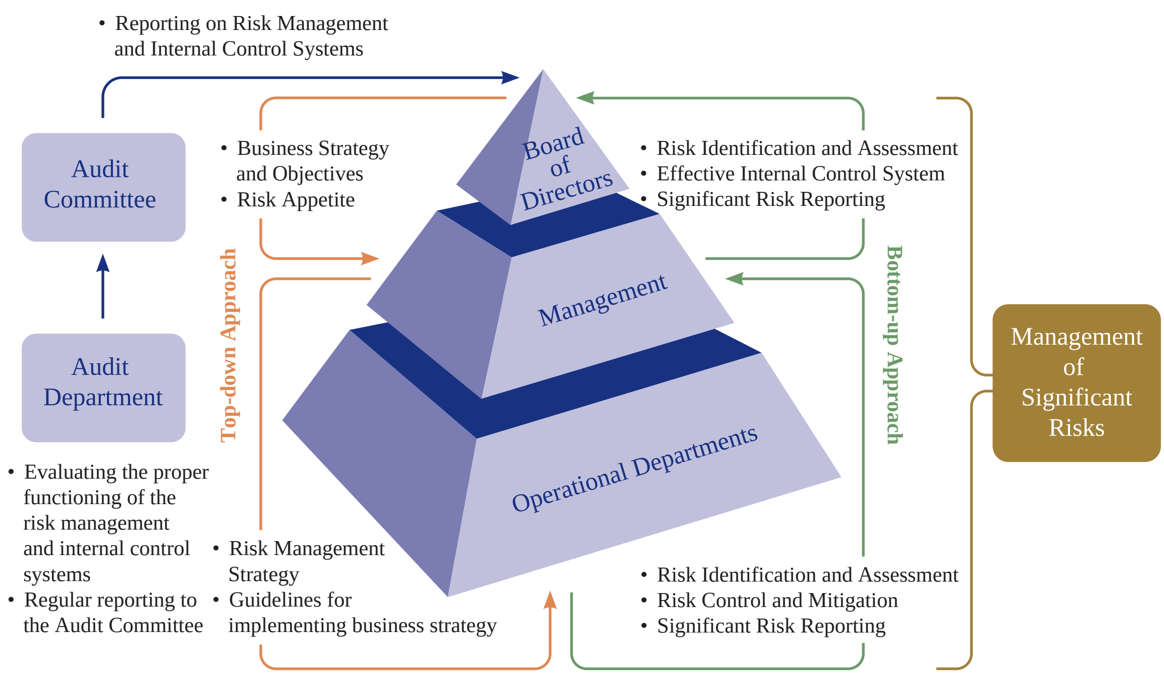
Each department of the Group is responsible for identifying its own risks and designing, implementing and monitoring the relevant risk management and internal control systems. The process involves the maintenance of the risk register setting out the particulars of the material risks together with the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

The terms of reference of the Audit Committee include, among other things, the responsibility of reviewing the risk management and control systems. In addition, a risk management policy has been adopted to serve as a guideline for risk management and internal control systems and such policy is available on the Company's website.

(ii) *Risk Management Reporting and Framework*

The Audit Department performed audits to evaluate the proper functioning of the risk management and internal control systems for the financial year ended 31 December 2019. It is intended to carry out this evaluation process on an ongoing basis. The Audit Committee, after reviewing and considering the risk management findings submitted by the Audit Department, reported and confirmed to the Board that the risk management and internal control systems are effective and adequate.

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



(iii) *Significant Risks and Control/Mitigation*

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

(a) *Regulatory and Compliance Risk*

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

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

(b) *Overstocking and Stock Obsolescence*

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

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

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

The Group operates in a highly competitive environment and faces competition from a broad range of organisations including the retail industry players in Hong Kong as well as a vast number of e-commerce operators. A failure to align with changing market dynamics and consumers' expectations could erode the Group's competitive position. Furthermore, the Group's retailing operation might be affected by the social unrest and coronavirus outbreak (COVID-19).

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

(d) *Image/Reputation Risk*

The Group's reputation is one of its most valuable assets, playing a major part in the continued success of the business. Any possible failure to maintain proper control over the quality of the merchandise may affect the reputation and customer perception of the brands "千色Citistore", and "APITA" and "UNY" (which are under a licencing agreement between Unicorn Stores (HK) Limited and UNY Japan), which are most valuable to the Group.

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

(e) *Information Technology*

The smooth running of the Group's operations is reliant on a complex technical infrastructure. Any computer systems failure may have significant impact on the operations of "千色Citistore", "APITA" and "UNY" stores, causing financial loss, data loss, disruption or damage.

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

11 Company Secretary

The Company Secretary is to support the Board by ensuring that there is good information flow and the board policy and procedures are strictly followed. The Company Secretary is responsible for advising the Board on governance matters and also facilitating the induction and professional development of Directors.

During the year, the Company Secretary took no less than 15 hours of the relevant professional training.

12 Shareholder Rights and Investor Relations

The Board is committed to maintaining an ongoing dialogue with shareholders and providing timely disclosure of information concerning the Group's material developments to shareholders and investors.

The AGM of the Company provides a forum for communication between the shareholders and the Board. The notice of the AGM is despatched to all shareholders at least 20 clear business days prior to such AGM. The Chairmen of all Board Committees are invited to attend the AGM. The Chairman of the Board and the Chairmen of all the Board Committees, or in their absence, other members of the respective Committees, are available to answer questions at the AGM. The Auditor is also invited to attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor's independence. The Company's policy is to involve shareholders in the Company's affairs and to communicate with them about the activities and prospects face-to-face at the AGM.

Pursuant to the Listing Rules, any vote of shareholders at a general meeting will be taken by poll. Detailed procedures for conducting a poll will be explained to the shareholders at the general meeting to ensure that shareholders are familiar with such voting procedures. The poll results will be posted on the websites of The Stock Exchange of Hong Kong Limited and the Company on the day of the general meeting. Moreover, separate resolution will be proposed by the chairman of a general meeting in respect of each substantially separate issue.

Under Section 566 of the Companies Ordinance, shareholders representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings are entitled to send a request to the Company to convene a general meeting. Such requisition must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. The request may be sent to the Company in hard copy form or in electronic form and must be authenticated by the shareholder(s) making it and deposited at the registered office of the Company or sent to the Company's email address at ir@hld.com. Besides, in relation to an annual general meeting which a company is required to hold, Sections 615 and 616 of the Companies Ordinance provide that shareholders representing at least 2.5% of the total voting rights of all shareholders of the company having a right to vote on the resolution at the annual general meeting or at least 50 shareholders having a right to vote on the resolution at the annual general meeting, may request the company to circulate a notice of the resolution for consideration at the annual general meeting, by sending a request, which must be authenticated by the shareholder(s) making it, in a hard copy form or in electronic form. Such request must be deposited at the registered office of the Company or sent to the Company's email address at ir@hld.com. The request made under Section 615 must also identify the resolution of which notice is to be given and be received by the Company not later than six weeks before the AGM to which the request relates, or if later, the time at which notice is given of the AGM.

The Company has maintained a Shareholders' Communication Policy which is available on the Company's website. Shareholders may make enquiries to the Board by contacting the Company either through the Company Investor Relations on telephone number (852) 2908 8392 or by email at ir@hld.com or directly by raising questions at general meetings.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular communication and dialogue with shareholders, investors and analysts. Enquiries from investors are dealt with in an informative and timely manner.

As a channel to further promote effective communication, the Group maintains a website at www.hilhk.com where the Company's announcements and press releases, business developments and operations, financial information, corporate governance report and other information are posted.

Report of the Directors

The Directors have pleasure in submitting to shareholders their annual report together with the audited financial statements for the year ended 31 December 2019.

Principal Activities

The Company is an investment holding company and the principal activities of its subsidiaries during the year were investment holding, and supermarket and department store operation, namely "Citistore" operated by Citistore (Hong Kong) Limited ("Citistore Stores") and "UNY" and "APITA" operated by Unicorn Stores (HK) Limited (collectively, "Unicorn Stores").

Business Review

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the Chairman's Statement on pages 3 to 8 of this Annual Report. Possible risks and uncertainties that the Group may be facing are set out in the Management Discussion and Analysis on pages 10 to 16 and the Corporate Governance Report on pages 34 to 48. Particulars of important events affecting the Group since the end of the financial year (if any) are provided in the Chairman's Statement on pages 3 to 8 and the Financial Statements on pages 78 to 127. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Five Year Financial Summary on page 17 of this Annual Report. An environmental policy of the Group has been put in place to give due consideration to environmental issues and minimise the impact of business operations of the Group on environment. In addition, discussions on the Group's environmental policy and relationships with employees, customers, suppliers and other stakeholders are contained in the Sustainability and CSR and the Corporate Governance Report on pages 18 to 33 and pages 34 to 48 of this Annual Report respectively. The Chairman's Statement, the Management Discussion and Analysis, the Sustainability and CSR, and the Corporate Governance Report form part of this report.

As regards the compliance with the Consumer Goods Safety Ordinance (Cap. 456) and the Trade Descriptions Ordinance (Cap. 362), the quality control of products is monitored by merchandise procurement personnel of the Group through ongoing negotiation and communications with suppliers, consignors and concessionaires. As per the arrangements with consignors and concessionaires, the liabilities, if any, for defective products sold by consignment or concessionaires in Citistore Stores and Unicorn Stores are generally borne by the relevant consignors or concessionaires. For compliance with the Food Safety Ordinance (Cap. 612), Unicorn Stores has registered with the Director of Food and Environmental Hygiene as a food importer and food distributor to carry on food importation and distribution business. Various kind of food products are sold in Citistore Stores and Unicorn Stores including dry, preserved and fresh foods. The expiry dates of such food products are regularly checked in accordance with inventory management procedures, and endeavours are made to ensure that all necessary food licences have been obtained. A policy is put in place for writing off the damaged or aged inventory being not in saleable condition.

In compliance with the Food Business Regulation (Cap. 132X), Unicorn Stores also ensures all the premises used for preparation of fresh food are kept clean and free from noxious matters. Instruction manual is provided for every staff engaging in handling fresh food such as slicing or repacking to protect the food from risk of contamination or deterioration. To keep food freshness, refrigerators with sufficient capacity and appropriate temperature control for storage and display are located in zones selling chilled or frozen fresh food. Staffs have to thoroughly cleanse and disinfect all refrigerators and display chillers at regular intervals according to company guidelines for maintaining hygiene. Last but not least, all pre-packed fresh food is labelled in accordance with the Food and Drugs (Composition and Labelling) Regulations (Cap. 132W) and sold directly from refrigerators at correct temperatures to customers in intact pre-packed form.

In addition, Citistore Stores and Unicorn Stores are committed to complying with the relevant intellectual property right laws, maintaining effective control over the quality of merchandise they sell and examining merchandise that they source or sell by consignment.

The Company has complied with the requirements under the Companies Ordinance (Cap. 622), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Securities and Futures Ordinance (Cap. 571) for, among other things, the disclosure of information and corporate governance. The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as the code of dealing in securities of the Company by the Directors.

Subsidiaries

Particulars of the principal subsidiaries of the Company as at 31 December 2019 are set out on page 127.

Group Profit

The profit of the Group for the year ended 31 December 2019 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 78 to 127.

Dividends

An interim dividend of HK 2.0 cents per share was paid on 12 September 2019. The Directors have recommended the payment of a final dividend of HK 1.0 cent per share to shareholders whose names appear on the Register of Members of the Company on Tuesday, 16 June 2020, and such dividend will not be subject to any withholding tax in Hong Kong.

The proposed final dividend is expected to be distributed to shareholders on Monday, 22 June 2020.

Charitable Donations

Charitable donations made by the Group during the year amounted to HK$229,000 (2018: HK$332,000).

Fixed Assets

Particulars of the movements in fixed assets during the year are set out in note 15 to the financial statements on page 111.

Bank Loans

As at 31 December 2019, the Group had no bank borrowings.

Reserves

Particulars of the movement in reserve of the Company during the year are set out in note 29(b) to the financial statements on page 123.

Share Capital

Details of the Company's share capital are set out in note 29(c) to the financial statements on page 123. There were no movements during the year.

Group Financial Summary

The results, assets and liabilities of the Group for the last five years ended 31 December 2019 are summarised on page 17.

Directors' Emoluments

Particulars of the Directors' emoluments disclosed pursuant to the Companies Ordinance (Cap. 622) and Appendix 16 of the Listing Rules are set out in note 9 to the financial statements on pages 106 to 108.

Directors

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

Executive Directors	**Independent Non-executive Directors**
Lee Ka Shing *(Chairman and Managing Director)*	Kwong Che Keung, Gordon
Dr Lee Ka Kit *(Vice Chairman)*	Professor Ko Ping Keung
Dr Lam Ko Yin, Colin *(Vice Chairman)*	Wu King Cheong
Dr Lee Shau Kee *(retired on 28 May 2019)*	Au Siu Kee, Alexander
Li Ning	
Lee Tat Man	

Mr Lee Ka Shing, Dr Lee Ka Kit, Mr Li Ning and Mr Lee Tat Man shall retire by rotation at the forthcoming annual general meeting in accordance with Article 116 of the Company's Articles of Association and the Corporate Governance Code and, except for Mr Lee Tat Man, have offered themselves for re-election.

The list of directors of the subsidiaries of the Company during the financial year and up to the date of this report is kept at the Company's registered office and available for inspection by the Company's shareholders during office hours.

Disclosure of Interests

Directors' Interests in Shares

As at 31 December 2019, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Ordinary Shares *(unless otherwise specified)*
Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Investment Limited	Lee Ka Kit	1				2,110,868,943	2,110,868,943	69.27
	Lee Ka Shing	1				2,110,868,943	2,110,868,943	69.27
	Li Ning	1		2,110,868,943			2,110,868,943	69.27
	Lee Tat Man	2	6,666				6,666	0.00
Henderson Land Development Company Limited	Lee Ka Kit	3				3,509,782,778	3,509,782,778	72.50
	Lee Ka Shing	3				3,509,782,778	3,509,782,778	72.50
	Li Ning	3		3,509,782,778			3,509,782,778	72.50
	Lee Tat Man	4	220,299				220,299	0.00

***Ordinary Shares** (unless otherwise specified) (continued)*

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Development Limited	Lee Ka Kit	5				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Kit	6				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Kit	7				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Lee Ka Shing	5				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Shing	6				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Shing	7				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Li Ning	5		8,190 (Ordinary A Shares)			8,190 (Ordinary A Shares)	100.00
	Li Ning	6		3,510 (Non-voting B Shares)			3,510 (Non-voting B Shares)	100.00
	Li Ning	7		15,000,000 (Non-voting Deferred Shares)			15,000,000 (Non-voting Deferred Shares)	30.00

Save as disclosed above, none of the Directors or the Chief Executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations as defined in the SFO, other than the deemed interests of Dr Lee Ka Kit, Mr Lee Ka Shing and Mr Li Ning in the shares, underlying shares and debentures of the associated corporations of the Company which are solely derived from their deemed interests in Henderson Development Limited, Henderson Land Development Company Limited and/or the Company and not from any separate personal interests of their own, in respect of which an application for waiver from strict compliance with the disclosure requirements under paragraph 13 of Appendix 16 to the Listing Rules has been made to, and granted by the Stock Exchange.

Substantial Shareholders' and Others' Interests

As at 31 December 2019, the interests and short positions of every person, other than Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long Positions

	No. of shares in which interested	% Interest
Substantial Shareholders:		
Lee Shau Kee (Note 1)	2,110,868,943	69.27
Rimmer (Cayman) Limited (Note 1)	2,110,868,943	69.27
Riddick (Cayman) Limited (Note 1)	2,110,868,943	69.27
Hopkins (Cayman) Limited (Note 1)	2,110,868,943	69.27
Henderson Development Limited (Note 1)	2,110,868,943	69.27
Henderson Land Development Company Limited (Note 1)	2,110,868,943	69.27
Kingslee S.A. (Note 1)	2,110,868,943	69.27
Banshing Investment Limited (Note 1)	843,249,284	27.67
Markshing Investment Limited (Note 1)	602,398,418	19.77
Covite Investment Limited (Note 1)	363,328,900	11.92
Person other than Substantial Shareholders:		
Gainwise Investment Limited (Note 1)	217,250,000	7.13

Notes:

1. *Of these shares, 843,249,284 shares, 602,398,418 shares, 363,328,900 shares, 217,250,000 shares and 84,642,341 shares were respectively owned by Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited, Gainwise Investment Limited and Darnman Investment Limited, all of which were wholly-owned subsidiaries of Kingslee S.A. which was 100% held by Henderson Land Development Company Limited ("HL") which in turn was 72.44% held by Henderson Development Limited ("HD"). Hopkins (Cayman) Limited ("Hopkins") as trustee of a unit trust (the "Unit Trust") owned all the issued ordinary shares of HD. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"), as trustees of respective discretionary trusts, held units in the Unit Trust. The entire issued share capital of Hopkins, Rimmer and Riddick were owned by Dr Lee Shau Kee. Dr Lee Shau Kee was taken to be interested in these shares by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As Director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in these shares by virtue of the SFO.*

2. *Mr Lee Tat Man was the beneficial owner of these shares.*

3. *Of these shares, (i) 1,450,788,868 shares were owned by HD; (ii) 475,801,899 shares were owned by Richbond Investment Limited which was a wholly-owned subsidiary of HD; (iii) 371,145,414 shares were owned by Cameron Enterprise Inc.; 797,887,933 shares were owned by Believegood Limited which was wholly-owned by South Base Limited; 152,897,653 shares were owned by Prosglass Investment Limited which was wholly-owned by Jayasia Investments Limited; 140,691,961 shares were owned by Fancy Eye Limited which was wholly-owned by Mei Yu Ltd.; 117,647,005 shares were owned by Spreadral Limited which was wholly-owned by World Crest Ltd.; and Cameron Enterprise Inc., South Base Limited, Jayasia Investments Limited, Mei Yu Ltd. and World Crest Ltd. were wholly-owned subsidiaries of Yamina Investment Limited which in turn was 100% held by HD; and (iv) 2,922,045 shares were owned by Fu Sang Company Limited ("Fu Sang"). Hopkins as trustee of the Unit Trust owned all the issued ordinary shares of HD as set out in Note 1 and Fu Sang. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As Director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in these shares by virtue of the SFO.*

4. *Mr Lee Tat Man was the beneficial owner of these shares.*

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

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

7. *These shares were held by Fu Sang.*

Share Option Schemes

The Company and its subsidiaries have no share option schemes.

Arrangements to Purchase Shares or Debentures

At no time during the year ended 31 December 2019 was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Equity-linked Agreements

No equity-linked agreements entered into by the Company were subsisting as at 31 December 2019 and the Company did not enter into any equity-linked agreements during the year under review.

Interests in Transactions, Arrangements or Contracts and Continuing Connected Transactions

During the year under review, the Group had the continuing connected transactions and arrangements as described under the sections "HLD Tenancy Agreements", "Framework Agreement" and "Other Continuing Connected Transactions" below with persons who are "connected persons" for the purpose of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"):

HLD Tenancy Agreements

Citistore (Hong Kong) Limited ("Citistore HK"), a wholly-owned subsidiary of the Company, has entered into certain tenancy agreements and licence agreements as tenant with certain subsidiaries of Henderson Land Development Company Limited ("HLD", together with its subsidiaries, the "HLD Group") as landlord in respect of the following properties (collectively, the "HLD Tenancy Agreements"):

(i) office premises in KOLOUR • Tsuen Wan I at 68 Chung On Street, Tsuen Wan, New Territories, Hong Kong; and

(ii) various shopping mall premises in the Tsuen Wan, Yuen Long, Ma On Shan, Tseung Kwan O and Tuen Mun districts of Hong Kong in respect of the operations of the "Citistore" department stores operated by the Group (the "Citistore Stores").

As each of the subsidiaries of HLD is an associate of HLD and thus a connected person of the Company, the entering into of the HLD Tenancy Agreements in accordance with the Framework Agreement as described below constitutes continuing connected transactions of the Company and the principal terms thereof are summarised below:

	Term [Note 1]			
Premises	**1st Part of the Fixed Term – Duration and Basic Rent per month**	**2nd Part of the Fixed Term – Duration and Basic Rent per month**	**3rd Part of the Fixed Term – Duration and Basic Rent per month**	**Turnover Rent Provisions**
(1) Tsuen Wan Branch of Citistore at KOLOUR • Tsuen Wan II, 67- 95 Tsuen Wan Market Street, Tsuen Wan Town Lot No. 301				
Shop Nos. G9-G12, G/F Agreement Date: 15 October 2014	1 October 2014 – 30 September 2017 *HK$370,000*	1 October 2017 – 30 September 2020 *7% increase in basic rent from the basic rent of each preceding year*	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term*	8% of annual turnover (on an aggregate basis for all shop premises of the Tsuen Wan Citistore Store) Turnover rent payable instead of basic rent if higher than the basic rent payable
Deed of Variation Date: 10 March 2020 Lettable Area: 1,893 sq.ft.	Not applicable	Monthly basic rent for the period from 1 October 2019 to 30 September 2023 having been adjusted from HK$453,266 to HK$350,000 [Notes 2 & 3]		
Shop Nos. G13-G16 and G24-G29, G/F; Whole of 1/F; Portion of 2/F; Remaining Portion of 2/F; and Shop Nos. 301-303 on 3/F Agreement Date: 15 October 2014	1 October 2014 – 30 September 2017 *HK$5,369,444*	1 October 2017 – 30 September 2020 *7% increase in basic rent from the basic rent of each preceding year*	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term*	8% of annual turnover (on an aggregate basis for all shop premises of the Tsuen Wan Citistore Store) Turnover rent payable instead of basic rent if higher than the basic rent payable
Deed of Variation Date: 10 March 2020 Lettable Area: 133,469 sq.ft.	Not applicable	Monthly basic rent for the period from 1 October 2019 to 30 September 2023 having been adjusted from HK$6,577,800 to HK$5,790,000 [Notes 2 & 3]		

	Term Note 1			
Premises	**1st Part of the Fixed Term – Duration and Basic Rent per month**	**2nd Part of the Fixed Term – Duration and Basic Rent per month**	**3rd Part of the Fixed Term – Duration and Basic Rent per month**	**Turnover Rent Provisions**
Shop Nos. G18A, G18B, G19-G23, G/F Notes 1 & 4 Agreement Date: 15 October 2014	1 May 2015 – 30 September 2017 *HK$490,000*	1 October 2017 – 30 September 2020 *7% increase in basic rent from the basic rent of each preceding year*	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term*	8% of annual turnover (on an aggregate basis for all shop premises of the Tsuen Wan Citistore Store) Turnover rent payable instead of basic rent if higher than the basic rent payable
Deed of Variation Date: 10 March 2020 Lettable Area: 2,951 sq.ft.	Not applicable	Monthly basic rent for the period from 1 October 2019 to 30 September 2023 having been adjusted from HK$600,271 to HK$560,000 Notes 2 & 3		
Shop No. G17, G/F Notes 1 & 4 Agreement Date: 15 October 2014	1 October 2015 – 30 September 2017 *HK$110,000*	1 October 2017 – 30 September 2020 *7% increase in basic rent from the basic rent of each preceding year*	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term*	8% of annual turnover (on an aggregate basis for all shop premises of the Tsuen Wan Citistore Store) Turnover rent payable instead of basic rent if higher than the basic rent payable
Deed of Variation Date: 10 March 2020 Lettable Area: 547 sq.ft.	Not applicable	Monthly basic rent for the period from 1 October 2019 to 30 September 2023 having been adjusted from HK$134,755 to HK$100,000 Notes 2 & 3		
(2) Yuen Long Branch of Citistore at KOLOUR • Yuen Long, 1 Kau Yuk Road, Yuen Long, New Territories, Yuen Long Town Lot No. 464 Note 5				
Shop Nos. 1-3, 35-39 and 48-49, 2/F Agreement Date: 15 October 2014 Lettable Area: 4,296 sq.ft.	1 October 2014 – 30 September 2017 *HK$305,000*	1 October 2017 – 30 September 2020 *7% increase in basic rent from the basic rent of each preceding year* Note 3	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term*	8% of annual turnover (on an aggregate basis for all shop premises of the Yuen Long Citistore Store) Turnover rent payable instead of basic rent if higher than the basic rent payable

Premises	Term [Note 1] 1st Part of the Fixed Term – Duration and Basic Rent per month	2nd Part of the Fixed Term – Duration and Basic Rent per month	3rd Part of the Fixed Term – Duration and Basic Rent per month	Turnover Rent Provisions
Whole of 3/F and 4/F Agreement Date: 15 October 2014	Phase I: 1 October 2014 – 30 June 2015 *HK$1,128,000* Phase II: 1 July 2015 – 30 September 2017 *HK$1,297,000*	1 October 2017 – 30 September 2020 *7% increase in basic rent from the basic rent of each preceding year*	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term*	8% of annual turnover (on an aggregate basis for all shop premises of the Yuen Long Citistore Store) Turnover rent payable instead of basic rent if higher than the basic rent payable
Deed of Variation Date: 10 March 2020 Lettable Area: 47,927 sq.ft.	Not applicable	Monthly basic rent for the period from 1 October 2019 to 30 September 2023 having been adjusted from HK$1,588,881 to HK$1,330,000 [Notes 2 & 3]		
Shop Nos. 31-34, 40-42 and 45-47, 2/F [Notes 1 & 4] Agreement Date: 15 October 2014	13 November 2015 – 30 September 2017 *HK$275,000*	1 October 2017 – 30 September 2020 *7% increase in basic rent from the basic rent of each preceding year*	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term*	8% of annual turnover (on an aggregate basis for all shop premises of the Yuen Long Citistore Store) Turnover rent payable instead of basic rent if higher than the basic rent payable
Deed of Variation Date: 10 March 2020 Lettable Area: 2,586 sq.ft.	Not applicable	Monthly basic rent for the period from 1 October 2019 to 30 September 2023 having been adjusted from HK$336,887 to HK$300,000 [Notes 2 & 3]		
(3) Ma On Shan Branch of Citistore at MOSTown, Ma On Shan, Sha Tin Town Lot No. 307 [Note 6]				
Shop No. 3048, Level 3 [Note 1] Agreement Date: 15 October 2014 Lettable Area: 53,913 sq.ft. (having moved to the Relocated Premises as mentioned below due to renovation of MOSTown)	1 July 2015 – 30 September 2017 *HK$1,448,000* *(as adjusted to HK$1,425,999 up to February 2017)*	Not applicable	Not applicable	Not applicable

	Term [Note 1]			
Premises	**1st Part of the Fixed Term – Duration and Basic Rent per month**	**2nd Part of the Fixed Term – Duration and Basic Rent per month**	**3rd Part of the Fixed Term – Duration and Basic Rent per month**	**Turnover Rent Provisions**
Shop No. 3101 (Relocated Premises), Level 3 [Notes 1, 6 & 7] Agreement and Supplemental Letter Dates: 15 October 2014 and 21 December 2016 respectively	1 November 2016 (being the lease commencement date of the Relocated Premises) – 30 September 2017 *HK$1,433,820*	Phase I: 1 October 2017 – 30 September 2018 *HK$1,534,187.40* Phase II: 1 October 2018 – 30 September 2019 *HK$1,641,412.20* Phase III: 1 October 2019 – 30 September 2020 *HK$1,756,117.80*	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term*	8% of annual turnover (turnover rent payable instead of basic rent if higher than the basic rent payable) The turnover rent element shall not apply during the period of renovation works on Level 3, MOSTown, and the monthly basic rent shall be reduced by HK$11 per sq.ft. of lettable area
Deed of Variation Date: 10 March 2020 Lettable Area: as adjusted to 62,340 sq.ft.	Not applicable	Monthly basic rent for the period from 1 October 2019 to 30 September 2023 having been adjusted from HK$1,756,117.80 to HK$1,650,000 [Notes 2 & 3]		
Shop No. 2109 (formerly known as Shop Nos. 2E-89B and 2E-89C), Level 2 [Note 1] Agreement Date: 11 October 2016 [Note 8]	19 September 2016 – 18 September 2019 *HK$184,800*	With option to renew a further term of 36 months exercisable by the tenant *Open market rent as agreed between the parties, which shall be no less than HK$184,000 and not more than HK$221,760*	Not applicable	8% of annual turnover (turnover rent payable instead of basic rent if higher than the basic rent payable)
Renewed Agreement Date: 7 August 2019 Lettable Area: 3,360 sq.ft.	19 September 2019 – 18 September 2022 *HK$221,760* [Note 3]	Not applicable	Not applicable	8% of annual turnover (turnover rent payable instead of basic rent if higher than the basic rent payable)

Premises	Term [Note 1] 1st Part of the Fixed Term – Duration and Basic Rent per month	2nd Part of the Fixed Term – Duration and Basic Rent per month	3rd Part of the Fixed Term – Duration and Basic Rent per month	Turnover Rent Provisions
(4) Tseung Kwan O Branch of Citistore at MCP Central, Tseung Kwan O Town Lot No. 27				
Shop Nos. 2047-51, Level 2 [Notes 4 & 9] Agreement Date: 15 October 2014 Lettable Area: 42,680 sq.ft.	Phase I: 1 October 2014 – 30 November 2014 *HK$861,740* Phase II: 1 December 2014 – 30 September 2017 *HK$947,920*	1 October 2017 – 30 September 2020 *HK$1,184,900* [Note 3]	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the monthly basic rent immediately payable prior to the expiration of the second part of the fixed term*	9.5% of annual turnover (on an aggregate basis for all shop premises of the Tseung Kwan O Citistore Store) Turnover rent payable instead of basic rent if higher than the basic rent payable
Shop Nos. 2054-56, Level 2 Agreement Date: 15 October 2014 Lettable Area: 12,703 sq.ft.	1 October 2014 – 30 September 2017 *HK$300,000*	1 October 2017 – 30 September 2020 *7% increase in basic rent from the basic rent of each preceding year* [Note 3]	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term*	9.5% of annual turnover (on an aggregate basis for all shop premises of the Tseung Kwan O Citistore Store) Turnover rent payable instead of basic rent if higher than the basic rent payable
Shop Nos. 2063-65, Level 2 Agreement Date: 15 October 2014	1 October 2014 – 30 September 2017 *HK$186,560*	1 October 2017 – 30 September 2020 *7% increase in basic rent from the basic rent of each preceding year*	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term*	9.5% of annual turnover (on an aggregate basis for all shop premises of the Tseung Kwan O Citistore Store) Turnover rent payable instead of basic rent if higher than the basic rent payable
Deed of Variation Date: 10 March 2020 Lettable Area: 3,392 sq.ft.	Not applicable	Monthly basic rent for the period from 1 October 2019 to 30 September 2023 having been adjusted from HK$228,544 to HK$150,000 [Note 2]		

Premises	Term [Note 1] 1st Part of the Fixed Term – Duration and Basic Rent per month	2nd Part of the Fixed Term – Duration and Basic Rent per month	3rd Part of the Fixed Term – Duration and Basic Rent per month	Turnover Rent Provisions
Shop Nos. 2052-53, Level 2 [Notes 1 & 8] Agreement Date: 3 July 2017 Lettable Area: 12,893 sq.ft.	10 July 2017 – 9 July 2020 *HK$271,253*	With option to renew a further term to 30 September 2023 exercisable by the tenant *Open market rent as agreed between the parties, which shall be no less than HK$271,253 and not more than HK$311,941* [Note 3]	Not applicable	9.5% of annual turnover (on an aggregate basis for all shop premises of the Tseung Kwan O Citistore Store) Turnover rent payable instead of basic rent if higher than the basic rent payable
(5) Tuen Mun Branch of Citistore at North Wing, Trend Plaza, Tuen Mun Town Lot No. 282				
Portion of L3, North Wing Agreement Date: 15 October 2014	1 October 2014 – 30 September 2017 *HK$890,000*	*1 October 2017 –* *30 September 2020* *7% increase in basic rent from the basic rent of each preceding year*	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term*	8% of annual turnover (turnover rent payable instead of basic rent if higher than the basic rent payable)
Deed of Variation Date: 10 March 2020 Lettable Area: 17,683 sq.ft.	Not applicable	Monthly basic rent for the period from 1 October 2019 to 30 September 2023 having been adjusted from HK$1,090,288 to HK$910,000 [Notes 2 & 3]		
(6) The Offices of Citistore HK at KOLOUR • Tsuen Wan I, 68 Chung On Street, Tsuen Wan Town Lot No. 328				
Whole of 8/F and 9/F [Note 1] Agreement Date: 15 October 2014 Lettable Area: 22,724 sq.ft. (expressed in terms of gross floor area)	Phase I: 1 October 2014 – 31 July 2015 *HK$386,308* Phase II: 1 August 2015 – 30 September 2017 *HK$420,394*	1 October 2017 – 30 September 2020 *HK$483,567*	Not applicable	Not applicable

Notes:

1. *Except in respect of those tenancy agreements marked with Note 1, all HLD Tenancy Agreements have a fixed term of nine years, from 1 October 2014 to 30 September 2023.*

2. *The monthly basic rents for the above premises in respect of the period from 1 October 2019 to 30 September 2023 were adjusted downwards in accordance with the deeds of variation entered into between Citistore HK and the agents of the relevant landlords on 10 March 2020 by reference to the independent rental valuation.*

3. *In view of the social upheavals in 2019 leading to weak retail market, the landlords by a letter granted certain rental concessions in respect of the above premises to Citistore HK in an aggregate amount of HK$8,045,442 for the three months from 1 October 2019 to 31 December 2019.*

4. *The tenancy agreements in respect of these premises provide for a rent-free period of 3 months.*

5. *Citistore HK and the agent of the relevant landlords, being subsidiaries of HLD, entered into an offer to lease on 5 November 2019 in respect of leasing premises located at B1/F of KOLOUR • Yuen Long. The above tenancy is expected to commence in 2020.*

6. *With regard to the premises of the Ma On Shan branch of the Citistore, by a letter dated 21 December 2016 supplemental to the lease dated 15 October 2014, the basic rent per month payable for the Relocated Premises in respect of the second and third parts of the fixed term is revised as described above as a result of renovation of MOSTown (formerly known as Sunshine City Plaza) as mentioned in Annual Report 2015 of the Company.*

7. *The tenancy agreement in respect of these premises provides for a rent-free period of 6 months.*

8. *The tenancy agreements in respect of these premises provide for a rent-free period of 2 months.*

9. *The basic rent for this tenancy agreement is inclusive of management fees, air-conditioning charges and promotion levy (if any).*

10. *The turnover rent as referred to in the respective HLD Tenancy Agreements calculated on the relevant turnover, in case of being lower than the relevant basic rent, shall not be payable.*

11. *All basic rents set out in the table above are exclusive of management fees, air conditioning charges, promotional levies and government rates (as applicable), save for the tenancy agreement marked with Note 9. The amounts of the basic rents (including the agreed adjustments of those amounts for subsequent periods after the first part of the fixed term) under the tenancy agreements have been determined after taking into account a number of factors, including the district, size and location of the relevant premises, the anticipated rise in market rental levels, the affordability of the rental to Citistore HK, the contribution of Citistore HK as the major anchor tenant in the relevant shopping mall, and (where applicable) the parties' commitment to a long nine-year tenancy term and the inclusion of turnover rent provisions in the tenancy agreements.*

Framework Agreement

With a view to ensuring that all tenancy and licensing transactions between relevant members of the HLD Group and Citistore HK comply with Chapter 14A of the Listing Rules, the Company entered into the Framework Agreement with HLD on 15 October 2014, which took effect from 1 December 2014 (being the completion date of the acquisition of the department store operations business by the Company from the HLD Group (the "Completion Date")) and is for a term commencing from the Completion Date to 30 September 2023 (both days inclusive).

The Framework Agreement stipulates that all tenancy and licensing transactions between relevant members of the HLD Group and relevant members of the Group must be (i) on normal commercial terms with reference to prevailing market terms; (ii) in the ordinary and usual course of business of such relevant members of the Group; and (iii) comparable to the rates at which the relevant members of the HLD Group lease or license the use of similar premises to other tenants or licensees which are independent third parties, at or around the relevant time, and will be on terms which are no less favourable to such relevant members of the Group than those offered by members of the HLD Group to its then existing tenants or licensees of similar premises which are independent third parties. Under the Framework Agreement, those HLD Tenancy Agreements which were entered into on 15 October 2014 prior to the Completion Date are treated and regarded as having been made pursuant to the Framework Agreement from the Completion Date onwards.

Pursuant to the Framework Agreement, it was agreed, among other things, that members of the Group may lease and/or license various premises from members of the HLD Group, as they may mutually agree from time to time.

Each of the Company and HLD will, and will procure their respective subsidiaries to, enter into individual lease and licence agreements in respect of certain premises in Hong Kong during the term thereof on terms that are in line with the terms of the Framework Agreement. Each of such individual lease or licence agreements will set out specific terms of the leases or licences (as applicable), including but not limited to particulars of the premises, rental or licence fees (as applicable) and other fees payable and the payment terms thereof, which shall be determined principally by arms' length negotiations with reference to the prevailing market rents and/or licence fees of similar premises in the relevant areas from time to time.

The terms of each such tenancy or licence agreement made under the Framework Agreement shall be determined according to the following procedures:

(i) In respect of new rental or licensing arrangements between members of the HLD Group and members of the Group, the respective proposed parties to these rental arrangements shall enter into arms' length negotiations.

(ii) In respect of renewal of existing rental or licensing arrangements by the exercise of options in respect of such arrangements, the relevant members of the HLD Group and relevant members of the Group shall negotiate in accordance with the terms and conditions of the existing lease or licence regarding the exercise of options.

(iii) During the negotiations with respect to new or renewal rental or licensing arrangements, the relevant members of the HLD Group and the relevant members of the Group shall have regard to the pricing policy as set out in the Framework Agreement (the "Pricing Policy"). Under the Pricing Policy, the rent, licence fees, and other terms of each tenancy and licensing transaction under the Framework Agreement should be determined by taking into account the particular circumstances of the proposed arrangement, including but not limited to the district, vicinity, size and location of the premises concerned, the business to be carried on at such premises, the proposed length of the term of lease or licence, as well as the possible contribution, if any, of the potential tenant to the building or shopping mall in which such relevant premises are located. Such circumstances shall be considered with reference to market comparables as may be obtained from the Land Registry of Hong Kong or from enquiries with property agencies.

(iv) Should the parties to new or renewal rental or licensing arrangements reach a consensus, the relevant tenancy or licence agreement will be finalised and entered into.

The Company has set annual caps for the maximum aggregate amount payable by the Group to the HLD Group under the Framework Agreement (including the amounts payable by the Group under those HLD Tenancy Agreements entered into prior to the Completion Date and those under other tenancy and licensing arrangements that may be entered into with the HLD Group after the Completion Date from time to time):

Annual Caps in respect of all tenancy and licensing transactions for financial years ending 31 December are set out below:

Year	2019	2020	2021	2022	2023[1]
HK$ million	296	315	338	351	268

Note:

1. *For the financial year ending 31 December 2023, only tenancy and licensing transaction amounts during the period from 1 January 2023 to 30 September 2023 are counted towards and compared with the Annual Cap.*

During the year under review, Citistore HK as tenant/licensee entered into numerous immaterial short-term tenancy agreements/licences with subsidiaries of HLD Group as landlord/licensor for periods ranging from days to several months relating to certain premises owned by HLD Group for ad hoc purposes at rentals and/or turnover rents totalling approximately HK$670,000 which has been included in the aggregate rents under the Framework Agreement.

For the year ended 31 December 2019, the Group paid approximately HK$210,860,000 representing the aggregate rents under the Framework Agreement (including all the HLD Tenancy Agreements) (collectively the “Framework Tenancy Transactions”).

Other Continuing Connected Transactions

(A) Tenancy Agreements entered into with Hong Kong Ferry (Holdings) Company Limited (“HK Ferry”)

Citistore HK has entered into certain tenancy agreements as tenant with subsidiaries of HK Ferry as landlord. As HK Ferry is an associate of HLD and thus a connected person of the Company, such tenancy agreements constitute continuing connected transactions of the Company and the principal terms thereof are summarised below:

(i) On 23 June 2017, Citistore HK as tenant and Henderson Real Estate Agency Limited (“HREAL”, as agent of HKF Property Investment Limited and Lenfield Limited, both being subsidiaries of HK Ferry) as landlord entered into, among others, a tenancy renewal offer letter (the “2017 Tenancy Renewal Offer Letter”) to renew the tenancy of the premises at Shop Nos. 127-161 and corridors and toilets on Level 1 of Metro Harbour Plaza, Tai Kok Tsui, Kowloon, Hong Kong (“MH Plaza”) for a term of three years from 1 July 2017 to 30 June 2020 at a fixed monthly basic rent of HK$238,000, together with other ancillary expenses (including a current monthly management fee of HK$120,664) and a turnover rent of 7% of the excess (if any) of the annual gross turnover of Citistore HK’s business conducted at such premises over HK$70,000,000, which shall be payable monthly in arrears and reconciled on an annual basis. In addition to the management fee, other ancillary expenses include signage licence fee, government rates, air-conditioning charges and promotional levy.

(ii) On 22 June 2018, Citistore HK as tenant and HREAL (as agent of HKF Property Investment Limited and Lenfield Limited) as landlord entered into a tenancy renewal offer letter (the "2018 Tenancy Renewal Offer Letter", together with the 2017 Tenancy Renewal Offer Letter, collectively referred to as the "HKF Tenancy Renewal Offer Letters") to renew the tenancy of the premises at Shop Nos. G01, Portion of G31, G37-G50, Portion of G51, Portion of G52, G63-G74 and corridors and atrium on Ground Floor of the MH Plaza (the "First Premises"), and bridge area on Level 1 of the MH Plaza (the "Second Premises"). The tenancy in respect of the First Premises and the Second Premises under the 2018 Tenancy Renewal Offer Letter is for a term of two years from 1 July 2018 to 30 June 2020 (which may be early terminated by three months' prior notice) at a fixed monthly basic rent of HK$243,000 and HK$7,000 respectively, together with other ancillary expenses (including a monthly management fee of HK$139,407) and a turnover rent of 7% of the excess (if any) of the annual gross turnover of the Citistore HK's business conducted at the First Premises and the Second Premises over HK$50,000,000, which shall be payable monthly in arrears and reconciled on an annual basis. In addition to the management fee, other ancillary expenses include government rates and air-conditioning charge. The tenancy in respect of the First Premises and the Second Premises was terminated with effect from 1 April 2019 in accordance with the relevant terms and conditions of the 2018 Tenancy Renewal Offer Letter.

(B) Cleaning Services Agreement entered into with HLD Group

The Company and Broad Capital Limited, a member of the HLD Group and thus a connected person of the Company, entered into a master agreement on 23 June 2017 for a term of three years from 1 December 2017 to 30 November 2020 in relation to the provision of cleaning services to any subsidiary of the Group for fees to be settled on monthly basis (the "Cleaning Services Agreement"). Under the Cleaning Services Agreement, the pricing and terms for transactions made pursuant thereto shall be determined by way of quotations obtained from Broad Capital Limited and from independent third party service providers and the consideration of the price and terms, historical working relationship, experience and the quality of services offered by each of such parties. Broad Capital Limited may be engaged on terms similar to or better than those offered by such other service providers.

The maximum aggregate amounts payable by the Group under the transactions as contemplated in the above agreements will not exceed the following caps:

Annual caps for the aggregate amounts payable by the Group under the respective agreements	Financial year ended 31 December 2019 (HK$)	Financial year ending 31 December 2020 (HK$)
HKF Tenancy Renewal Offer Letters	15,000,000	7,500,000[1]
Cleaning Services Agreement	9,430,000	9,506,000[1]

The amounts actually paid by the Group under the transactions as contemplated in the respective agreements mentioned in this paragraph (collectively, the "Other Citistore Transactions") for the year ended 31 December 2019 are set out below:

Amounts actually paid by the Group under the transactions as contemplated in the respective agreements	For the year ended 31 December 2019 (Approx. HK$)
HKF Tenancy Renewal Offer Letters	7,810,000[2]
Cleaning Services Agreement	7,660,000

Notes:

1. *These annual caps relate to the period from 1 January 2020 up to the date of expiration of the respective agreements.*

2. *After turnover rent adjustment and excluding the government rates, the transaction amount was approximately HK$7,670,000.*

The Audit Department has reviewed the Framework Tenancy Transactions and the Other Citistore Transactions together with the relevant internal controls and confirmed to the Independent Non-executive Directors of the Company that the Framework Tenancy Transactions and the Other Citistore Transactions were conducted in accordance with the pricing mechanism and the terms under the relevant agreements. The Independent Non-executive Directors of the Company have reviewed and confirmed that such transactions are (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms; and (c) in accordance with the terms of the respective agreements relating to the transactions in question and are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Auditor of the Company has also confirmed that nothing has come to the Auditor's attention that causes it to believe that the Framework Tenancy Transactions and the Other Citistore Transactions (a) have not received the approval of the Board; (b) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (c) have exceeded the respective caps as aforesaid.

The Company's Auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this Annual Report in accordance with Rule 14A.56 of the Listing Rules. The Company has provided a signed copy of the said letter to the Stock Exchange.

The material related party transactions set out in note 33 to the financial statements on pages 124 and 125 include transactions that constitute continuing connected transactions for which the disclosure requirements under the Listing Rules have been met.

Save as disclosed above, no other transaction, arrangement or contract that is significant in relation to the Company's business to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had, directly or indirectly, a material interest, subsisted at the year end or at any time during the year.

Directors' Interests in Competing Business

For the year ended 31 December 2019, none of the Directors of the Company has interests in businesses which might compete with the Group.

Service Contracts

None of the Directors has a service contract with the Company or any of its subsidiaries which is of a duration exceeding three years or which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Management Contracts

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

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

Major Customers and Suppliers

For the year ended 31 December 2019:

(1) the aggregate amount of purchases attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases; and

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

Management Discussion and Analysis

A management discussion and analysis of the Group's annual results is shown on pages 10 to 16.

Sustainability and Corporate Social Responsibility

The report on sustainability and CSR is set out on pages 18 to 33 of this Annual Report and posted on the Company's website.

Retirement Benefits Scheme

Details of the retirement benefits schemes participated by the Group's employees are shown in note 27 to the financial statements on page 121.

Permitted Indemnity

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

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

Public Float

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

Auditor

A resolution for the re-appointment of PricewaterhouseCoopers as Auditor of the Company is to be proposed at the forthcoming annual general meeting.

Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 34 to 48.

On behalf of the Board

Lee Ka Shing
Chairman

Hong Kong, 23 March 2020

Biographical Details of Directors and Senior Management

Executive Directors

LEE Ka Shing, *JP*, aged 48, a Committee Member of the 13th Beijing Committee of the Chinese People's Political Consultative Conference, has been an Executive Director of the Company since 1993 and was the Vice Chairman up to June 2015. On 1 July 2015, he was re-designated from the Vice Chairman to the Chairman and Managing Director of the Company. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. He was educated in Canada. Mr Lee is the vice chairman of Henderson Development Limited ("Henderson Development"). He is also the chairman and managing director of Henderson Land Development Company Limited ("Henderson Land"), chairman and chief executive officer of Miramar Hotel and Investment Company, Limited as well as the chairman of The Hong Kong and China Gas Company Limited, all of which are listed companies. He was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2017. He is a member of the Court of The Hong Kong Polytechnic University. Mr Lee is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development, Henderson Land, Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited and Gainwise Investment Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the son of Dr Lee Shau Kee, the brother of Dr Lee Ka Kit, the brother-in-law of Mr Li Ning and the relative of Mr Lee Tat Man.

Dr LEE Ka Kit, *GBS, JP, DBA (Hon)*, aged 56, a Member of the Standing Committee of the 13th National Committee of the Chinese People's Political Consultative Conference, has been an Executive Director and the Vice Chairman of the Company since 1993. He was educated in the United Kingdom and has been primarily responsible for the development of the business of Henderson Land Group in the People's Republic of China since 1985. He is the vice chairman of Henderson Development Limited ("Henderson Development"). He is also the chairman and managing director of Henderson Land Development Company Limited ("Henderson Land") and the chairman of The Hong Kong and China Gas Company Limited, both of which are listed companies. He previously served as a non-executive director of The Bank of East Asia, Limited and an independent non-executive director of Xiaomi Corporation until 23 August 2019, both of which are listed companies. He was appointed as a Justice of the Peace in 2009 and was awarded the Gold Bauhinia Star (GBS) in 2015 by the Government of the Hong Kong Special Administrative Region. He is a member as well as the chairman of the Board of Directors of One Country Two Systems Research Institute. He was awarded an Honorary University Fellowship by The University of Hong Kong in 2009 and an Honorary Degree of Doctor of Business Administration by Edinburgh Napier University in July 2014. He is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development and Henderson Land which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the son of Dr Lee Shau Kee, the brother of Mr Lee Ka Shing, the brother-in-law of Mr Li Ning and the relative of Mr Lee Tat Man.

Dr LAM Ko Yin, Colin, *SBS, FCILT, FHKIoD, DB (Hon),* aged 68, has been an Executive Director of the Company since 1988 and the Vice Chairman since 1993. He is also a member of the Remuneration Committee and the Nomination Committee of the Company. Dr Lam holds a B.Sc. (Honours) degree from The University of Hong Kong and has over 46 years' experience in banking and property development. He is the chairman of Hong Kong Ferry (Holdings) Company Limited, the vice chairman of Henderson Land Development Company Limited ("Henderson Land") as well as a non-executive director of The Hong Kong and China Gas Company Limited and an executive director of Miramar Hotel and Investment Company, Limited, all of which are listed companies. Dr Lam was awarded the Silver Bauhinia Star (SBS) by the Government of the Hong Kong Special Administrative Region in 2017. He is the deputy chairman of The University of Hong Kong Foundation for Educational Development and Research, a director of Fudan University Education Development Foundation and an honorary Court member of Hong Kong Baptist University. Dr Lam was awarded an Honorary University Fellowship by The University of Hong Kong in 2008 and an Honorary Fellowship by The Chinese University of Hong Kong in 2019. He was also conferred with a degree of Doctor of Business (Honoris Causa) by Macquarie University in 2015. He is a Fellow of The Chartered Institute of Logistics and Transport in Hong Kong and a Fellow of The Hong Kong Institute of Directors. Dr Lam is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited, Henderson Land, Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited and Gainwise Investment Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

LI Ning, *BSc, MBA,* aged 63, Mr Li, has been appointed an Executive Director of the Company since 2014. He holds a B.Sc. degree from Babson College and an M.B.A. degree from the University of Southern California. Mr Li set up the business of Citistore Stores in 1989 and has been managing the business since then in the capacity as a director, being a veteran with 30 years' experience in the department store business. He is also an executive director of Hong Kong Ferry (Holdings) Company Limited, a listed company. Mr Li is the son-in-law of Dr Lee Shau Kee, the brother-in-law of Dr Lee Ka Kit and Mr Lee Ka Shing and the relative of Mr Lee Tat Man.

LEE Tat Man, aged 82, has been an Executive Director of the Company since 1972. He has been engaged in property development in Hong Kong for more than 40 years and is also a non-executive director of Henderson Land Development Company Limited ("Henderson Land"), a listed company. Mr Lee is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited and Henderson Land which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the brother of Dr Lee Shau Kee and the relative of Dr Lee Ka Kit, Mr Lee Ka Shing and Mr Li Ning.

Independent Non-executive Directors

KWONG Che Keung, Gordon, *FCA*, aged 70, has been an Independent Non-executive Director of the Company since 2004. He is also the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. He graduated from The University of Hong Kong with a bachelor's degree in social sciences in 1972 and qualified as a chartered accountant in England in 1977. He was a partner of Pricewaterhouse from 1984 to 1998 and an independent member of the Council of The Stock Exchange of Hong Kong from 1992 to 1997. He is an independent non-executive director of Henderson Land Development Company Limited ("Henderson Land"), Agile Group Holdings Limited, China Power International Development Limited, Chow Tai Fook Jewellery Group Limited, FSE Services Group Limited, Global Digital Creations Holdings Limited, NWS Holdings Limited and Piraeus Port Authority S.A. (listed in Greece), all of which are listed companies. Mr Kwong previously served as an independent non-executive director of COSCO SHIPPING Holdings Co., Ltd. until 25 May 2017, CITIC Telecom International Holdings Limited until 1 June 2017 and OP Financial Limited until 27 August 2019. Henderson Land has discloseable interests in the Company under the provisions of the Securities and Future Ordinance.

Professor KO Ping Keung, *PhD, FIEEE, JP*, aged 69, has been an Independent Non-executive Director of the Company since 2004. He is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Professor Ko holds a Bachelor of Science (Honours) degree from The University of Hong Kong, a Doctor of Philosophy degree and a Master of Science degree from the University of California at Berkeley. He is an Adjunct Professor of Peking University and Tsinghua University and Emeritus Professor of Electrical & Electronic Engineering and the former Dean of the School of Engineering of The Hong Kong University of Science and Technology. He was the vice chairman of Electrical Engineering and Computer Science Department of the University of California at Berkeley in 1991-1993 and a member of Technical staff, Bell Labs, Holmdel, in 1982-1984. Professor Ko is an independent non-executive director of Henderson Land Development Company Limited ("Henderson Land"), Q Technology (Group) Company Limited and VTech Holdings Limited, all of which are listed companies. Henderson Land has discloseable interests in the Company under the provisions of the Securities and Future Ordinance.

WU King Cheong, *BBS, JP*, aged 69, has been an Independent Non-executive Director of the Company since 2005. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Mr Wu is the Life Honorary Chairman of The Chinese General Chamber of Commerce, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Permanent Honorary President of the Hong Kong Securities Association Limited. He is an independent non-executive director of Henderson Land Development Company Limited ("Henderson Land"), Hong Kong Ferry (Holdings) Company Limited, Miramar Hotel and Investment Company, Limited and Yau Lee Holdings Limited, all of which are listed companies. Henderson Land has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

AU Siu Kee, Alexander, *OBE, FCA, FCCA, FCPA, AAIA, FCIB, FHKIB,* aged 73, has been appointed an Independent Non-executive Director and a member of the Audit Committee of the Company since 2015. He was an executive director and the chief financial officer of Henderson Land Development Company Limited ("Henderson Land") from December 2005 to June 2011. He stepped down from the position of chief financial officer and was re-designated as a non-executive director of Henderson Land on 1 July 2011. On 18 December 2012, Mr Au was re-designated as an independent non-executive director of Henderson Land until his retirement on 2 June 2015. In December 2018, Mr Au rejoined Henderson Land as an independent non-executive director. A banker by profession, Mr Au was the chief executive officer of Hang Seng Bank Limited from October 1993 to March 1998 and of Oversea-Chinese Banking Corporation Limited in Singapore from September 1998 to April 2002. He was formerly a non-executive director of a number of leading companies including The Hongkong and Shanghai Banking Corporation Limited, MTR Corporation Limited and Hang Lung Group Limited. Mr Au previously served as an independent non-executive director of The Wharf (Holdings) Limited until 23 November 2017. Currently, Mr Au is an independent non-executive director of Wharf Real Estate Investment Company Limited, and a non-executive director of Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited, all of which are listed companies. He is also the chairman and a non-executive director of Henderson Sunlight Asset Management Limited, a wholly-owned subsidiary of Henderson Land, which is the manager of the publicly-listed Sunlight Real Estate Investment Trust. An accountant by training, Mr Au is a Fellow of The Institute of Chartered Accountants in England and Wales, The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Henderson Land has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

Senior Management

LIU Cheung Yuen, Timon, *BEc, FCPA, CA (Aust), FCS, FCIS,* aged 62, joined the Henderson Land Group in 2005 and is presently the Company Secretary of the Group. Mr Liu graduated from Monash University, Australia with a bachelor's degree in Economics. He is a fellow of both the Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Chartered Secretaries, and an associate of The Institute of Chartered Accountants in Australia. He has many years' experience in accounting, auditing, corporate finance, corporate investment and development, and company secretarial practice.

WONG Wing Kee, Christopher, *BSc (Econ), FCA,* aged 57, joined the Henderson Land Group in 2007 and is presently the General Manager of Accounts Department. Mr Wong graduated from The London School of Economics and Political Science, University of London and is a fellow of The Institute of Chartered Accountants in England & Wales. He has over 35 years of experience in accounting, auditing, investment banking and corporate finance in the United Kingdom and in Hong Kong. Prior to joining the Henderson Land Group, Mr Wong was the chief financial officer of Kerry Properties Limited between December 2004 and May 2007.

Financial Statements

Independent Auditor's Report

pwc

羅兵咸永道

To the members of Henderson Investment Limited

(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of Henderson Investment Limited (the "Company") and its subsidiaries (the "Group") set out on pages 78 to 127, which comprise:

- the consolidated statement of financial position at 31 December 2019;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is goodwill impairment assessment.

Key Audit Matter	How our audit addressed the Key Audit Matter
Goodwill impairment assessment Refer to note 19 to the consolidated financial statements. As at 31 December 2019, the Group had recognised goodwill of HK$810 million relating to the acquisition of the entire share capital of Camay Investment Limited and its subsidiaries, namely Citistore (Hong Kong) Limited ("Citistore") and Puretech Investment Limited in 2014, and goodwill of HK$262 million relating to the acquisition of the entire share capital of Unicorn Stores (HK) Limited ("UNY HK"). For both Citistore and UNY HK, management has concluded that there was no impairment of goodwill as at 31 December 2019. This conclusion was based on the assessment that required significant management judgment with respect to the forecast receipts from gross sales for each of the forecast five years ending 31 December 2020 to 2024 of each cash-generating unit and the discount rate.	Our procedures in relation to management's impairment assessment on each cash-generating unit included: • Assessing the valuation methodology used, which is discounted cash flow model, by management to estimate the recoverable amount; • Evaluating the process by which management's future cash flow forecasts were prepared; • Comparing historical actual results to those budgeted to assess the quality of management's forecast; • Reconciling input data to the budgets approved by management; • Evaluating the key assumptions used in the calculations, comprising the forecast receipts from gross sales for each of the forecast five years ending 31 December 2020 to 2024 of each cash-generating unit and the discount rate based on the knowledge of the business and industry; and • Assessing management's sensitivity analyses around the key assumptions, to assess the potential impact of possible changes in the individual key assumptions. We found the goodwill impairment assessment performed by management to be supportable based on available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chu Ho Kwan, Raphael.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2020

Consolidated Statement of Profit or Loss

for the year ended 31 December 2019

	Note	**2019 HK$ million**	2018 HK$ million
Revenue	5	**1,707**	1,496
Direct costs		**(1,464)**	(1,290)
		243	206
Other revenue	6	**12**	11
Other (expense)/income, net	7	**(8)**	13
Selling and marketing expenses		**(33)**	(29)
Administrative expenses		**(98)**	(85)
Profit from operations		**116**	116
Finance costs on lease liabilities	8(c)	**(44)**	–
Profit before taxation	8	**72**	116
Income tax	11	**(10)**	(19)
Profit attributable to equity shareholders of the Company for the year		**62**	97
		HK cents	HK cents
Earnings per share			
– Basic and diluted	14	**2.0**	3.2

The notes on pages 83 to 127 form part of these consolidated financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 13.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2019

	2019 HK$ million	2018 HK$ million
Profit attributable to equity shareholders of the Company for the year	**62**	97
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 (non-recycling)	**(3)**	(4)
Total comprehensive income attributable to equity shareholders of the Company for the year	**59**	93

The notes on pages 83 to 127 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

at 31 December 2019

	Note	**2019 HK$ million**	2018 HK$ million
Non-current assets			
Fixed assets	15	**118**	92
Right-of-use assets	16	**699**	–
Trademarks	17	**42**	44
Investments in listed securities designated as financial assets at fair value through other comprehensive income	18	**53**	56
Goodwill	19	**1,072**	1,072
Deferred tax assets	26	**26**	11
		2,010	1,275
Current assets			
Inventories	20	**110**	123
Trade and other receivables	21	**63**	68
Tax recoverable		**–**	2
Cash and bank balances	22	**363**	465
		536	658
Current liabilities			
Trade and other payables	23	**382**	428
Lease liabilities	24	**222**	–
Amounts due to affiliates	25	**1**	75
Current taxation		**21**	8
		626	511
Net current (liabilities)/assets		**(90)**	147
Total assets less current liabilities		**1,920**	1,422
Non-current liabilities			
Lease liabilities	24	**608**	–
Provision for reinstatement costs		**17**	13
Deferred tax liabilities	26	**7**	8
		632	21
NET ASSETS		**1,288**	1,401
CAPITAL AND RESERVES			
Share capital		**612**	612
Reserves		**676**	789
TOTAL EQUITY		**1,288**	1,401

Approved and authorised for issue by the Board of Directors on 23 March 2020.

Lee Ka Shing
Lee Tat Man
Directors

The notes on pages 83 to 127 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019

	Note	Attributable to equity shareholders of the Company				
		Share capital HK$ million	Capital reserve HK$ million	Fair value reserve (non-recycling) HK$ million	Retained profits HK$ million	Total equity HK$ million
Balance at 1 January 2018		612	10	–	808	1,430
Changes in equity for 2018:						
Profit for the year		–	–	–	97	97
Other comprehensive income for the year		–	–	(4)	–	(4)
Total comprehensive income for the year		–	–	(4)	97	93
Final dividend approved in respect of the previous financial year	13(b)	–	–	–	(61)	(61)
Interim dividend declared in respect of the current financial year	13(a)	–	–	–	(61)	(61)
At 31 December 2018		612	10	(4)	783	1,401
Balances at 31 December 2018 and 1 January 2019, as previously reported		**612**	**10**	**(4)**	**783**	**1,401**
Impact of change in accounting policy upon adoption of HKFRS 16	2	**–**	**–**	**–**	**(50)**	**(50)**
Balance at 1 January 2019 (restated)		**612**	**10**	**(4)**	**733**	**1,351**
Changes in equity for 2019:						
Profit for the year		**–**	**–**	**–**	**62**	**62**
Other comprehensive income for the year		**–**	**–**	**(3)**	**–**	**(3)**
Total comprehensive income for the year		**–**	**–**	**(3)**	**62**	**59**
Final dividend approved in respect of the previous financial year	13(b)	**–**	**–**	**–**	**(61)**	**(61)**
Interim dividend declared in respect of the current financial year	13(a)	**–**	**–**	**–**	**(61)**	**(61)**
At 31 December 2019		**612**	**10**	**(7)**	**673**	**1,288**

The notes on pages 83 to 127 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2019

	Note	2019 HK$ million	2018 HK$ million
Operating activities			
Profit before taxation		**72**	116
Adjustments for:			
Bank interest income	7	**(8)**	(10)
Dividend income from investments in listed securities designated as financial assets at fair value through other comprehensive income	7	**(3)**	(3)
Net gain on disposal of a subsidiary	7	**(2)**	–
Amortisation of trademarks	8(c)	**2**	1
Depreciation on fixed assets	8(c)	**35**	39
Depreciation on right-of-use assets	8(c)	**216**	–
Finance costs on lease liabilities	8(c)	**44**	–
Operating profit before changes in working capital		**356**	143
Decrease in inventories		**13**	–
Decrease/(increase) in trade and other receivables		**4**	(3)
(Decrease)/increase in trade and other payables		**(54)**	11
(Decrease)/increase in amounts due to affiliates		**(2)**	7
Cash generated from operations		**317**	158
Tax paid in Hong Kong		**(2)**	(17)
Net cash generated from operating activities		**315**	141
Investing activities			
Interest received		**9**	10
Dividends received from investments in listed securities designated as financial assets at fair value through other comprehensive income		**3**	3
Additions to fixed assets		**(57)**	(11)
Proceeds from disposal of a subsidiary	7	**2**	–
Purchases of investments in listed securities designated as financial assets at fair value through other comprehensive income		**–**	(60)
Acquisition of a subsidiary, net of cash and cash equivalents acquired		**–**	(252)
(Increase)/decrease in deposits with banks over three months of maturity at acquisition		**(2)**	78
Net cash used in investing activities		**(45)**	(232)
Financing activities			
Dividends paid to shareholders	13	**(122)**	(122)
Interest payments of lease liabilities to affiliates		**(32)**	–
Principal repayments of lease liabilities to affiliates		**(145)**	–
Interest payments of lease liabilities to third parties		**(12)**	–
Principal repayments of lease liabilities to third parties		**(63)**	–
Net cash used in financing activities		**(374)**	(122)
Net decrease in cash and cash equivalents		**(104)**	(213)
Cash and cash equivalents at 1 January		**447**	660
Cash and cash equivalents at 31 December	22	**343**	447

The notes on pages 83 to 127 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

1 General information

Henderson Investment Limited ("the Company") is incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the Company's registered office and principal place of business is 72-76/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

The principal activity of the Company during the year was investment holding and the principal activities of its subsidiaries during the year were investment holding and department store operation.

2 Significant accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance (Cap. 622) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). A summary of the significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "Group") is set out below.

(b) Changes in accounting policies

The HKICPA has issued the following new standard, interpretation and amendments to HKFRSs 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 16, *Leases*
- HK(IFRIC) Interpretation 23, *Uncertainty over income tax treatments*
- Annual improvements to HKFRSs 2015-2017 cycle

Under HKFRS 16, a lessee is required to recognise, at the earlier of the commencement of a lease or the adoption of HKFRS 16, 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 leases and leases of low value assets in relation to which the "practical expedient" under HKFRS 16 is applicable. The accounting for lessors has not significantly changed. The adoption of HKFRS 16 affects the leases of properties as a lessee previously classified as operating leases prior to the adoption of HKFRS 16, which results in an increase in both assets and liabilities in the lessee's statement of financial position and impacts on the timing of recognition of the financial effects in the lessee's statement of profit or loss over the period of the leases.

2 Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability as adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset on the site at which it is located, discounted to their present value and less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method during the period from the commencement date of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, unless it is reasonably certain that the Group will obtain ownership of the leased asset upon the expiry of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. Lease payments included in the measurement of the lease liability comprise fixed payments, including in-substance fixed payments. The lease liability is measured at amortised cost using the effective interest method, and is re-measured when there is a change in future lease payments arising from a change in an index or rate. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such renewal options impacts the lease term, which may significantly affect the amounts of lease liabilities and right-of-use assets recognised.

The Group applies the modified retrospective approach under HKFRS 16, and therefore no restatement is made to the comparative amounts for the corresponding year ended 31 December 2018 prior to the first adoption of HKFRS 16. A retrospective adjustment to the Group's consolidated retained profits (after tax) at 1 January 2019, for a cumulative decrease in the amount of HK$50 million, was recognised only as referred to in the Group's consolidated statement of changes in equity for the year ended 31 December 2019.

At transition, except for short-term leases and leases of low-value assets of the Group in respect of which the Company or any of its subsidiaries is a lessee and in relation to which the "practical expedient" under HKFRS 16 is applicable, the Group recognises for each of the remaining leases (the "Remaining Leases") a right-of-use asset, which is measured at its carrying amount as if HKFRS 16 had been applied since the commencement date of the Remaining Lease, discounted at the Group's incremental borrowing rate at 1 January 2019.

At transition, lease liabilities were measured at the present value of the Remaining Leases payments, discounted at the Group's incremental borrowing rate at 1 January 2019. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019 which was 4.8% per annum as a single discount rate applied to a portfolio of leases with reasonably similar characteristics.

2 Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

In applying HKFRS 16 for the first time, the Group has also used the following practical expedients permitted by the standard:

– excluding initial direct costs for the measurement of the right-of-use assets at the date of initial application; and

– not reassessing whether a contract is, or contains, a lease at the date of initial application.

	HK$ million
Operating lease commitments at 31 December 2018 as disclosed in the Group's consolidated financial statements for the year ended 31 December 2018	**1,359**
Less: non-rent portion (management fees, air-conditioning charges and rates)	**(243)**
	1,116
Discounted using the Group's incremental borrowing rate at 1 January 2019	**1,012**
Less: recognition exemption for short-term leases	**(46)**
Lease liabilities recognised at 1 January 2019	**966**

The change in accounting policy affected the following items in the consolidated statement of financial position at 1 January 2019:

– right-of-use assets increased by HK$827 million (note 16);

– deferred tax assets increased by HK$9 million (note 26);

– trade and other payables decreased by HK$8 million;

– amounts due to affiliates decreased by HK$72 million; and

– lease liabilities increased by HK$966 million (note 24).

The net impact on the consolidated retained profits (after tax) at 1 January 2019 was a cumulative decrease of HK$50 million.

Except for HKFRS 16 whose financial impact on the Group is referred to above, none of the interpretation or amendments which is first effective for the current accounting period of the Group, as referred to above, had a material effect 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.

2 Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments to HKFRS and a revised Conceptual Framework, which are not yet effective for the financial year ended 31 December 2019 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
Amendments to HKFRS 3, *Definition of a business*	1 January 2020
Amendments to HKAS 1 and HKAS 8, *Definition of material*	1 January 2020
Revised Conceptual Framework	1 January 2020

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements.

(c) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of these consolidated 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.

The preparation of these consolidated financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2 Significant accounting policies (continued)

(c) Basis of preparation of the consolidated financial statement (continued)

Judgments made by the Group's management in the application of HKFRSs that have significant effect on the consolidated financial statements and key sources of estimation uncertainty are discussed in note 3.

At 31 December 2019, the Group was in a net current liabilities position of HK$90 million. This was mainly due to the recognition of the current portion of lease liabilities of HK$222 million in adopting HKFRS 16, *Leases*. Taking into account the expected cash flows from operations, the available cash and bank balances and the investments in unpledged listed securities, the Group's management believes that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment. Where necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Non-controlling interests represent the equity in subsidiaries not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interest either at fair value or at the non-controlling interest's proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

2 Significant accounting policies (continued)

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

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(m)(ii)).

(e) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the aggregate of the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group pursuant to the acquisition (if any). The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

The accounting policy for goodwill arising from business combinations is set out in note 2(h).

(f) Fixed assets and depreciation

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

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

2 Significant accounting policies (continued)

(f) Fixed assets and depreciation (continued)

Depreciation is calculated to write off the cost of items of fixed assets, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

–	Leasehold improvements	Over the unexpired term of lease or their expected useful life of 5 to 6 years, whichever is shorter
–	Furniture and equipment	5 years
–	Motor vehicles	4 to 5 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Where parts of an item of fixed assets have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually for indications of impairment.

(g) Trademarks

Trademarks are recognised at fair value at the acquisition date. Trademarks are recognised in relation to the Group's department store operation (see note 17), and are stated at cost less accumulated amortisation and impairment losses (see note 2(m)(ii)). Amortisation is provided to write off the cost of the trademarks using the straight-line method over a period of 30 years, commencing from the financial year in which the trademarks are recognised in the Group's consolidated financial statements.

(h) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the Group's previously held equity interest in the acquiree; over

(ii) the fair value of the acquiree's net identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on bargain purchase.

Goodwill is stated at cost less accumulated impairment losses (see note 2(m)(ii)). Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment.

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

2 Significant accounting policies (continued)

(i) Leased assets

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for monetary consideration payable by the recipient of such right (i.e. the lessee). The right to control an identified asset is conveyed when the lessee has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(A) Policy applicable from 1 January 2019

At the lease commencement date, the Group (as the lessee) recognises a right-of-use asset and a lease liability, except for (i) short-term leases that have lease term of 12 months or less; and (ii) leases of low-value assets to which the "practical expedient" under HKFRS 16 is applicable. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred. The lease liability is remeasured when there is (i) a change in the future lease payments arising from a change in an index or rate; (ii) a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or (iii) a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before 1 January 2019 (being the date on which the lease commenced to be capitalised), and any initial direct costs incurred. Where applicable, the cost of the right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset on the site at which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(m)(ii)). Depreciation on the right-of-use asset is determined over the period from the commencement date of the Remaining Lease to the end of the term of the Remaining Lease, taking into consideration any renewal options attaching thereto. The Group presents the right-of-use asset separately from the lease liabilities in the statement of financial position.

2 Significant accounting policies (continued)

(i) Leased assets (continued)

(B) Policy applicable prior to 1 January 2019

(i) Classification of leases under which the Group was a lessee

In the comparative period, the Group (as the lessee) classified leases as finance leases if such leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases.

(ii) Operating lease charges paid by the Group as the lessee

Where the Group had the use of assets under operating leases, payments made by the Group under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2 Significant accounting policies (continued)

(k) Investments and other financial assets

(i) Classification

Debt instruments

The Group classifies its financial assets at amortised cost only if both of the following criteria are met:

– the asset is held within a business model with the objective of collecting the contractual cash flows; and

– the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The Group classifies its financial assets at fair value through other comprehensive income ("FVOCI") only if both of the following criteria are met:

– the objective of the Group's business model is to hold the asset to collect the contractual cash flows and to sell financial assets; and

– the contractual terms of the debt instrument give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss ("FVPL").

Trade and other receivables, and cash and bank balances, are classified at amortised cost.

Equity instruments

Investments in equity instruments are always measured at fair value. Equity instruments that are held for trading are measured at FVPL.

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity instrument at FVOCI.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 Significant accounting policies (continued)

(k) Investments and other financial assets (continued)

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not measured at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction cost of financial assets measured at FVPL are expensed in profit or loss.

Financial asset measured at amortised cost

A gain or loss on a financial asset measured at amortised cost and which is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included under other income using the effective interest rate method. Foreign exchange gains and losses and impairment losses are recognised in profit or loss.

Equity investments classified as FVOCI

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Equity investments that are elected by the Group to be classified as FVOCI do not report impairment losses (and reversal of impairment losses) separately from other changes in fair value. Dividend income from investments in listed securities designated as financial assets at FVOCI is recognised in profit or loss when the share price of the investment goes ex-dividend.

Financial asset at FVPL

Changes in the fair value of financial assets at FVPL are recognised in profit or loss and presented on a net basis within other gains/(losses) in the period in which it arises.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less loss allowances (see note 2(m)(i)).

2 Significant accounting policies (continued)

(m) Credit losses and impairment of assets

(i) Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. For financial assets carried at amortised cost held by the Group (other than trade debtors without a significant financing component), the impairment methodology to be applied depends on whether there has been a significant increase in credit risk. At the end of each reporting period, the Group would measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. Otherwise, the loss allowance for that financial instrument would be measured at an amount equal to 12-month expected credit losses. Note 4(a) details how the Group determines whether there has been a significant increase in credit risk. For trade debtors without a significant financing component, the impairment provision recognised, if any, was equal to the lifetime expected credit losses.

(ii) Impairment of other assets

Internal and external sources of information are regularly reviewed to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– fixed assets;

– right-of-use assets;

– goodwill;

– trademarks: and

– investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated. In addition, the recoverable amount of goodwill is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

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

2 Significant accounting policies (continued)

(m) Credit losses and impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measureable), or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the aforementioned interim period, the Group applies the same impairment testing, recognition and reversal criteria (see notes 2(m)(i) and (ii)) as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which such interim period relates.

(n) Trade and other payables

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

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

2 Significant accounting policies (continued)

(p) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued for in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

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

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which such deferred tax assets can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether the existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided that they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

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

2 Significant accounting policies (continued)

(q) Income tax (continued)

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

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis, or realise the current tax assets and settle the current tax liabilities simultaneously.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 Significant accounting policies (continued)

(s) Revenue recognition

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

(i) Sales of goods

Revenue arising from the sales of goods from department store operation is recognised at a point in time when the Group sells a product to the customer, which is taken to be the point in time when the customer has obtained control of the goods sold. Revenue is recognised after deduction of any trade discounts.

(ii) Commission income from consignment and concessionaire counters

Commission income from consignment and concessionaire counters is recognised at a point in time of the sales of goods by counter suppliers.

(iii) Promotion income, sponsorship fees, rental income for antenna sites and sundry income

Promotion income, sponsorship fees, rental income for antenna sites and sundry income are recognised over time when the services are provided.

(iv) Interest income

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

(v) Administration fee income

Administration fee income is recognised at a point in time of the sales of goods by counter suppliers.

(vi) Dividend income

Dividend income from investments in listed securities designated as financial assets at FVOCI is recognised in profit or loss when the share price of the investment goes ex-dividend.

(t) Translation of foreign currencies

Items included in the financial statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

2 Significant accounting policies (continued)

(t) Translation of foreign currencies (continued)

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a) above.

(vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 Accounting estimates and judgments

The key sources of estimation uncertainty and critical accounting judgments in applying the Group's accounting policies are described below.

(a) Impairment of other assets

If circumstances indicate that the carrying amounts of other assets may not be recoverable, the assets may be considered impaired and are tested for impairment. In addition, the recoverable amount of goodwill is estimated annually to evaluate whether or not there is any indication of impairment. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. In determining the recoverable amount which requires significant judgment, the Group estimates the future cash flows to be derived from continuing use and ultimate disposal of the asset and applies an appropriate discount rate to these future cash flows.

(b) Recognition of deferred tax assets

At 31 December 2019, the Group has recognised deferred tax assets in relation to a tax loss and the recognition of right-of-use assets and lease liabilities under HKFRS 16 as set out in note 26. The realisability of deferred tax assets mainly depends on whether it is probable that future taxable profits will be available against which the deferred tax assets can be utilised. In cases where the actual future taxable profits generated are less than expected, a reversal of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal takes place.

4 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. These risks are monitored by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The Group does not provide any guarantee which exposes the Group to credit risk.

4 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(i) Bank deposits

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, the Group's management does not expect any of these financial institutions will fail to meet their obligations.

(ii) Trade and other receivables

In respect of trade and other receivables, expected credit losses are measured in accordance with note 2(m)(i). The Group considers the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis at the end of each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the assets at the end of each reporting period with the risk of default at the date of initial recognition. It considers available, reasonable and supportive forward-looking information. Especially, the following indicators are incorporated:

– external credit rating of the counterparty (as far as available);

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;

– actual or expected significant changes in the operating results of the counterparty; and

– significant expected changes in the performance and behaviour of the counterparty, including changes in the payment status of the counterparty and changes in the operating results of the counterparty.

A default on trade and other receivables is when the counterparty fails to make contractual payments when they fall due.

Trade and other receivables are written off when there is no reasonable expectation of recovery.

The Group considers the identified expected credit losses on trade and other receivables at 31 December 2019 and 2018 as minimal.

(b) Liquidity risk

The treasury function of the Group is arranged centrally to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

4 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

The following table sets out the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities (note 28), which are based on contractual undiscounted cash outflows (including interest payments computed using contractual rates or, if floating, based on rates prevailing at the end of the reporting period) and the earliest date on which the Group can be required to pay:

	2019 Contractual undiscounted cash outflow					
	Within 1 year or on demand HK$ million	**More than 1 year but less than 2 years HK$ million**	**More than 2 years but less than 5 years HK$ million**	**More than 5 years HK$ million**	**Total HK$ million**	**Carrying amount HK$ million**
Trade and other payables (excluding contract liabilities and provision for reinstatement costs)	**365**	**3**	**–**	**–**	**368**	**368**
Amounts due to fellow subsidiaries	**1**	**–**	**–**	**–**	**1**	**1**
Lease liabilities	**256**	**260**	**375**	**15**	**906**	**830**
	622	**263**	**375**	**15**	**1,275**	**1,199**

	2018 Contractual undiscounted cash outflow					
	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million	Carrying amount HK$ million
Trade and other payables (excluding contract liabilities, provisions for rental amortisation and reinstatement costs)	392	1	–	–	393	393
Amounts due to fellow subsidiaries	3	–	–	–	3	3
	395	1	–	–	396	396

(c) Interest rate risk

At 31 December 2019, the Group did not have any borrowings or liabilities which exposed the Group to significant interest rate risk. The Group monitors closely its interest rate exposure and will consider hedging significant interest rate exposure should the need arise. During the year, the Group did not enter into any interest rate hedging instruments.

4 Financial risk management and fair values (continued)

(d) Foreign currency risk

At 31 December 2019, there were insignificant balances where the denomination is in a currency other than the functional currencies of the Group's entities to which they relate. The impact on the Group's profit after tax attributable to equity shareholders of the Company and total equity is not expected to be material in response to reasonably possible changes in the foreign exchange rates of the other currencies to which the Group is exposed.

(e) Fair values

Financial instruments are carried at fair value at the following different levels:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

– Inputs other than quoted prices included within Level 1 that are observable market data for the asset or liability, either directly (as prices) or indirectly (i.e. derived from prices) (Level 2).

– Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) (Level 3).

At 31 December 2019 and 2018, the Group had investments in listed securities designated as financial assets at FVOCI. The fair value is stated at quoted market price, which is the bid price at the end of the reporting period. It is categorised under Level 1.

The Group had no other financial instruments which is measured at fair value at 31 December 2019 and 2018.

Other financial assets and liabilities are carried at amounts not materially different from their fair values at 31 December 2019 and 2018.

There was no significant transfer of financial assets and financial liabilities among Level 1, Level 2 and Level 3 fair value hierarchy classification. There was no change in valuation techniques during the year ended 31 December 2019.

(f) Price risk

The Group's exposure to securities price risk arises from investments in listed securities held by the Group and designated as financial assets at FVOCI in the consolidated statement of financial position.

To manage its price risks from investments in listed securities, the Group diversifies its portfolio. Diversification of the portfolio is carried out in accordance with the limits set by the Group's management.

If the prices of these securities at 31 December 2019 had increased/decreased by 5% (2018: 5%), with all other variables held constant, the total equity of the Company would increase/decrease by HK$3 million (2018: HK$3 million).

5 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:

	2019 HK$ million	2018 HK$ million
Sales of goods	**1,220**	998
Commission income from consignment counters	**329**	336
Commission income from concessionaire counters	**146**	150
Promotion income	**7**	8
Administration fee income	**5**	4
	1,707	1,496

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

	2019 HK$ million	2018 HK$ million
Receipts from sales of goods by consignment counters	**1,181**	1,190
Receipts from sales of goods by concessionaire counters	**496**	529
	1,677	1,719

6 Other revenue

	2019 HK$ million	2018 HK$ million
Sponsorship fees	**2**	2
Rental income for antenna sites	**3**	4
Sundry income	**7**	5
	12	11

7 Other (expense)/income, net

	2019 HK$ million	2018 HK$ million
Bank interest income	**8**	10
Dividend income	**3**	3
Net gain on disposal of a subsidiary (note)	**2**	–
Rental expenditure of a shop premise which ceased business operation	**(22)**	–
Others	**1**	–
	(8)	13

Note: This relates to the Group's disposal of a wholly-owned subsidiary with the sole asset as a garage carparking space in Hong Kong of an insignificant carrying value at a cash consideration of HK$2 million.

8 Profit before taxation

Profit before taxation is arrived at after charging:

		2019 HK$ million	2018 HK$ million
(a)	**Directors' emoluments:**		
	Directors' fees, salaries, allowances and benefits-in-kind	**1**	2

Details of the Directors' emoluments are set out in note 9.

		2019 HK$ million	2018 HK$ million
(b)	**Staff costs (other than Directors' emoluments):**		
	Salaries, wages and other benefits	**238**	208
	Contributions to defined contribution retirement plans	**11**	8
(c)	**Other items:**		
	Amortisation of trademarks (note 17)	**2**	1
	Depreciation		
	– on fixed assets (note 15)	**35**	39
	– on right-of-use assets (note 16)	**216**	–
	Auditors' remuneration		
	– audit services	**2**	2
	– other services	**–**	2
	Finance costs on lease liabilities (notes 24 and 34)	**44**	–
	Operating lease charges in respect of rental premises under HKAS 17 (note)	**–**	355
	Expenses relating to short-term leases with remaining lease term that ended on or before 31 December 2019	**29**	–
	Other charges in respect of rental premises after adoption of HKFRS 16 (note)	**94**	–
	Cost of inventories sold (note 20)	**841**	680

Note: Included contingent rental expenses of HK$2 million (2018: HK$6 million) during the year.

9 Directors' emoluments

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

	2019				
	Directors' fees HK$'000	Salaries, allowances and benefits-in-kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors					
Dr Lee Shau Kee*	21	–	–	–	21
Dr Lee Ka Kit	50	–	–	–	50
Dr Lam Ko Yin, Colin	50	–	–	–	50
Lee Ka Shing	50	–	–	–	50
Li Ning	50	–	–	–	50
Lee Tat Man	50	–	–	–	50
Independent Non-executive Directors					
Kwong Che Keung, Gordon	50	200	–	–	250
Professor Ko Ping Keung	50	200	–	–	250
Wu King Cheong	50	200	–	–	250
Au Siu Kee, Alexander	50	200	–	–	250
Total	471	800	–	–	1,271

* *Retired on 28 May 2019.*

9 Directors' emoluments (continued)

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

	2018				
	Directors' fees HK$'000	Salaries, allowances and benefits-in-kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors					
Dr Lee Shau Kee	50	–	–	–	50
Dr Lee Ka Kit	50	–	–	–	50
Dr Lam Ko Yin, Colin	50	–	–	–	50
Lee Ka Shing	50	–	–	–	50
Li Ning	50	–	–	–	50
Lee Tat Man	50	–	–	–	50
Independent Non-executive Directors					
Kwong Che Keung, Gordon	50	200	–	–	250
Professor Ko Ping Keung	50	200	–	–	250
Wu King Cheong	50	200	–	–	250
Leung Hay Man**	42	166	–	–	208
Au Siu Kee, Alexander	50	200	–	–	250
Total	542	966	–	–	1,508

** *Deceased on 11 October 2018.*

During the years ended 31 December 2019 and 2018, all the emoluments received by the directors of the Company ("Directors") were in respect of their services as directors of the Company and/or its subsidiary undertakings.

During the year ended 31 December 2019 and at 31 December 2019, there were no loans, quasi-loans or other dealings in favour of the Directors, their controlled bodies corporate and connected entities for disclosure pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance (Cap. 622) and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) (2018: None).

During the year ended 31 December 2019 and at 31 December 2019, save as disclosed elsewhere in the consolidated financial statements, there were no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director and his connected entities had a material interest, subsisted at the end of the reporting period or at any time during the year for disclosure pursuant to section 383(1)(e) of the Hong Kong Companies Ordinance (Cap. 622) and Part 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) (2018: None).

9 Directors' emoluments (continued)

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

Certain of the Directors received emoluments from the Company's intermediate holding company for services provided to the Group. No apportionment has been made for the current year and the prior year as the Directors are of the opinion that it is impracticable to apportion the amounts between their services to the Company's intermediate holding company and its subsidiaries.

10 Emoluments of five highest paid individuals and senior management

(a) Emoluments of five highest paid individuals

Of the five individuals with the highest emoluments, none of them is a Director for both the current year and the prior year. Their emoluments are analysed as follows:

	2019 HK$ million	2018 HK$ million
Salaries, allowances and benefits-in-kind	**5**	5
Discretionary bonuses	**1**	2
Retirement scheme contributions	**–**	–
	6	7

Their emoluments are within the following bands:

	Number of individuals	
	2019	2018
HK$1,000,000 or below	**1**	–
HK$1,000,001 to HK$2,000,000	**4**	5
	5	5

(b) Emoluments of senior management

Other than the emoluments of the Directors disclosed in note 9, the senior management whose profiles are set out in the section "Biographical Details of Directors and Senior Management" of the Company's annual report for the year ended 31 December 2019 (of which these consolidated financial statements form a part) received no emoluments from the Group during the year (2018: Nil).

11 Income tax

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

	2019 HK$ million	2018 HK$ million
Current tax – Hong Kong		
– provision for the year	**17**	21
Deferred taxation		
– origination and reversal of temporary differences (note 26)	**(7)**	(2)
	10	19

Provision for Hong Kong Profits Tax has been made at 16.5% (2018: 16.5%) on the estimated assessable profits for the year, taking into account a one-off reduction of 100% (2018: 75%) of the tax payable for the year of assessment 2018/19 subject to a ceiling of HK$20,000 (2017/18: HK$30,000) for each business allowed by the Government of the Hong Kong Special Administrative Region of the People's Republic of China.

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

	2019 HK$ million	2018 HK$ million
Profit before taxation	**72**	116
Notional tax on profit before taxation, calculated at the Hong Kong Profits Tax rate of 16.5% (2018: 16.5%)	**12**	19
Tax effect of non-deductible expenses	**–**	2
Tax effect of non-taxable income	**(2)**	(2)
Income tax	**10**	19

12 Segment reporting

No segmental information for the year ended 31 December 2019 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$1,707 million (2018: HK$1,496 million) during the year and the pre-tax profit from operation of which amounted to HK$65 million (2018: HK$112 million) during the year.

Geographical information

Since all of the Group's revenue was generated in Hong Kong during the years ended 31 December 2019 and 2018, and all of the Group's fixed assets, right-of-use assets, trademarks and goodwill at 31 December 2019 and 2018 were located in Hong Kong, no geographical information on the aforementioned items is presented in accordance with HKFRS 8, *Operating segments*.

13 Dividends

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

	2019 HK$ million	2018 HK$ million
Interim dividend declared and paid of HK2 cents (2018: HK2 cents) per share	**61**	61
Final dividend proposed after the end of the reporting period of HK1 cent (2018: HK2 cents) per share	**30**	61
	91	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

	2019 HK$ million	2018 HK$ million
Final dividend in respect of the previous financial year, approved and paid during the year of HK2 cents (2018: HK2 cents) per share	**61**	61

14 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$62 million (2018: HK$97 million) and 3,047,327,395 (2018: 3,047,327,395) ordinary shares, being the number of ordinary shares in issue throughout the year.

15 Fixed assets

	Leasehold improvements HK$ million	Furniture and equipment HK$ million	Motor vehicles HK$ million	Total HK$ million
Cost:				
At 1 January 2018	153	11	1	165
Additions through acquisition of a subsidiary	15	17	–	32
Additions	7	2	–	9
Disposals	(1)	–	–	(1)
At 31 December 2018	174	30	1	205
Accumulated depreciation:				
At 1 January 2018	71	4	–	75
Charge for the year (note 8(c))	31	7	1	39
Written back on disposals	(1)	–	–	(1)
At 31 December 2018	101	11	1	113
Net book value:				
At 31 December 2018	73	19	–	92
Cost:				
At 1 January 2019	**174**	**30**	**1**	**205**
Additions	**23**	**41**	**–**	**64**
Transfer to right-of-use assets (note 16)	**(3)**	**–**	**–**	**(3)**
At 31 December 2019	**194**	**71**	**1**	**266**
Accumulated depreciation:				
At 1 January 2019	**101**	**11**	**1**	**113**
Charge for the year (note 8(c))	**27**	**8**	**–**	**35**
At 31 December 2019	**128**	**19**	**1**	**148**
Net book value:				
At 31 December 2019	**66**	**52**	**–**	**118**

16 Right-of-use assets

At transition, the Group recognises for each of the Remaining Leases a right-of-use asset related to the premises leased by the Group's department store operation, which is measured at its carrying amount as if HKFRS 16 had been applied since the commencement date of the Remaining Lease, discounted at the Group's incremental borrowing rate at 1 January 2019, and the aggregate effect of which is as follows:

	HK$ million
Cost:	
At 1 January 2019 (upon the adoption of HKFRS 16, *Leases*) (note 2(b))	**1,406**
Transfer from fixed assets (note 15)	**3**
Addition	**156**
Change in basic rent due to modification of certain lease terms (note 24)	**(71)**
At 31 December 2019	**1,494**
Accumulated depreciation:	
At 1 January 2019 (upon the adoption of HKFRS 16, *Leases*) (note 2(b))	**(579)**
Charge for the year (see note 8(c))	**(216)**
At 31 December 2019	**(795)**
Net book value:	
At 31 December 2019	**699**

Depreciation charge on the right-of-use assets is recognised using the straight-line method during the period of 2 years to 9 years, being the period from the commencement dates of the Remaining Leases to the end of the term of the Remaining Leases taking into consideration any renewal options attaching thereto.

The carrying values of the right-of-use assets are amortised to nil on the expiry dates of the Remaining Leases.

17 Trademarks

	2019 HK$ million	2018 HK$ million
Cost:		
At 1 January and 31 December	**51**	51
Accumulated amortisation:		
At 1 January	**7**	6
Charge for the year (note 8(c))	**2**	1
At 31 December	**9**	7
Carrying amount:		
At 31 December	**42**	44

On 1 December 2014, the Company completed its acquisition of the entire issued share capital of Camay Investment Limited and its subsidiaries, namely Citistore (Hong Kong) Limited ("Citistore") and Puretech Investment Limited (the "Citistore Acquisition"). The Group has adopted the purchase price allocation method under the Citistore Acquisition, and has identified trademarks as an identifiable asset measured at fair value at the acquisition date based on the Directors' valuation with reference to an independent valuation performed by a professional valuer. A deferred tax liability of HK$7 million (2018: HK$8 million) arising from the fair value adjustment on business combination in 2014 (i.e. in relation to the trademarks) was recognised at 31 December 2019 (see note 26).

As referred to in note 2(g) to these financial statements, the Group's accounting policy on the trademarks is to write off the cost of the trademarks using the straight-line method over a period of 30 years, commencing from the financial year in which the trademarks are recognised in the Group's consolidated financial statements. The Group's management has performed an annual review of the amortisation period and the amortisation method adopted by the Group in relation to the trademarks, and considered that the accounting policy on the trademarks continued to be appropriate for the year ended 31 December 2019.

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

18 Investments in listed securities designated as financial assets at fair value through other comprehensive income

At 31 December 2019 and 2018, the Group beneficially held Hong Kong listed securities issued by a financial institution and an energy-related business. These securities are denominated in Hong Kong dollars. Dividend income recognised during the year ended 31 December 2019 amounted to HK$3 million (2018: HK$3 million) (note 7). The Group has irrevocably elected at initial recognition to recognise such securities as financial assets at fair value through other comprehensive income. The Group considers such securities as long-term investments and such classification to be more relevant. For an analysis of the sensitivity of such securities to price risk, please refer to note 4(f).

19 Goodwill

	2019 HK$ million	2018 HK$ million
Citistore Goodwill (as defined below)	**810**	810
UNY HK Goodwill (as defined below)	**262**	262
	1,072	1,072

(a) Citistore Goodwill

As a result of the Citistore Acquisition, goodwill (the “Citistore Goodwill”) was recognised in the Group’s consolidated statement of financial position at 31 December 2014 under the acquisition method of accounting in accordance with HKFRS 3 (Revised), *Business combinations*. The Citistore Goodwill is allocated to the Group’s department store operation under Citistore and is tested for impairment at the end of the reporting period (see note 2(m)(ii)).

Impairment assessment is carried out by determining the value in use of the cash-generating unit under Citistore. The value in use is represented by the net present value of future forecast pre-tax net cash inflows (excluding the rental expenditures of the store outlets during the five forecast years ending 31 December 2024 recognised as lease liabilities at 31 December 2019) of the cash-generating unit which is determined on the basis of the discounted cashflow model and where it is assumed that:

(i) an average increase of 4.1% in the forecast receipts from gross sales annually for each of the five years ending 31 December 2024; and

(ii) a terminal value which is determined based on an annual forecast pre-tax net cash inflow subsequent to the year ending 31 December 2024 and assuming a terminal perpetual annual growth rate of 2%.

The abovementioned forecast changes in the receipts from gross sales in each of the five years ending 31 December 2024 are based on the expectations of the Group’s management of their plans and market development as at 31 December 2019. A post-tax discount rate of 11.0% (2018: 11.0%) is used to determine the discount factor under the discounted cashflow model. The equivalent pre-tax discount rate would be 12.8% (2018: 13.9%).

The Directors have assessed that there was no impairment on the Citistore Goodwill at 31 December 2019.

At 31 December 2019, in relation to the cash-generating unit under Citistore, the recoverable amount calculated based on value in use (after deducting the carrying amounts of the fixed assets, trademarks, right-of-use assets and working capital of Citistore at 31 December 2019) exceeded the carrying value. At 31 December 2019, the Directors considered that reasonably possible change in each of the key assumptions would not have resulted in an impairment loss on the Citistore Goodwill.

19 Goodwill (continued)

(b) UNY HK Goodwill

On 31 May 2018, Urban Kirin Limited, a wholly-owned subsidiary of the Company, acquired the entire issued share capital 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 "UNY HK Acquisition").

As a result of the UNY HK Acquisition, and based on the fair value of UNY HK's identifiable assets less liabilities of HK$29 million at 31 May 2018, goodwill in the amount of HK$262 million (the "UNY HK Goodwill") was recognised in the Group's consolidated statement of financial position at 31 May 2018 under the acquisition method of accounting in accordance with HKFRS 3 (Revised), *Business combinations*. The UNY HK Goodwill is allocated to the Group's department store operation under UNY HK and is tested for impairment at the end of the reporting period (see note 2(m)(ii)).

Impairment assessment is carried out by determining the fair value less cost of disposal of the cash-generating unit under UNY HK. The fair value less cost of disposal is represented by the net present value of future forecast post-tax net cash inflows (excluding the rental expenditures of the store outlets during the five forecast years ending 31 December 2024 recognised as lease liabilities at 31 December 2019) of the cash-generating unit which is determined on the basis of the discounted cashflow model and where, with the plans of the Group's management of opening new stores, it is assumed that:

(i) an average increase of 12.9% in the forecast receipts from gross sales annually for each of the five years ending 31 December 2024; and

(ii) a terminal value which is determined based on an annual forecast post-tax net cash inflow subsequent to the year ending 31 December 2024 and assuming a terminal perpetual annual growth rate of 2%.

The abovementioned forecast changes in the receipts from gross sales are based on the expectations of the Group's management of their plans and market development as at 31 December 2019. A post-tax discount rate of 11.0% (2018: 11.0%) is used to determine the discount factor under the discounted cashflow model.

The Directors have assessed that there was no impairment on the UNY HK Goodwill at 31 December 2019.

At 31 December 2019, in relation to the cash-generating unit under UNY HK, the recoverable amount calculated based on fair value less cost of disposal (after deducting the carrying amounts of the fixed assets, right-of-use assets and working capital of UNY HK at 31 December 2019) exceeded the carrying value. If the discount rate had been 1% higher, there would be a potential implication for impairment on the UNY HK Goodwill in the estimated amount of HK$23 million. If the forecast receipts from gross sales for each of the forecast five years ending 31 December 2020 to 2024 had been 2% lower, there would be a potential implication for impairment on the UNY HK Goodwill in the estimated amount of HK$59 million.

20 Inventories

Inventories in the consolidated statement of financial position comprise:

	2019 HK$ million	2018 HK$ million
Finished goods	**110**	123

The analysis of the amount of inventories recognised as an expense and included in "direct costs" in profit or loss (see note 8(c)) is as follows:

	2019 HK$ million	2018 HK$ million
Carrying amount of inventories sold	**836**	676
Write-down of inventories	**5**	4
	841	680

21 Trade and other receivables

	2019 HK$ million	2018 HK$ million
Trade debtors	**12**	15
Deposits, prepayments and other receivables	**51**	53
	63	68

At 31 December 2019, 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$25 million (2018: HK$17 million) which is expected to be recovered after more than one year.

(a) Ageing analysis

At the end of the reporting period, the ageing analysis of trade debtors net of loss allowances is as follows:

	2019 HK$ million	2018 HK$ million
Current or under 1 month overdue	**12**	15

21 Trade and other receivables (continued)

(b) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired is as follows:

	2019 HK$ million	2018 HK$ million
Neither past due nor impaired	**11**	12
Less than 1 month past due	**1**	3
	12	15

Receivables which were past due but not impaired relate to counter-parties who have a good track record of trading with the Group.

22 Cash and bank balances

	2019 HK$ million	2018 HK$ million
Deposits with banks	**269**	346
Cash at bank and in hand	**94**	119
Cash and bank balances in the consolidated statement of financial position	**363**	465
Less: deposits with banks over three months of maturity at acquisition	**(20)**	(18)
Cash and cash equivalents in the consolidated cash flow statement	**343**	447

Included in the cash and bank balances at 31 December 2019 was a pledged bank deposit in the amount of HK$101,562 (2018: HK$101,158) held by UNY HK, an indirect wholly-owned subsidiary of the Company, in favour of a bank for the purpose of a corporate credit card issued to it by such bank.

23 Trade and other payables

	2019 HK$ million	2018 HK$ million
Trade creditors	**281**	319
Contract liabilities (note)	**14**	12
Accrued expenses and other payables	**75**	85
Deposits received	**12**	12
	382	428

Note: During the year ended 31 December 2019, HK$9 million (2018: HK$6 million) that was included in the contract liabilities balance at the beginning of the year was recognised as revenue. Most of the contract liabilities at 31 December 2019 and 2018 were expected to be recognised within one year.

At 31 December 2019, 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 (2018: HK$1 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:

	2019 HK$ million	2018 HK$ million
Due within 1 month or on demand	**242**	281
Due after 1 month but within 3 months	**39**	38
	281	319

24 Lease liabilities

At transition, lease liabilities were measured at the present value of the Remaining Leases payments, discounted at the Group's incremental borrowing rate at 1 January 2019, and the aggregate effect is as follows:

	HK$ million
At 1 January 2019 (upon the adoption of HKFRS 16, *Leases*) (note 2(b))	**966**
Addition	**156**
Change in basic rent due to modification of certain lease terms (note 16)(note)	**(71)**
Effects of rental concession and reduction	**(13)**
Lease payments according to the terms of the Remaining Leases made during the year	**(252)**
Finance costs on lease liabilities (see note 8(c))	**44**
At 31 December 2019	**830**

24 Lease liabilities (continued)

	At 31 December 2019 HK$ million	At 1 January 2019 HK$ million
Represented by:		
Amount classified under current liabilities		
– contractual maturity within 1 year	**222**	209
Amount classified under non-current liabilities		
– contractual maturity after 1 year and within 2 years	**237**	223
– contractual maturity after 2 years and within 5 years	**356**	534
– contractual maturity after 5 years	**15**	–
	608	757
	830	966

Note: This relates to a reduction of the basic rent of certain store outlets of a wholly-owned subsidiary of the Group for the period from 1 October 2019 to 30 September 2023, effective from 1 October 2019, after negotiation with the landlords.

Finance cost is determined and recognised on the basis of the Group's incremental borrowing rate of 4.8% per annum at initial recognition and modification of certain leases during the year ended 31 December 2019, on the carrying balance of the lease liability of each Remaining Lease upon initial recognition on 1 January 2019, and after deducting the lease payments made for such Remaining Lease during the year ended 31 December 2019. The Directors considered the Group's incremental borrowing rate, as referred to above, to be appropriate in view of the market environment and economic conditions under which each Remaining Lease operates.

The carrying balances of the lease liabilities are amortised to nil on the expiry dates of the Remaining Leases.

Included in lease liabilities at 31 December 2019 is an amount of HK$539 million (2018: Nil) relating to the lease liabilities payable to affiliates.

At 31 December 2019, the Group had entered into a tenancy lease with a fellow subsidiary with expiry date on 30 September 2023, which is not yet commenced. The Group prepaid a sum in the amount of HK$2 million included in "Trade and other receivables" (2018: Nil). The total basic rental payable by the Group amounts to HK$54 million during the lease tenure.

25 Amounts due to affiliates

	2019 HK$ million	2018 HK$ million
Amounts due to fellow subsidiaries	**1**	75

At 31 December 2019, all of the amounts due to fellow subsidiaries were unsecured, interest-free and repayable within one year or on demand except for the provision for rental amortisation in the amount of HK$Nil (2018: HK$72 million) included therein.

26 Deferred tax assets and liabilities

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

Deferred taxation arising from:	Difference between depreciation on fixed assets and the related depreciation allowances HK$ million	Tax loss HK$ million	Fair value adjustment on business combination (note 17) HK$ million	Recognition of right-of-use assets and lease liabilities under HKFRS 16 (note 2(b)) HK$ million	Total HK$ million
At 1 January 2018	(1)	–	8	–	7
Acquisition of a subsidiary	(8)	–	–	–	(8)
Credited to profit or loss (note 11(a))	(2)	–	–	–	(2)
At 31 December 2018	(11)	–	8	–	(3)
At 1 January 2019	**(11)**	**–**	**8**	**–**	**(3)**
Impact of change in accounting policy upon adoption of HKFRS 16 (note 2(b))	**–**	**–**	**–**	**(9)**	**(9)**
Charged/(credited) to profit or loss (note 11(a))	**11**	**(16)**	**(1)**	**(1)**	**(7)**
At 31 December 2019	**–**	**(16)**	**7**	**(10)**	**(19)**

	2019 HK$ million	2018 HK$ million
Net deferred tax assets recognised in the consolidated statement of financial position	**(26)**	(11)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**7**	8
	(19)	(3)

27 Employee retirement benefits

The Group's employees employed under the jurisdiction of the Hong Kong Employment Ordinance participate in the Group's Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance (the "MPFO"). The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the Group and the employees are each required to make monthly contributions to the plan at 5% of the employees' monthly relevant income (subject to a cap of monthly relevant income of HK$30,000). Such contributions to the MPF Scheme vest immediately. The portion of the employer's contributions to which the employees are not entitled and which has been forfeited can be used by the Group to reduce the future contributions. No forfeited contributions were utilised during the current year and the prior year.

Furthermore, due to historical factors, long-time employees of Citistore and UNY HK, both being indirect wholly-owned subsidiaries of the Company, receive the benefit of contributions under the Occupational Retirement Schemes Ordinance ("ORSO"). The long-time employees of Citistore and UNY HK are also entitled to retirement benefits under long service payment liabilities on cessation of employment in accordance with the employee's years of service under the Hong Kong Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and which amounts are reduced by the employee's accrued entitlements under Citistore's and UNY HK's defined contribution retirement schemes.

28 Financial instruments by category

The Group held the following financial instruments at 31 December 2019 and 2018.

	2019 HK$ million	2018 HK$ million
Financial assets		
Financial assets at amortised cost		
Trade and other receivables (excluding prepayments)	**56**	65
Cash and bank balances	**363**	465
Financial assets at fair value through other comprehensive income		
Investments in listed securities	**53**	56
	472	586
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables (note 4(b))	**368**	393
Lease liabilities (notes 4(b) and 24)	**830**	–
Amounts due to affiliates (note 4(b))	**1**	3
	1,199	396

29 Statement of financial position and movement in reserve of the Company

(a) Statement of financial position

	2019 HK$ million	2018 HK$ million
Non-current asset		
Investments in subsidiaries	**351**	351
Current asset		
Amounts due from affiliates	**1,617**	1,586
Current liabilities		
Trade and other payables	**2**	2
Amounts due to affiliates	**604**	521
	606	523
Net current assets	**1,011**	1,063
NET ASSETS	**1,362**	1,414
CAPITAL AND RESERVES		
Share capital	**612**	612
Reserve	**750**	802
TOTAL EQUITY	**1,362**	1,414

The statement of financial position of the Company was approved by the Board of Directors on 23 March 2020 and was signed on its behalf.

Lee Ka Shing
Lee Tat Man
Directors

29 Statement of financial position and movement in reserve of the Company (continued)

(b) Movement in reserve

	Retained profits HK$ million
At 1 January 2018	853
Movement in reserve for 2018:	
Profit for the year	71
Final dividend approved and paid in respect of the previous financial year (note 13(b))	(61)
Interim dividend declared and paid in respect of the current financial year (note 13(a))	(61)
At 31 December 2018	802
At 1 January 2019	**802**
Movement in reserve for 2019:	
Profit for the year	**70**
Final dividend approved and paid in respect of the previous financial year (note 13(b))	**(61)**
Interim dividend declared and paid in respect of the current financial year (note 13(a))	**(61)**
At 31 December 2019	**750**

(c) Share capital

	The Group and the Company			
	Number of shares		Amount	
	2019 million	2018 million	**2019 HK$ million**	2018 HK$ million
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	**3,047**	3,047	**612**	612

(d) Distributability of reserve

At 31 December 2019, the aggregate amount of reserve available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance (Cap. 622), was HK$750 million (2018: HK$802 million). As stated in note 13(a), after the end of the reporting period, the Directors proposed a final dividend of HK1 cent (2018: HK2 cents) per share, amounting to HK$30 million (2018: HK$61 million). This dividend has not been recognised as a liability at the end of the reporting period.

30 Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern so that the Group can continue to provide financial returns to shareholders, and by securing access to financing sources at reasonable costs.

The Group regularly reviews and manages its capital structure under the policy of prudent financial management. The Group maintains a financially sound capital position and, where appropriate, makes adjustments to its capital structure in the light of remarkable changes in the financial and capital markets and in economic conditions.

The Group monitors its capital structure on the basis of gearing ratio, which is one of the most commonly adopted measurement standards for capital management by companies engaged in business operation such as the department store operation. Gearing ratio is calculated based on the net bank borrowings and shareholders' funds of the Group at the end of the reporting period. At 31 December 2019, the Group maintained net cash and bank balances (after deducting the Group's total bank borrowings of HK$Nil (2018: HK$Nil) and excluding the Group's lease liabilities recognised under HKFRS 16 of HK$830 million at 31 December 2019 (2018: Nil)) of HK$363 million (2018: HK$465 million) and therefore the Group's gearing ratio was Nil (2018: Nil).

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

31 Capital commitments

At 31 December 2019, the Group had capital commitments in relation to fixed assets contracted but not provided for in these consolidated financial statements in the amount of HK$4 million (2018: HK$3 million).

32 Contingent liabilities

At 31 December 2019 and 2018, the Group did not have any contingent liabilities.

33 Material related party transactions

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

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

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

	2019 HK$ million	2018 HK$ million
Cash rental paid and payable (note (ii))	**221**	219
Cleaning expenses	**8**	8
Car park expenses	**1**	1
Management fee income	**1**	–

33 Material related party transactions (continued)

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

Details of material related party transactions during the year between the Group and its related companies, being the associated companies of an intermediate holding company, are as follows:

	2019 HK$ million	2018 HK$ million
Cash rental paid and payable (note (iii))	**8**	13

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

Note (ii): Including management fees, air-conditioning charges and rates of HK$52 million (2018: HK$52 million) for the year ended 31 December 2019.

Note (iii): Including management fees, air-conditioning charges and rates of HK$4 million (2018: HK$7 million) for the year ended 31 December 2019.

34 Movements in the carrying amounts of items relating to financing activities

	Interim dividend for the current financial year payable (note 13(a)) HK$ million	Final dividend for the previous financial year payable (note 13(b)) HK$ million	Lease liabilities (note 24) HK$ million	Total HK$ million
At 1 January 2018	–	–	–	–
Recognition during the year	61	61	–	122
Payments	(61)	(61)	–	(122)
At 31 December 2018	–	–	–	–
At 1 January 2019	**–**	**–**	**966**	**966**
Recognition during the year, net	**61**	**61**	**72**	**194**
Payments	**(61)**	**(61)**	**(252)**	**(374)**
Finance costs (note 8(c))	**–**	**–**	**44**	**44**
At 31 December 2019	**–**	**–**	**830**	**830**

35 Non-adjusting event after the reporting period

After the end of the reporting period, the Directors proposed a final dividend, further details of which are set out in note 13(a).

In light of the recent outbreak of COVID-19, business and economic activities in Hong Kong have been affected, including the retail sector, one of the hardest hit industries. The number of customers has been reduced and the operating hours of the store outlets of the Group have been shortened since February 2020. Management has proactively taken appropriate mitigating actions such as cost savings and promoting the sales of daily consumables. Management would closely monitor the situation and assess any financial impact of COVID-19 on the Group.

36 Comparative figures

The Group has applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2(b).

Certain comparative figures have been reclassified to conform to current year's presentation.

37 Parent and ultimate controlling party

At 31 December 2019, the Directors considered that the Company's parent and ultimate controlling party are Kingslee S.A. (a private limited liability company incorporated in the Republic of Panama) and Henderson Development Limited (a private limited liability company incorporated in Hong Kong), respectively. These entities do not produce financial statements available for public use.

The parent of Kingslee S.A. is Henderson Land Development Company Limited ("HLD"), a public limited liability company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited. HLD produces consolidated financial statements, including those of the Group, which are available for public use.

Principal Subsidiaries

At 31 December 2019

Set out below are the particulars of the principal subsidiaries of the Company at 31 December 2019 which, in the opinion of the Directors, materially affected the results, assets or liabilities of the Group. All the principal subsidiaries are incorporated and operate in Hong Kong unless otherwise stated. None of the principal subsidiaries had debt securities in issue at the end of the reporting period.

		Particulars of issued share capital	Percentage of shares held by the Company	
		HK$ (unless otherwise stated)	Directly	Indirectly
A	Department store operation			
	Citistore (Hong Kong) Limited	1	–	100
	Unicorn Stores (HK) Limited (formerly known as UNY (HK) Co., Limited)	35,000,000	–	100
B	Finance			
	Henderson Investment Finance Limited	100,000	100	–
	St. Helena Holdings Co. Limited (incorporated and operates in the British Virgin Islands)	US$3	100	–
C	Investment holding			
	Uniland Development Limited	2	100	–

Corporate Information

Board of Directors

Executive Directors

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

Independent Non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Company Secretary

Liu Cheung Yuen, Timon

* *Committee Chairman*

Registered Office

72-76/F., Two International Finance Centre
8 Finance Street, Central
Hong Kong
Telephone : (852) 2908 8888
Facsimile : (852) 2908 8838
Internet : www.hilhk.com
E-Mail : henderson@hld.com

Share Registrar

Tricor Standard Limited
Level 54, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Share Listing

The Stock Exchange of Hong Kong Limited (Stock Code: 97)

Shares are also traded in the United States through an American Depositary Receipt Level 1 Programme
(Ticker Symbol: HDVTY
CUSIP Reference Number: 425070109)

Authorised Representatives

Dr Lam Ko Yin, Colin
Liu Cheung Yuen, Timon

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

Solicitors

Woo Kwan Lee & Lo
Lo & Lo

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited

Notice of Annual General Meeting

PRECAUTIONARY MEASURES FOR THE AGM

In view of the ongoing COVID-19 outbreak, mass gatherings would potentially impose a significant risk in terms of the spread of the virus. For the safety of our shareholders, staff and stakeholders, **the Company encourages shareholders, instead of attending the AGM in person, to appoint the Chairman of the AGM as their proxy to vote on the relevant resolutions at the AGM**, by completing and returning the form of proxy accompanying the Annual Report 2019 in accordance with the instructions printed thereon.

Shareholders and other persons attending the AGM should note that, consistent with the government guidelines for the prevention and control of COVID-19, the Company will implement precautionary measures to reduce the risk of contracting and spreading of COVID-19 at the AGM, including:

(a) body temperature screening;
(b) mandatory health declaration;
(c) mandatory wearing of surgical face masks; and
(d) NO distribution of corporate gifts or refreshments.

For the safety of the attendees at the AGM, the Company reserves the right to deny entry into or require any person to leave the AGM venue if such person:

(i) refuses to comply with any of the above precautionary measures;
(ii) is having a body temperature of over 37.4 degree Celsius;
(iii) is subject to any Hong Kong Government prescribed quarantine or has close contact with any person under quarantine; or
(iv) has any flu-like symptoms.

The Company seeks the understanding and cooperation of all shareholders to minimize the risk of spreading COVID-19.

NOTICE IS HEREBY GIVEN THAT the forthcoming Annual General Meeting of the Company (the "AGM") will be held at the Four Seasons Grand Ballroom, Four Seasons Hotel, 8 Finance Street, Central, Hong Kong on Monday, 8 June 2020 at 11:00 a.m. to transact the following business:

1. To receive and consider the Audited Financial Statements and the Reports of the Directors and Auditor for the year ended 31 December 2019.

2. To declare a Final Dividend.

3. To re-elect retiring Directors.

4. To re-appoint Auditor and authorise the Directors to fix the Auditor's remuneration.

5. To consider as special business and, if thought fit, pass the following resolutions as Ordinary Resolutions:

(A) "**THAT:**

(a) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as defined in paragraph (c) of this Resolution) of all the powers of the Company to buy back shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other stock exchange on which the shares of the Company may be listed and recognised by the Stock Exchange and the Securities and Futures Commission for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time be and is hereby generally and unconditionally approved;

(b) the aggregate number of shares of the Company to be bought back pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the total number of the issued shares of the Company as at the date of this Resolution (subject to adjustment in the case of any conversion of all or any of the shares in the Company into a larger or smaller number of shares during the Relevant Period) and the said approval shall be limited accordingly; and

(c) for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Articles of Association of the Company or the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) to be held; and

(iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the Shareholders in general meeting."

(B) "**THAT:**

(a) subject to compliance with the prevailing requirements of the Rules Governing the Listing of Securities on the Stock Exchange, a general mandate be and is hereby generally and unconditionally given to the Directors to exercise during the Relevant Period (as defined in paragraph (b) of this Resolution) all the powers of the Company to allot, issue and deal with additional shares of the Company and to make or grant offers, agreements or options (including, without limitation, Rights Issue (as defined in paragraph (b) of this Resolution), warrants, bonus warrants, bonds, debentures, notes and other securities convertible into shares in the Company) which would or might require the exercise of such powers either during or after the Relevant Period, provided that the aggregate number of the shares of the Company to be allotted, issued and dealt with pursuant to the general mandate herein, otherwise than pursuant to (i) a Rights Issue, or (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to the employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, or (iii) an issue of shares in the Company upon the exercise of the subscription rights or conversion rights attaching to any warrants or convertible notes which may be issued by the Company or any of its subsidiaries, or (iv) any scrip dividend pursuant to the Articles of Association of the Company from time to time, shall not exceed 20 per cent. of the total number of issued shares of the Company as at the date of this Resolution (subject to adjustment in the case of any conversion of all or any of the shares in the Company into a larger or smaller number of shares during the Relevant Period) and the said approval shall be limited accordingly; and

(b) for the purposes of this Resolution:

"Relevant Period" shall have the same meaning as assigned to it under Ordinary Resolution (A) of item no. 5 as set out in the notice convening this Meeting; and

"Rights Issue" means an offer of shares in the Company or issue of option, warrants or other securities giving the right to subscribe for shares of the Company, open for a period fixed by the Directors of the Company to holders of shares of the Company whose names appear on the Register of Members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their then holdings of such shares (or, where appropriate, such other securities) as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong)."

(C) "**THAT** the general mandate granted to the Directors and for the time being in force to exercise the powers of the Company to allot, issue and deal with additional shares of the Company pursuant to Ordinary Resolution (B) of item no. 5 as set out in the notice convening this Meeting be and is hereby extended by the addition to the aggregate number of the shares which may be allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with by the Directors pursuant to such general mandate the aggregate number of shares in the Company bought back by the Company since the granting of the said general mandate pursuant to the exercise by the Directors of the powers of the Company to buy back such shares under the authority granted pursuant to Ordinary Resolution (A) of item no. 5 as set out in the notice convening this Meeting provided that such number of shares shall not exceed 10 per cent. of the total number of issued shares of the Company as at the date of this Resolution (subject to adjustment in the case of any conversion of all or any of the shares in the Company into a larger or smaller number of shares during the Relevant Period)."

By Order of the Board
Timon LIU Cheung Yuen
Company Secretary

Hong Kong, 23 April 2020

Registered Office:
72-76/F., Two International Finance Centre
8 Finance Street, Central
Hong Kong

Notes:

(1) At the above Meeting, the Chairman will exercise his power under Article 80 of the Articles of Association to put each of the resolutions to be voted by way of a poll.

(2) A Member of the Company entitled to attend, speak and vote at the above Meeting is entitled to appoint one proxy or more proxies to attend and speak and on a poll, to vote instead of him at the Meeting, and separate proxies may be appointed by a Member to represent the respective number of shares held by the Member as specified in the relevant proxy form. A proxy need not be a Member. Form of proxy and the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of that power of attorney or authority) must be lodged with the Company's share registrar, Tricor Standard Limited (the "Company's Registrar") at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours (excluding any part of a day that is a public holiday) before the time appointed for holding the Meeting or any adjournment thereof or, in the case of poll taken more than 48 hours after it was demanded, not less than 24 hours (excluding any part of a day that is a public holiday) before the time appointed for the taking of the poll.

(3) For the purpose of determining Shareholders who are entitled to attend and vote at the above Meeting, the Register of Members of the Company will be closed from Wednesday, 3 June 2020 to Monday, 8 June 2020, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled for attending the above Meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Registrar at the above address not later than 4:30 p.m. on Tuesday, 2 June 2020.

(4) For the purpose of determining Shareholders who qualify for the proposed final dividend, the Register of Members of the Company will be closed from Friday, 12 June 2020 to Tuesday, 16 June 2020, 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 at the above address not later than 4:30 p.m. on Thursday, 11 June 2020. The proposed final dividend will be paid to Shareholders whose names appear on the Register of Members of the Company on Tuesday, 16 June 2020.

(5) Concerning item no. 3 above, Mr Lee Ka Shing, Dr Lee Ka Kit, Mr Li Ning and Mr Lee Tat Man will retire from office and, except for Mr Lee Tat Man, have offered themselves for re-election at the above Meeting.

(6) A circular containing details relating to re-election of all the relevant retiring directors and the Ordinary Resolution (A) (including the relevant explanatory statement) of item no. 5 above is sent to Members for perusal.

(7) Concerning Ordinary Resolutions (B) and (C) of item no. 5 above, approvals are being sought from Members, as a general mandate in compliance with Sections 140 and 141 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Rules Governing the Listing of Securities on the Stock Exchange, that in the event it becomes desirable for the Company to issue any new shares of the Company, the Directors are given flexibility and discretion to allot and issue new shares up to 20 per cent. of the total number of the issued shares as at the date of passing of Ordinary Resolution (B) of item no. 5 above plus the aggregate number of shares bought back by the Company pursuant to the general mandate approved in Ordinary Resolution (A) of item no. 5 above. Save as disclosed (if any), the Directors, however, have no immediate plans to issue any new shares of the Company under the said mandates being sought.

(8) If item no. 2 above is approved, the final dividend will be paid to Shareholders of the Company on Monday, 22 June 2020.

(9) If a tropical cyclone warning signal no. 8 or above , or "extreme conditions" caused by super typhoons, or a black rainstorm warning signal is in force at any time between 8:30 a.m. and 11:00 a.m. on the day of the above Meeting, the above Meeting will be adjourned. The Company will post an announcement on the Company's website (www.hilhk.com) and the HKEXnews website (www.hkexnews.hk) to notify Shareholders of the date, time and place of the adjourned meeting.

The above Meeting will be held as scheduled when an amber or a red rainstorm warning signal is in force. Shareholders should decide on their own whether they would attend the above Meeting under bad weather conditions bearing in mind their own situations.

(10) Please indicate in advance, not less than 1 week before the time appointed for holding the above Meeting, if Shareholders, because of disabilities, need special arrangements to participate in the above Meeting. Any such request should be made in writing to the Company's Registrar by post at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by email at henderson97-ecom@hk.tricorglobal.com. The Company will endeavour to make the necessary arrangements unless there is unjustifiable hardship in arranging for them.

(11) The Chinese translation of this notice is for reference only, and in case of any inconsistency, the English version shall prevail.

恒基兆業發展有限公司
HENDERSON INVESTMENT LIMITED