



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

Stock Code: 97

20 Annual 20 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 currently operates six department stores using the name “Citistore”, as well as three department stores cum supermarkets or supermarket using the name “APITA” or “UNY” in Hong Kong.

Contents

Inside front	Corporate Profile
2	Group Structure
3	Chairman's Statement
9	Business Model and Strategic Direction
10	Financial Review
17	Five Year Financial Summary
18	Sustainability
34	Corporate Governance Report
49	Report of the Directors
73	Biographical Details of Directors and Senior Management
77	Financial Statements
78	Independent Auditor's Report
132	Corporate Information

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.

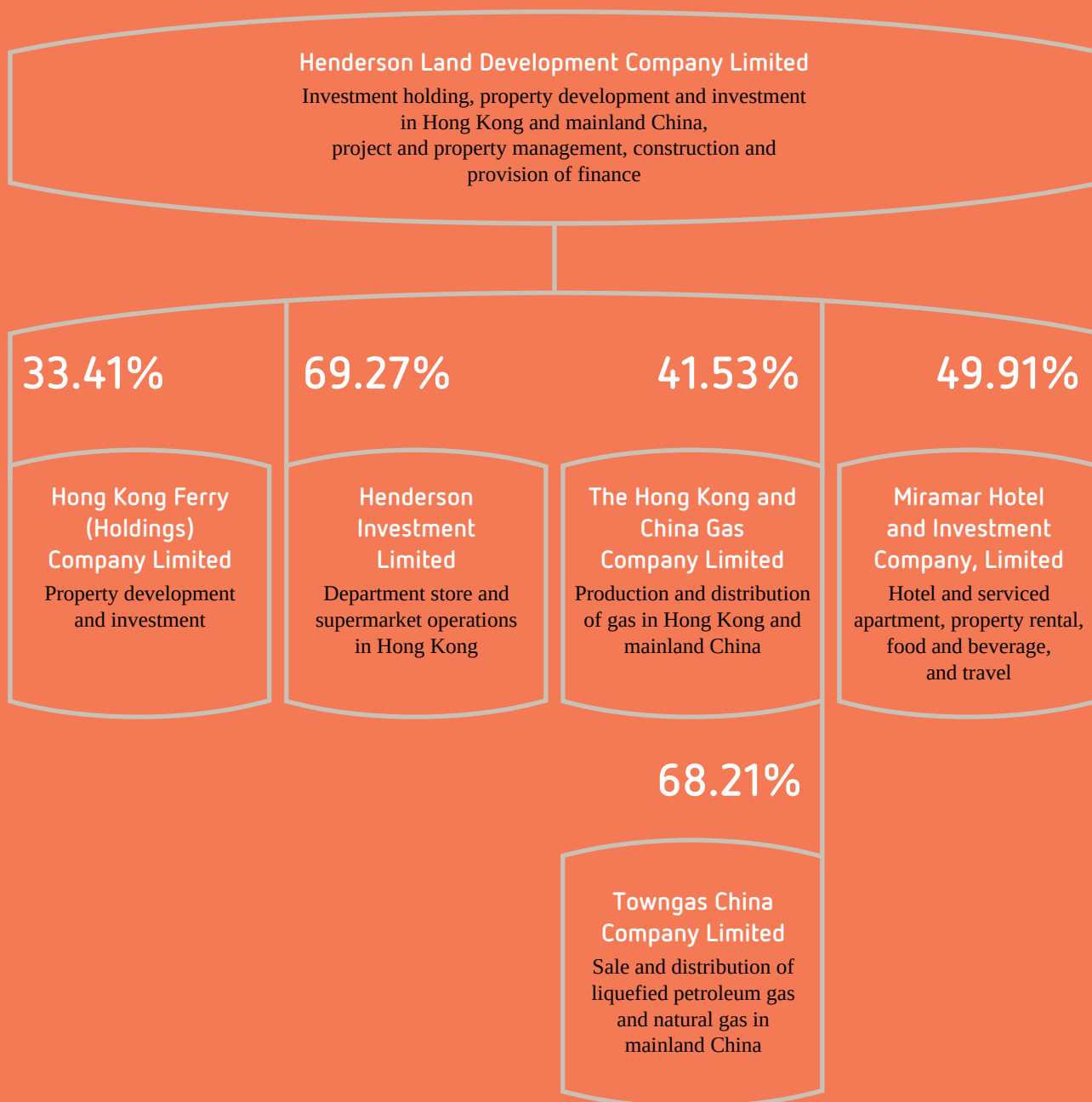
Group Structure

Henderson Land Group Structure

Market capitalisation as at 31 December 2020

Henderson Land Development Company Limited: HK\$146 billion

Six listed companies of Henderson Land Group: HK\$375 billion



Note: All attributable interests shown above were figures as of 31 December 2020.

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 2020 amounted to HK\$127 million, representing an increase of HK\$65 million, or 105% over that of HK\$62 million in the previous year. Earnings per share were HK4.2 cents (2019: HK 2.0 cents).

Despite the COVID-19 pandemic, the increase in profit during this financial year was mainly attributable to (i) the increase in customers' demand for food and daily necessities at the Group's supermarkets, (ii) the rent concessions received from certain landlords, (iii) the receipt of wage subsidies from the Government's "Employment Support Scheme", and (iv) the non-recurrence of the one-off negative factors affecting the Group's performance in the year 2019 (including social unrest and closing costs of a store).

At 31 December 2020, the net asset value attributable to equity shareholders amounted to HK\$1,347 million or HK\$0.44 per share (2019: HK\$1,288 million or HK\$0.42 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 Wednesday, 9 June 2021, and such final dividend will not be subject to any withholding tax in Hong Kong. Including the interim dividend of HK 1.0 cent per share already paid, the total dividend for the year ended 31 December 2020 will amount to HK 2.0 cents per share (2019: HK 3.0 cents per share).

The proposed final dividend is expected to be distributed to shareholders on Wednesday, 16 June 2021.

Business Review

Following on from the previous year's local social unrest, the global COVID-19 pandemic further weakened consumer sentiment in Hong Kong during the year under review. In addition, the corresponding precautionary measures brought tourism to a standstill and seriously disrupted various consumption activities. According to The Census and Statistics Department, the value of total retail sales in Hong Kong for 2020 decreased by 24.3% compared to a year earlier.

The Group currently operates six department stores using the name "Citistore" (hereinafter collectively referred to as "Citistore"), as well as three department stores cum supermarkets or supermarket using the name "APITA" or "UNY" (hereinafter collectively referred to as "UNY").

(I) Citistore

There are six department stores using the name "Citistore" in Hong Kong, which are located in the following densely-populated residential districts in close proximity to the local transport hubs:

Citistore	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 implemented the following measures to mitigate the negative impact of the pandemic:

- Since the COVID-19 outbreak, it has taken swift and comprehensive precautionary measures (such as continuous cleaning and disinfection of the store areas) so as to provide a safe and worry-free environment for both customers and front-line staff. It has also shortened daily operating hours in response to a decrease in customer volume at its stores amid the pandemic.
- It stepped up its "Citi-Fun" promotional efforts and strengthened ties with its members by offering them additional shopping benefits. For instance, by offering bonus points for spending both online and offline in Citistore, members were encouraged to shop through its online shopping platform. The "Citi-Fun" customer loyalty programme has been well received since its launch in 2017 and the resultant customer response to these efforts during the pandemic has been positive, with "Citi-Fun" membership numbers increasing to over 350,000 by the end of December 2020.



Citistore, Ma On Shan, New Territories

- Its Ma On Shan store, which was revamped in June 2020, collaborated with a pet welfare organisation to launch a 3-week dog adoption programme in October 2020, with the aim of promoting adoption of abandoned pets. Pet lovers' response was positive and over 160 adoption applications were received. It also generated extensive publicity from the media. Citistore's brand awareness was thus enhanced.
- Due to travel bans and social distancing measures, people were stranded at home causing a lower demand for certain products (such as travel-related items, apparel and cosmetics). Therefore, Citistore optimised the merchandise mix and offered more household groceries.

Due to the pandemic, Citistore recorded a year-on-year decrease of 14% in total sales proceeds derived from the sales of own goods, as well as concessionaire sales and consignment sales for the year ended 31 December 2020. The breakdown is as follows:

	For the year ended 31 December		Change
	2020 HK\$ million	2019 HK\$ million	
Proceeds from sales of own goods	383	404	-5%
Proceeds from concessionaire and consignment sales	1,132	1,364	-17%
Total:	1,515	1,768	-14%

Sales of Own Goods

During the year under review, Citistore's sales of own goods decreased by 5% to HK\$383 million with a lower gross margin of 31% (2019: 33%) due to intensified price competition in the sluggish retail market.

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Sales of own goods	383	404
Gross profit (after netting the cost of inventories sold)	120	133
Gross margin	31%	33%

Concessionaire and Consignment Sales

Citistore's concessionaire sales are conducted by concessionaires operating from their own shop spaces within 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 16% year-on-year to HK\$342 million, resulting from the decrease in the sales proceeds generated by both counters as shown below:

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Sales proceeds from concessionaire counters	347	496
Sales proceeds from consignment counters	785	868
Total:	1,132	1,364
Commission income from concessionaire and consignment counters	342	406

Chairman's Statement

Citistore's Profit Contribution

With the decrease in gross profit of HK\$13 million from the sales of own goods, as well as the decrease in commission income from concessionaire and consignment counters in the aggregate amount of HK\$64 million, Citistore's profit after taxation for the year under review still increased by HK\$18 million or 24% year-on-year to HK\$94 million. The main reasons are Citistore's receipt of the wage subsidies of HK\$32 million from the "Employment Support Scheme" under the Government's Anti-epidemic Fund, as well as the decrease in its total operating expenses of HK\$53 million (which included the rent concessions of HK\$23 million granted by certain landlords).

(II) UNY

There are currently two department stores cum supermarkets and one supermarket in the following densely-populated residential districts:

	Location	Total lettable area (square feet)
<u>Store-cum-supermarket</u>		
APITA	Cityplaza, Taikoo Shing, Hong Kong Island	118,691
UNY Lok Fu	Lok Fu Place, Lok Fu, Kowloon	70,045*
<u>Supermarket</u>		
UNY Yuen Long	KOLOUR • Yuen Long, New Territories	19,795
Total:		208,531

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

During the year under review, the following initiatives were rolled out:

- Business operations were extended to the New Territories in June 2020 with the opening of a new "UNY" Japanese supermarket in Yuen Long, offering customers fresh Japanese produce and food products as well as daily necessities. Many new concepts were introduced by this supermarket, catering to the various needs of its customers.
- Following the completion of the four-month phased renovations at the Lok Fu store in the previous year, the store at Taikoo Shing also carried out minor renovations during the year under review. The revamped store has been well-received by the customers as it offers a more enjoyable shopping experience with the addition of further proprietary brands. Besides, "Well-Being Space" was newly introduced in this store offering exquisite products from Japan to satisfy the needs of health-conscious, style-savvy urbanities. It also organises various creative events and workshops, thereby enriching its customers' lifestyle experience.



UNY, Lok Fu, Kowloon

- The product mix of imported fresh food in the supermarkets was enhanced. “Style One”, a house-brand of Japanese groceries and snacks was introduced. Meanwhile, in view of the emerging trend for online food purchases, UNY launched its own online food ordering and delivery services in mid-2020 for its freshly made sushi, sashimi and other delicacies.

Due to the pandemic, the public maintained social distance and stayed at home, resulting in an increase in purchasing of food and daily necessities at supermarkets. In turn, the supermarkets at the Taikoo Shing and Lok Fu stores recorded improved sales. As mentioned above, a new “UNY” supermarket in Yuen Long was opened in June 2020. Despite the closure of the “PIAGO” store at Telford Plaza in the first quarter of 2019, as well as the downsizing of the Lok Fu store since mid-2019, UNY recorded a year-on-year increase of 19% in total proceeds derived from the sales of own goods and consignment sales for the year ended 31 December 2020. The breakdown is as follows:

	For the year ended 31 December		Change
	2020 HK\$ million	2019 HK\$ million	
Proceeds from sales of own goods	1,021	816	+25%
Proceeds from consignment sales	326	313	+4%
Total:	1,347	1,129	+19%

Sales of Own Goods

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Sales of own goods	1,021	816
Gross profit (after netting the cost of inventories sold)	311	246
Gross margin	30%	30%

Consignment Sales

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Sales proceeds from consignment counters	326	313
Commission income from consignment counters and administration fee income	76	74

UNY's Profit Contribution

After deducting operating expenses, UNY recorded a profit after taxation of HK\$33 million during the year under review (2019: loss after taxation of HK\$22 million). Included therein was UNY's receipt of the wage subsidies of HK\$22 million from the Hong Kong Government's “Employment Support Scheme” in this financial year, whilst the loss for the previous year was mainly due to the rental expenditure in the amount of HK\$22 million incurred on the “PIAGO” premises after its closure.

Chairman's Statement

The after-tax profit contribution from Citistore and UNY amounted to HK\$127 million in aggregate for the year ended 31 December 2020. While the income and expenditures of the Group's head office offset each other, the Group's profit attributable to equity shareholders during the year under review also amounted to HK\$127 million, representing an increase of HK\$65 million or 105% over that of HK\$62 million in the previous year.

Corporate Finance

Given its strong financial position, the Group had no bank borrowings (2019: HK\$Nil) and its cash and bank balances amounted to HK\$415 million (2019: HK\$363 million) at 31 December 2020.

Prospects

While the impacts of the pandemic are expected to ease with the rollout of mass COVID-19 vaccinations, the economic outlook is still subject to uncertainty. It is expected that the Group's department store business will remain challenging, whilst the Group's supermarket business should stay resilient.

The Group will continue to scrutinise the performance of its stores and strategically adjust its store network. Citistore Tai Kok Tsui is planned to be closed during 2021. In order to meet the changing market demands, the Group is now looking for appropriate locations to open new household specialty stores. Together with the strengthening of the online businesses for both Citistore and UNY, the Group will provide its shoppers with diversified consumption channels, thereby improving its overall results.

Appreciation

Mr Lee Tat Man stepped down from his position of Executive Director of the Company on 8 June 2020. On behalf of the Board, I would like to express my sincere gratitude to Mr Lee Tat Man for his invaluable contribution to the Company over the past 40 years.

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 2021

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 three general merchandise stores-cum-supermarkets/supermarket operating under the names of “APITA” and “UNY” (collectively, “Unicorn Stores”). Both “Citistore” and “UNY” are established brands with more than 30 years of operating track record, 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. Though the procurement team could not travel abroad due to the COVID-19 pandemic, the procurement team, with our long established relationship, works closely with the overseas suppliers in order to obtain the information of new products. 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.

Financial Review

The following discussions should be read in conjunction with the Company's audited consolidated financial statements for the year ended 31 December 2020.

Material acquisitions and disposals

The Group did not undertake any significant acquisition or disposal of assets or subsidiaries during the year ended 31 December 2020.

Results of operations

During the year ended 31 December 2020, the Group was engaged in the operation of (i) department stores in Hong Kong under Citistore (Hong Kong) Limited ("Citistore", a wholly-owned subsidiary of the Company); and (ii) supermarket-cum-stores in Hong Kong under Unicorn Stores (HK) Limited ("UNY", a wholly-owned subsidiary of the Company).

(a) Department stores and supermarket-cum-stores operations in Hong Kong

Citistore

The Group recognised the following financial performance of Citistore for the year ended 31 December 2020 as compared with the corresponding year ended 31 December 2019:

	Note	Year ended 31 December		Increase/ (Decrease) HK\$ million	Increase/ (Decrease) %
		2020 HK\$ million	2019 HK\$ million		
Revenue					
– Sales of goods		383	404	(21)	-5%
– Commission income derived from consignment counters		234	260	(26)	-10%
– Commission income derived from concessionaire counters		108	146	(38)	-26%
– Promotion income		7	7	–	–
	(i)	732	817	(85)	-10%
Direct costs					
– Cost of inventories sold		(263)	(271)	8	-3%
– Rental and related expenses	(ii)	(32)	(52)	20	-38%
– Staff salaries and related expenses		(105)	(112)	7	-6%
– Depreciation charge on fixed assets		(22)	(23)	1	-4%
– Depreciation charge on right-of-use assets	(ii)	(124)	(136)	12	-9%
– Others		(33)	(35)	2	-6%
		(579)	(629)	50	-8%
Other revenue		8	9	(1)	-11%
Other income	(iii)	32	–	32	n/a
Selling and marketing expenses		(10)	(17)	7	-41%
Administrative expenses		(53)	(57)	4	-7%
Profit from operations		130	123	7	+6%
Finance costs on lease liabilities	(ii)	(23)	(32)	9	-28%
Profit before taxation		107	91	16	+18%
Income tax charge		(13)	(15)	2	-13%
Profit after taxation attributable to equity shareholders of the Company		94	76	18	+24%

Financial Review

Notes:

- (i) The outbreak of the COVID-19 pandemic since early January 2020 had affected business and economic activities in Hong Kong, including the retail sector. Accordingly, it had resulted in a reduction in customers' patronage at Citistore's store outlets during the year ended 31 December 2020 compared with that for the corresponding year ended 31 December 2019. To maximise Citistore's operating efficiency, since 10 February 2020 and up to 31 December 2020, Citistore's outlets (except for the Tai Kok Tsui store) have shortened their daily operating hours, and therefore the operating business hours of Citistore's store outlets had been shortened by a total of 3,123.5 hours for the year ended 31 December 2020.

Furthermore, during the year ended 31 December 2020, Citistore has granted concessions on the commissions payable by the operators of the consignment counters and concessionaire counters, in the form of reductions in the basic commissions payable by such operators to Citistore and/or the percentage of the sales revenue of the consignment counters and concessionaire counters which forms the basis on which variable commissions are payable by such operators to Citistore. The financial impact arising from the grant of the aforementioned concessions, as well as the adverse effect on Citistore's revenue performance due to the COVID-19 pandemic, have together resulted in a decrease in the aggregate commission income of HK\$64 million, or 16%, to Citistore for the year ended 31 December 2020.

Both the above have collectively resulted in a year-on-year decrease in revenue of HK\$85 million, or 10%, during the year ended 31 December 2020.

- (ii) Under HKFRS 16, Leases, 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 or lease commencement.

On the other hand, for each tenancy lease of Citistore other than the short-term leases in relation to which the "practical expedient" under HKFRS 16 has been applied (as mentioned above), 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). Accordingly, Citistore recognised the related depreciation charge on the right-of-use assets in the aggregate amount of HK\$129 million (2019: HK\$140 million), which comprised amounts of HK\$124 million (2019: HK\$136 million) classified under "Direct costs" and HK\$5 million (2019: HK\$4 million) classified under "Administrative expenses", in the statement of profit or loss for the year ended 31 December 2020; and
- lease liabilities in the statement of financial position, which are interest-bearing at Citistore's estimated incremental borrowing rate. Accordingly, Citistore recognised the related finance cost on the lease liabilities in the amount of HK\$23 million (2019: HK\$32 million) in the statement of profit or loss for the year ended 31 December 2020.

Based on the above, for the purpose of comparison between the two financial years ended 31 December 2020 and 31 December 2019, the rental and related expenses of HK\$34 million (2019: HK\$54 million) which comprised HK\$32 million (2019: HK\$52 million) classified under "Direct costs" and HK\$2 million (2019: HK\$2 million) classified under "Administrative expenses", the depreciation charge on right-of-use assets of HK\$129 million (2019: HK\$140 million) (see above) and the finance cost on the lease liabilities of HK\$23 million (2019: HK\$32 million) (see above) are aggregated which amounted to HK\$186 million for the year ended 31 December 2020 (2019: HK\$226 million). The year-on-year decrease of HK\$40 million is mainly attributable to the decrease in turnover rentals payable by Citistore due to the decrease in revenue during the year ended 31 December 2020, as well as the grant to Citistore by the landlords of the store outlets of rent concessions in 2020 in the aggregate amount of HK\$23 million.

- (iii) Other income for the year ended 31 December 2020 represents the subsidy from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by the Government of the Hong Kong Special Administrative Region of the People's Republic of China ("HKSAR Government"), which was received in two tranches by Citistore during the year ended 31 December 2020 (the "Citistore ESS Subsidy") in the aggregate amount of HK\$32 million (2019: Nil). The Citistore ESS Subsidy was applied towards the payroll costs of Citistore's eligible staff members for the months of June 2020, July 2020 and August 2020 (under the first-tranche) and for the months of September 2020, October 2020 and November 2020 (under the second tranche).

Goodwill on acquisition in the amount of HK\$810 million (2019: 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 2020. The Citistore Goodwill was tested for impairment at 31 December 2020 by determining the fair value less cost of disposal of Citistore as a cash-generating unit in comparison with the carrying amount of the Citistore Goodwill at 31 December 2020. The directors of the Company have assessed that there was no impairment on the carrying amount of the Citistore Goodwill at 31 December 2020 (2019: No impairment).

UNY

During the year ended 31 December 2020, UNY opened a new supermarket at Yuen Long, the New Territories, Hong Kong, which commenced business operation in June 2020.

The Group recognised the following financial performance of UNY for the year ended 31 December 2020 as compared with the corresponding year ended 31 December 2019:

	Note	Year ended 31 December		Increase/ (Decrease) HK\$ million	Increase/ (Decrease) %
		2020 HK\$ million	2019 HK\$ million		
Revenue					
– Sales of goods		1,021	816	205	+25%
– Commission income derived from consignment counters		70	69	1	+1%
– Administration fee income		6	5	1	+20%
	(iv)	1,097	890	207	+23%
Direct costs					
– Cost of inventories sold		(710)	(570)	(140)	+25%
– Rental and related expenses	(v)	(38)	(66)	28	-42%
– Staff salaries and related expenses		(93)	(76)	(17)	+22%
– Depreciation charge on fixed assets		(19)	(8)	(11)	+138%
– Depreciation charge on right-of-use assets	(v)	(96)	(74)	(22)	+30%
– Others		(46)	(41)	(5)	+12%
		(1,002)	(835)	(167)	+20%
Other revenue	(vi)	3	3	–	–
Other income	(vii)	23	–	23	n/a
Other expense	(viii)	(3)	(21)	18	-86%
Selling and marketing expenses		(20)	(16)	(4)	+25%
Administrative expenses		(50)	(35)	(15)	+43%
Profit/(loss) from operations		48	(14)	62	+443%
Finance costs on lease liabilities	(v)	(13)	(12)	(1)	+8%
Profit/(loss) before taxation		35	(26)	61	+235%
Income tax (charge)/credit		(2)	4	(6)	+150%
Profit/(loss) after taxation attributable to equity shareholders of the Company		33	(22)	55	+250%

Financial Review

Notes:

- (iv) The year-on-year increase in revenue of HK\$207 million, or 23%, is mainly attributable to the year-on-year increase in revenue contributions from the APITA supermarket-cum-store at Taikoo Shing, the UNY supermarket-cum-store at Lok Fu and the new UNY supermarket at Yuen Long, despite the loss of revenue contribution from the PIAGO supermarket-cum-store at Kowloon Bay (which ceased business operation on 31 March 2019) during the year ended 31 December 2020.
- (v) Under HKFRS 16, 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 or lease commencement.

On the other hand, for each tenancy lease of UNY other than the short-term leases in relation to which the “practical expedient” under HKFRS 16 has been applied (as mentioned above), UNY 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). Accordingly, UNY recognised the related depreciation charge on the right-of-use assets in the aggregate amount of HK\$99 million (2019: HK\$76 million), which comprised amounts of HK\$96 million (2019: HK\$74 million) classified under “Direct costs” and HK\$3 million (2019: HK\$2 million) classified under “Administrative expenses”, in the statement of profit or loss for the year ended 31 December 2020; and
- lease liabilities in the statement of financial position, which are interest-bearing at UNY’s estimated incremental borrowing rate. Accordingly, UNY recognised the related finance cost on the lease liabilities in the amount of HK\$13 million (2019: HK\$12 million) in the statement of profit or loss for the year ended 31 December 2020.

Based on the above, for the purpose of comparison between the two financial years ended 31 December 2020 and 31 December 2019, the rental and related expenses of HK\$40 million (2019: HK\$69 million) which comprised HK\$38 million (2019: HK\$66 million) classified under “Direct costs” and HK\$2 million (2019: HK\$3 million) classified under “Administrative expenses”, the depreciation charge on right-of-use assets of HK\$99 million (2019: HK\$76 million) (see above) and the finance cost on the lease liabilities of HK\$13 million (2019: HK\$12 million) (see above) are aggregated which amounted to HK\$152 million for the year ended 31 December 2020 (2019: HK\$157 million). The year-on-year decrease of HK\$5 million is mainly attributable to the savings of HK\$10 million on the rental expenses of the PIAGO supermarket-cum-store at Kowloon Bay for the period from 1 January 2019 to 31 March 2019 which resulted from the cessation of its business operation on 31 March 2019 and therefore did not recur in 2020.

- (vi) Other revenue included the management fee income of HK\$3 million earned during the year ended 31 December 2020 (2019: HK\$1 million) in respect of management services provided by UNY to a fellow subsidiary of the Company engaged in the operation of a health concept retail shop.
- (vii) Other income for the year ended 31 December 2020 mainly represents the subsidy from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by the HKSAR Government, which was received in two tranches by UNY during the year ended 31 December 2020 (the “UNY ESS Subsidy”) in the aggregate amount of HK\$22 million (2019: Nil). The UNY ESS Subsidy was applied towards the payroll costs of UNY’s eligible staff members for the months of June 2020, July 2020 and August 2020 (under the first-tranche) and for the months of September 2020, October 2020 and November 2020 (under the second tranche).
- (viii) Other expense in the amount of HK\$3 million for the year ended 31 December 2020 represents the net book value of fixed assets, mainly office equipment and systems, which were written off due to UNY’s office system upgrade at the end of the year.

Other expense in the amount of HK\$21 million for the corresponding year ended 31 December 2019 mainly comprised the rental expenditure of the shop premises of the PIAGO supermarket-cum-store at Kowloon Bay, whose business operation ceased on 31 March 2019, in the amount of HK\$22 million for the period from 1 April 2019 to 20 October 2019 (being the expiry date of the tenancy lease).

Goodwill on acquisition in the amount of HK\$262 million (2019: HK\$262 million) (the “UNY Goodwill”), which arose from the Group’s acquisition of UNY in 2018, was recognised in the Group’s consolidated statement of financial position at 31 December 2020. The UNY Goodwill was tested for impairment at 31 December 2020 by determining the fair value less cost of disposal of UNY as a cash-generating unit in comparison with the carrying amount of the UNY Goodwill at 31 December 2020. The directors of the Company have assessed that there was no impairment on the carrying amount of the UNY Goodwill at 31 December 2020 (2019: No impairment).

(b) Overall

Aggregating the abovementioned profits after tax of the department stores and supermarket cum-stores operations in Hong Kong and the profit after tax at corporate level of HK\$Nil (2019: HK\$8 million), the Group recorded total profit after tax attributable to equity shareholders in the amount of HK\$127 million for the year ended 31 December 2020 (2019: HK\$62 million), representing a year-on-year increase of HK\$65 million, or 105%.

Finance costs on bank borrowing

During the year ended 31 December 2020 and excluding the finance costs on the lease liabilities recognised by the Group under HKFRS 16, the Group did not recognise any finance costs (including other borrowing costs) on bank borrowing (2019: HK\$64,910).

Financial resources, liquidity and loan maturity profile

At 31 December 2020, the Group did not have any bank borrowing (2019: Nil).

At 31 December 2020, the Group had cash and bank balances of HK\$415 million (2019: HK\$363 million). Excluding the Group's lease liabilities recognised under HKFRS 16 of HK\$674 million at 31 December 2020 (2019: HK\$830 million), the Group had net cash and bank balances of HK\$415 million at 31 December 2020 (2019: HK\$363 million).

For the year ended 31 December 2020, the Group's profit from operations (including bank interest income but excluding finance costs) before taxation amounted to HK\$178 million (2019: HK\$116 million). Based on the Group's finance costs related to bank borrowings (and excluding the finance costs on the lease liabilities recognised under HKFRS 16) of HK\$Nil for the year ended 31 December 2020 (2019: HK\$64,910) as referred to in the paragraph headed "Finance costs on bank borrowing" above, the interest cover for the Group was 1,787 times for the corresponding year ended 31 December 2019.

Based on the Group's net cash and bank balances of HK\$415 million at 31 December 2020, 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 2020 and 31 December 2019, 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 2020 and 31 December 2019.

Charge on assets

Except for a pledged bank deposit in the amount of HK\$101,562 at 31 December 2019 held by UNY in favour of a bank for the purpose of a corporate credit card issued to it by such bank but which arrangement was cancelled during the year ended 31 December 2020, no other assets of the Group had been charged to any other parties at 31 December 2020 and 31 December 2019.

Capital commitments

At 31 December 2020, the Group had capital commitments in relation to fixed assets contracted but not provided for in the amount of HK\$15 million (2019: HK\$4 million).

Contingent liabilities

At 31 December 2020 and 31 December 2019, the Group did not have any contingent liabilities.

Employees and remuneration policy

At 31 December 2020, the Group had 1,118 (2019: 934) full-time employees and 147 (2019: 254) part-time employees. The increase in the Group's headcount of full-time employees is mainly due to the increase in the full-time employees of UNY during the year ended 31 December 2020 resulting from the opening of a new supermarket at Yuen Long which commenced business operation in June 2020.

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 2020 amounted to HK\$270 million (2019: HK\$250 million). The increase in the Group's total staff costs for the year ended 31 December 2020 is mainly due to the increase in the staff costs of UNY during the year ended 31 December 2020 resulting from the opening of a new supermarket at Yuen Long which commenced business operation in June 2020.

Five Year Financial Summary

	Note	Year ended 31 December				
		2016 HK\$ million	2017 HK\$ million	2018 HK\$ million	2019 HK\$ million	2020 HK\$ million
Profit for the year	1	100	111	97	62	127
		HK cents	HK cents	HK cents	HK cents	HK cents
Earnings per share	1	3.3	3.6	3.2	2.0	4.2
Dividends per share	1	4.0	4.0	4.0	3.0	2.0

	Note	At 31 December				
		2016 HK\$ million	2017 HK\$ million	2018 HK\$ million	2019 HK\$ million	2020 HK\$ million
Fixed assets		101	90	92	118	110
Right-of-use assets		–	–	–	699	552
Goodwill		810	810	1,072	1,072	1,072
Lease liabilities		–	–	–	830	674
Net asset value	1	1,465	1,430	1,401	1,288	1,347
		HK\$	HK\$	HK\$	HK\$	HK\$
Net asset value per share	1	0.48	0.47	0.46	0.42	0.44

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

1 About This Section

Reporting Standard and Scope

This annual Sustainability Report (the “Report”) was prepared in accordance with the requirements of the Environmental, Social and Governance (“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 ESG management approach as well as sustainability initiatives and performance for the period from 1 January 2020 to 31 December 2020 (the “reporting period”).

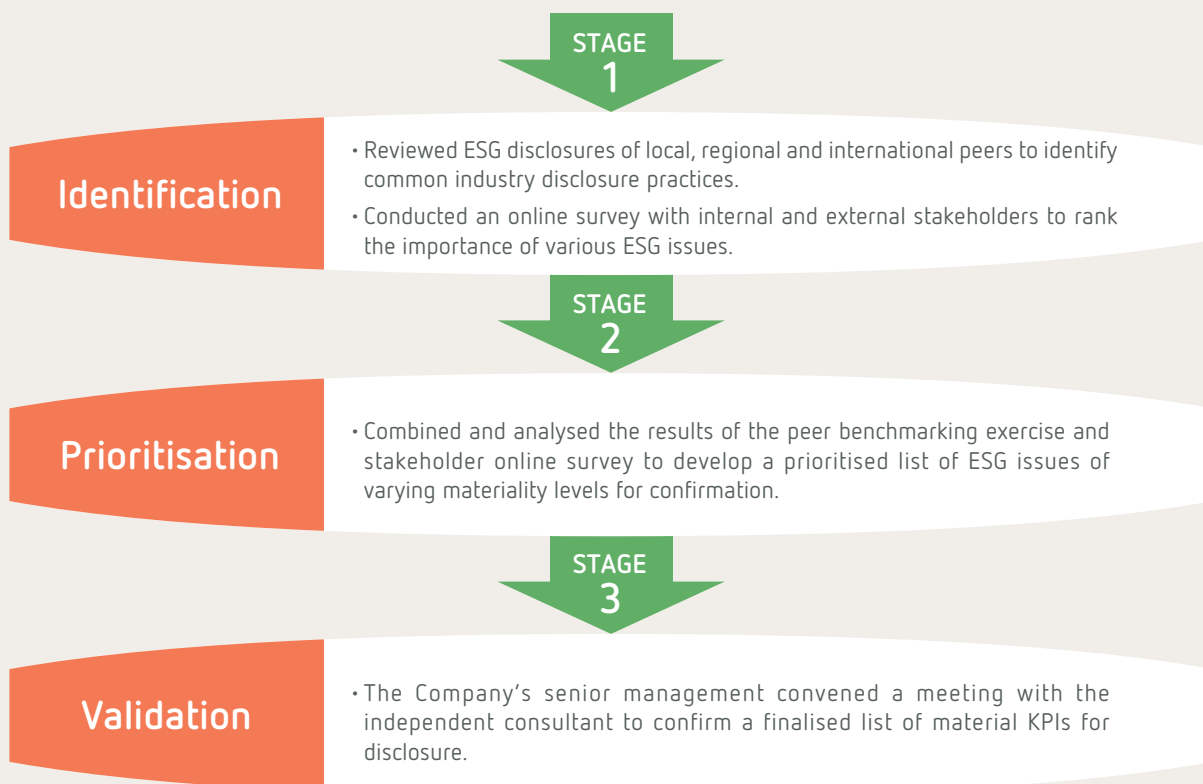
The scope of this Report covers our department store and supermarket operations which have the most significant impact on the Company’s environmental and social performance:

Department Store / Supermarket Citistore / APITA / UNY

For a full list of ESG Aspects, respective key performance indicators (“KPIs”) and their reference within this Report, please refer to the HKEX ESG Guide Content Index included on pages 32 to 33 of the Annual Report.

Stakeholder Engagement and Materiality Assessment

We regularly engage our stakeholders to gain valuable feedback and address their concerns with regards to our ESG efforts, performance and future strategies. This process enables us to make informed decisions and better identify risks and opportunities. In preparation for this Report, the Company appointed an independent consultant to conduct a comprehensive stakeholder engagement and materiality assessment following the three-step process detailed below to determine the most material ESG topics for disclosure.



Sustainability Governance

A robust sustainability governance structure is key to ensuring ESG-related risks and subsequent mitigation measures are incorporated in our corporate agenda. Our risk management framework combines a top-down strategic view with a bottom-up process in which ESG-related risks are effectively identified, evaluated, and managed. Our Board provides strategic guidance on the Company's approach to sustainability and oversees our risk management and internal control systems. Our senior management reports directly to the Board and is responsible for carefully monitoring the Company's material ESG issues and for regularly updating the Board about them. An ESG working group, comprising representatives from various departments, has been established to plan and coordinate sustainability initiatives at an operational level.

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 Our COVID-19 Response

From the initial stages of the Coronavirus ("COVID-19") pandemic, our top priority has remained the safety of our staff and customers. We have implemented several measures to reduce the transmission risk on our premises and encourage safe hygienic behaviour, including frequent handwashing and social distancing.

Temperature Checking

To protect everyone in our stores, we have established automated temperature screening stations at the entrances of our premises which check visitors for potential fever and also enable us to conduct daily temperature checks on all our staff.



Masks and Proper Hygiene

We have enacted face mask/face covering policies to minimise the risk of transmission. All staff members are provided with face masks which they must wear while on duty and our customers are asked to wear a mask at all times in accordance with the Prevention and Control of Disease (Wearing of Mask) Regulation (Cap. 599I) enacted by the Hong Kong SAR Government in July 2020. Visitors who refuse to wear face coverings will be asked to leave our premises by security staff. Highly visible notices have been posted throughout our stores and we make regular announcements over the public address systems to remind everyone to maintain healthy hygiene habits. Multiple hand sanitiser stations have also been installed in public areas to enable our customers to disinfect their hands frequently.



Cleaning and Disinfecting

The Company has stepped up our regular disinfecting procedures during the COVID-19 pandemic by increasing the frequency of cleansing high contact areas such as public seating fixtures, door handles, handrails, changing rooms, lifts and escalators using a diluted bleach solution. To better maintain proper air ventilation and filtration, we have also cleaned air filters and duct systems more regularly.



Employee Safety

Factual and accurate information is invaluable in the fight against COVID-19. To impart helpful mitigation measures to our colleagues, we have provided relevant training and information packages for dissemination throughout the Company. At our staff canteen, seating has been reduced and plastic partitions were installed to maintain social distancing of 1.5 metres and minimise contact whilst eating. Our frontline staff at Citistore are allowed to dress in casual wear which can be washed more frequently than uniforms, ensuring an even higher level of personal hygiene.



3 Engaging Our Customers and Suppliers

Thriving in a rapidly changing retail market requires positive long-term relationships with our customers and supply chain partners. In pursuit of operational excellence, we work closely with our vendors to incorporate quality merchandise into our portfolio and proactively collect customer feedback through different channels.

Customer First

“Customer First” is our deep-rooted business philosophy which underpins our commitment to the delivery of quality merchandise and services. To better embed this spirit in our daily operations, Citistore has developed the “**Three Qs Missions**”:

Quality Services

We aim to offer quality services so that customers thoroughly enjoy shopping at Citistore.

Quality Merchandise

Our diversified merchandising mix provides customers with a wide choice of quality necessities at a reasonable price.

Quality Lifestyle

Our quality services and quality merchandise are intended to raise the standard of living of the general public.

To ensure a comfortable and hygienic shopping environment, we conduct extensive cleaning at all our department stores before and after service hours. In addition, our Engineering Department monitors the status of the engine room and air-conditioners three times daily to regulate indoor temperatures for ideal comfort.

We strive to deliver quality products and services which meet customers' exacting expectations. As such, we conduct internal and external assessments to better understand their needs and identify emerging customer trends. A variety of communication channels are in place to encourage feedback from our customers, including Facebook pages, designated telephone hotlines and email accounts. To ensure we address customer concerns in a consistent and efficient manner, we have established standard complaint-handling procedures. Any formal complaints received through the above channels will be filed and investigated by designated personnel in strict confidence. Upon completion of an investigation, we will provide an update to the complainant by email in a timely manner. In 2020, a total of 44 customer complaints were received relating to purchased products and services at Citistore, which were all resolved satisfactorily in accordance with our internal procedures.

Mystery Shopper Programme at Citistore

Guided by our customer-first commitment, we endeavour to exceed customer service expectations for an enjoyable shopping experience. With this in mind, Citistore continued to conduct a mystery shopper programme at our six department stores. In addition to providing a measure of the service quality of our frontline staff, this programme also provides valuable insights into our performance from a customer's point of view. The findings are reviewed internally to identify areas for improvement, following which we will implement appropriate enhancements, as necessary.

Acknowledgements were also given in recognition of our continuous commitment and dedication to providing the best customer experience. During the reporting period, the Company was encouraged to receive 14 letters of appreciation from our customers.

Product Responsibility

We ensure that all products meet stringent quality standards before being placed on our shelves for our customers. Every shipment is thoroughly checked upon arrival to verify important details such as labels, packaging, and expiry dates. To ensure we provide an enjoyable and well-informed shopping experience, we pay extra care to shelf arrangements and inventory management, presenting products in a pleasant manner with important information clearly visible. Key product details such as brand name, product description, maintenance details, expiry dates, and warning labels are clearly displayed alongside price tags.

We work closely with Government departments, including the Centre for Food and Safety to ensure that the products we make available to our customers are safe. If we are notified of any suspected quality issues, the product in question is immediately removed from our shelves and storage facilities and returned to the vendor, following the appropriate recall procedures. Public announcements will also be made in accordance with Government protocols for food safety.

We strongly respect our customers' privacy and the Company only collects a minimal amount of necessary personal information. Moreover, any personal data collected from the Citistore website, Citistore Membership programme (Citi-Fun), and other formal channels is securely stored on the Company's core network which is protected by up-to-date firewall and cybersecurity software. Only authorised personnel may access this database. A similar mechanism is in place at APITA/UNY, covering the collection, use and management of data and information in accordance with relevant legislation. We strictly adhere to the Personal Data (Privacy) Ordinance (Cap.486). More information about our Customer Privacy Policy can be found on the Citistore website¹ and APITA/UNY website².

Notes:

1. Citistore's Privacy Policy is publicly available on its website at: https://www.citistore.com.hk/en/privacy_policy_chi/
2. APITA/UNY's Privacy Notice is publicly available on its website at: <https://apitauny.com.hk/privacy-notice/?lang=en>

Sustainability

Supply Chain Management

Our supply chain plays a critical part in the success of the business by providing us with quality merchandise which fulfils our customers' needs. While building strong bonds and long-term relationships with business partners, suppliers and vendors, we also aim to promote environmentally friendly practices to minimise possible risks along the supply chain. We ensure our supply chain partners are aligned with the Company's commitment to sustainable values, service excellence, product responsibility, and corporate governance. All suppliers must follow our guidelines for anti-corruption and bribery to maintain our high ethical standards.

Upholding intellectual property rights is also addressed in our approach to supply chain management. All vendors and suppliers are required to adhere to the terms and conditions in our vendor agreement which contains protections of intellectual property rights, prior to any formal engagement.

4 Conserving Our Resources

Our commitment to the sustainable management of our environmental impacts and the continual improvement of our sustainability performance is demonstrated by our Environmental Policy. The Company takes a proactive approach to minimising potential negative impacts arising from our operations and to promoting an environmentally conscious culture internally and throughout our value chain. We continue to adhere to stringent regulatory standards and operate in an environmentally responsible manner to meet the expectations of our customers and other stakeholders.

During the reporting period, there were no cases of non-compliance with the relevant laws and regulations³ relating to environmental issues.

To meet all applicable legal and regulatory requirements on 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

Note:

3. Including but not limited to Waste Disposal Ordinance (Cap. 354).

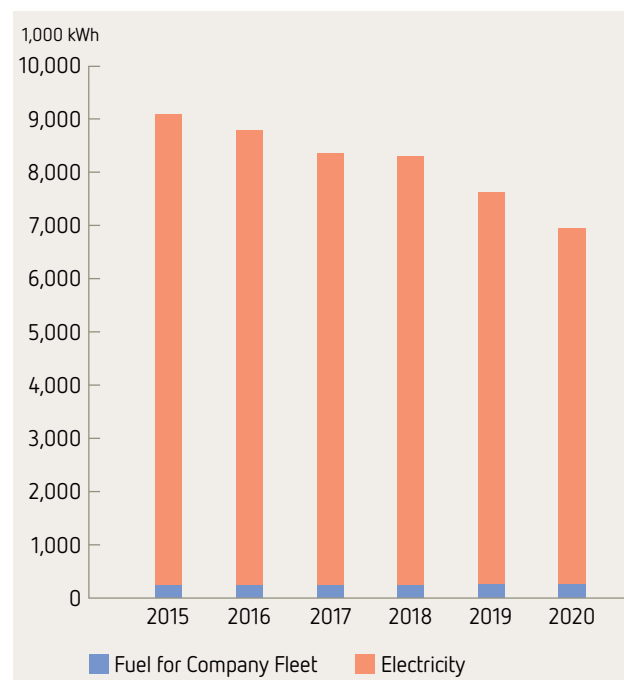
Use of Resources

Energy Use

In response to a growing awareness of the impacts of energy use, the Company has investigated potential ways to increase energy efficiency in our operations through technological upgrades and energy optimisation. To achieve enhanced performance, we have implemented energy saving measures at our stores and offices that better manage our energy consumption while maintaining a high-quality and comfortable shopping experience. To minimise unnecessary energy usage, the indoor temperatures of all our stores are closely monitored to maintain a comfortable 25°C to 26°C and designated staff are responsible for manually switching off the fan coil units whenever appropriate.

As a responsible corporate citizen, we recognise our role in contributing to the efforts to raise awareness for environmental protection and responsible resource consumption. The Company continued to put our support behind meaningful environmental campaigns, including Worldwide Fund for Nature's ("WWF") "Earth Hour" 2020, an initiative that we have participated in for the past several years. For one hour, all lights and signage on our external walls and window displays are switched off as a reminder to passers-by that everyone plays an important role in sustainability by being energy efficient. The Company is also targeting internal behavioural change by posting energy saving tips and reminders throughout our offices that encourage staff to incorporate energy efficiency in their daily routines.

Citistore Energy Consumption⁴



Note:

4. Due to data availability, only Citistore's energy consumption trends are shown for the purpose of yearly comparison.

Sustainability

Packaging Materials

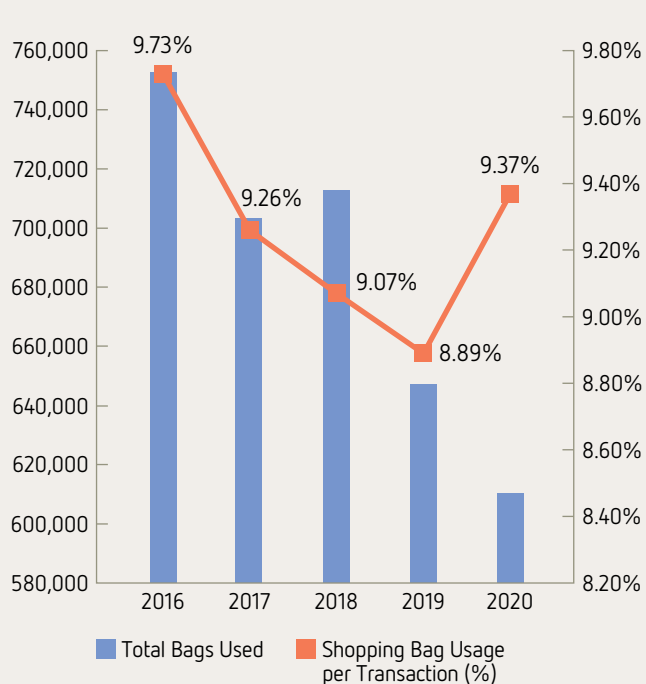
Regarding the efficient use of natural resources and the issues related to waste management, we recognise that plastic shopping bag usage is an important area in which the Company can create positive change. Our initiatives to help customers reduce the usage of plastic bags and participate in environmentally friendly shopping include our “BYOB” (bring-your-own-bag) campaign and the sale of durable and reusable shopping bags. Besides encouraging our own customers, we also work to promote more sustainable shopping habits among the public. In 2015, Citistore became one of the first retailers to support the Plastic Shopping Bag Charge (“PSB Charge”) Collaborative Platform established by The Conservancy Association, Greeners Action, and Green Power. The Collaborative Platform uses funds collected from the Government’s PSB Charge scheme to support waste reduction projects and other environmental education campaigns across the city, thereby contributing to Hong Kong’s sustainability progress.

Emissions and Waste Management

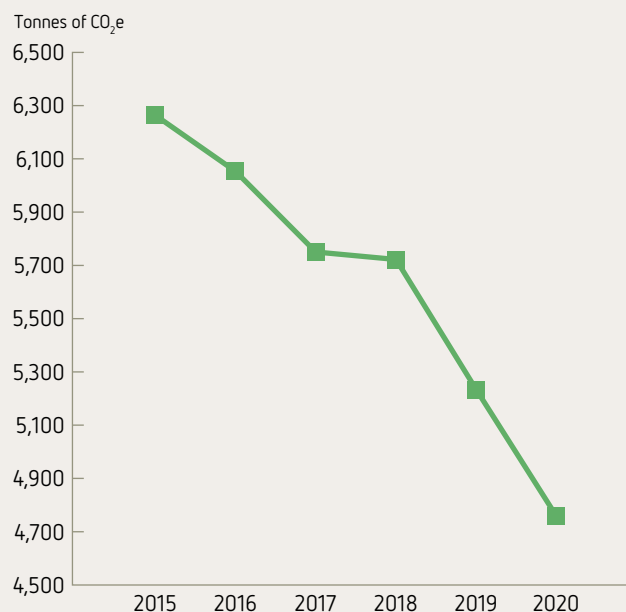
Climate Change

Guided by our Environmental Policy, the Company is committed to reducing greenhouse gas (“GHG”) emissions from our daily operations and from the fuel consumed by our company fleet. In recent years, we have continually stepped up our efforts to be more energy efficient throughout our operations and have strictly monitored the fleet’s usage. The Company will continue to embrace emerging technologies and innovation to further improve our performance and will remain vigilant in managing the environmental impacts of our business operations.

Citistore Shopping Bag Usage⁵



Citistore Greenhouse Gas Emissions⁶




Notes:

5. Due to data availability, only Citistore’s shopping bag usage trends are shown for the purpose of yearly comparison. In 2020, while the total bags used decreased by 5.7%, the number of transaction dropped by 10.5%. It resulted in the increase in the percentage of shopping bag usage per transaction.
6. Due to data availability, only Citistore’s GHG emissions trends are shown for the purpose of yearly comparison.


Waste Management

We actively promote recycling and waste reduction throughout our operations. Employees are encouraged to adopt double-sided printing and reuse scrap paper whenever possible. At our stores, most of our incoming product shipments arrive in cardboard boxes. To minimise waste we try to reuse these boxes as much as possible for deliveries to customers and general backroom storage purposes. Excess boxes and those which are unusable are recycled, if not contaminated or soiled. In addition to cardboard, we recycle our obsolete electronic equipment, such as office computers and printers, through third-party outlets.

386,244 kg
of cardboard
boxes recycled
in 2020



90 pcs of
electronic
equipment
recycled in 2020



Over the Chinese New Year Holiday, the Company was honoured to continue our long-standing partnership with the Greeners Action annual Lai See Reuse and Recycle Programme. Customers and staff could bring their used and unwanted red packets to one of several prominent collection points throughout our Citistore locations. Red packets in good condition were repackaged and distributed for reuse, while the rest were delivered to be recycled. In 2020, a total of 620 kg of red packets were collected and delivered to Greeners Action for processing.

5 Nurturing Our People

Our continued business success depends on our talented and dedicated workforce. We remain committed to our people-centric approach to create a harmonious, inclusive and engaging workplace which fosters open communication, supports professional development and protects the well-being of our staff.

Caring For Our Employees

We value our employees and aim to ensure a working environment free from any prejudice or discrimination. All employees are protected by our policies on equal opportunities which outline fair recruitment and employment practices based on individual merits and qualifications, regardless of gender, race, age, religion, disability or family status.

To ensure the Company attracts and retains talented employees, we offer attractive remuneration packages and fringe benefits, including a staff purchase discount programme, medical coverage and comprehensive leave entitlements that encompass situations such as marriage and maternity. Additionally, we support our staff to maintain their work-life balance by organising different recreational activities such as festive celebrations outside of our regular work environment. Through these events, we look to cultivate a stronger communal and caring spirit within the Company and facilitate deeper interpersonal connections among our colleagues.

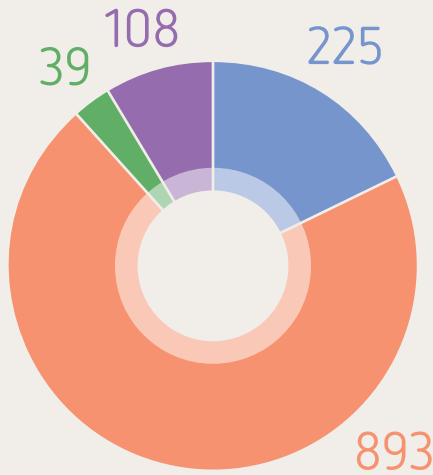
The COVID-19 pandemic has posed unprecedented challenges to our operations. As a precautionary measure, we cancelled the Citistore Annual Dinner 2020 to avoid an unnecessary social gathering. However, in recognition of employees' hard work over the year, we rewarded all of them with special gift packs. During the pandemic, we have adopted flexible work arrangements and provided staff with masks and disinfectant supplies in order to safeguard their health and safety.

During the reporting period, there were no cases of non-compliance with the relevant laws and regulations⁷ relating to recruitment and employment practices, anti-discrimination and other benefits and welfare.

Note:

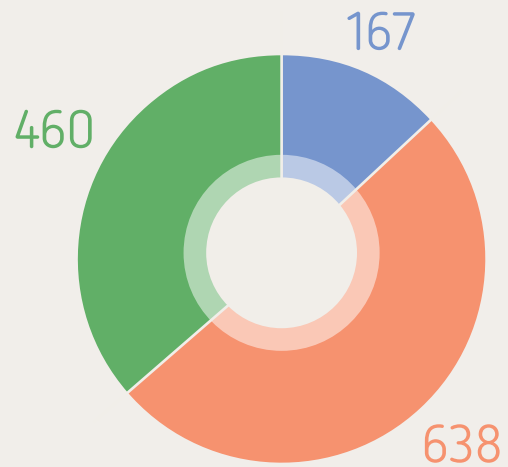
7. Including but not limited to the Employment Ordinance (Cap. 57), Employees' Compensation Ordinance (Cap. 282), Disability Discrimination Ordinance (Cap. 487), Minimum Wage Ordinance (Cap. 608).

Total Workforce by Gender and Employment Type⁸



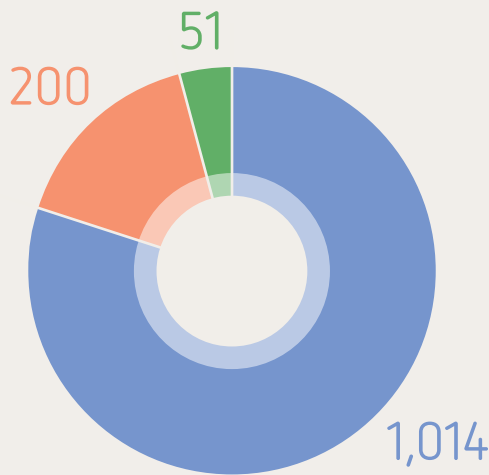
Full-time – Male (Blue), Female (Orange)
Part-time – Male (Green), Female (Purple)

Total Workforce by Age⁸



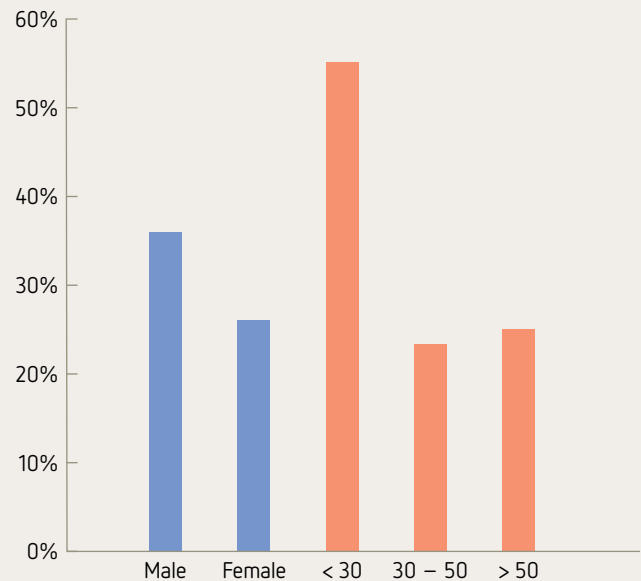
< 30 (Blue), 30 - 50 (Orange), > 50 (Green)

Total Workforce by Employee Category⁸



General Staff (Blue), Middle Managers (Orange), Senior Managers (Green)

Employee Turnover Rate by Gender and Age⁸



Note:

8. This represents company-wide employee-related data, covering both Citistore and APITA/UNY.

Sustainability

Health and Safety

Ensuring the health and safety of our staff is a priority of the Company. We take every precaution to minimise occupational hazards in our operations. This year, we continued to partner with the Occupational Safety and Health (Integrated Service) Operation Team of Hong Kong Labour Department to conduct two safety inspections at our department stores which did not detect any cases of non-compliance with the regulations. To enhance staff awareness on the importance of workplace health and safety, we organised talks and workshops throughout the year, covering topics such as first aid, accident prevention and occupational diseases.

The Company has also developed a reporting mechanism for handling work-related staff injuries. If an injury occurs, the injured party, a witness and the store manager are required to complete an incident report form. Our Human Resources Department will subsequently review the form and report the incident to the Labour Department, if necessary.

During the reporting period, there were no cases of non-compliance with the relevant laws and regulations⁹ relating to the provision of a safe work environment and the protection of employees from occupational hazards.

Development and Training

To remain agile in an ever-changing business environment, we understand the importance of equipping staff with up-to-date knowledge and suitable skills. As such, we have tailored our training programmes to cater to the needs of employees from different departments and at varied career stages. For instance, we arranged orientation classes for new joiners, covering topics such as product knowledge as well as service and sales skills, whilst providing senior managers with additional Adversity Quotient (“AQ”) training to supplement their leadership skills. This year, we also introduced a range of self-learning programmes through online platforms such as Zoom to support our staff’s continuous development, especially during the COVID-19 pandemic.

Company-wide average
training hours per
trained employee

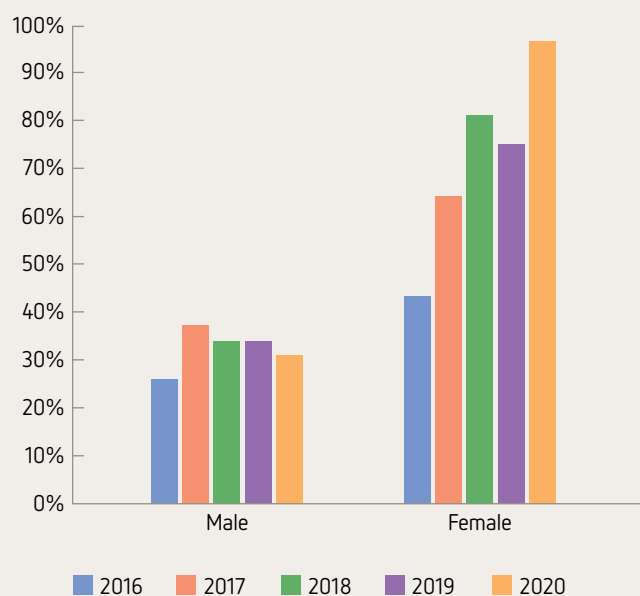
2.9 hours



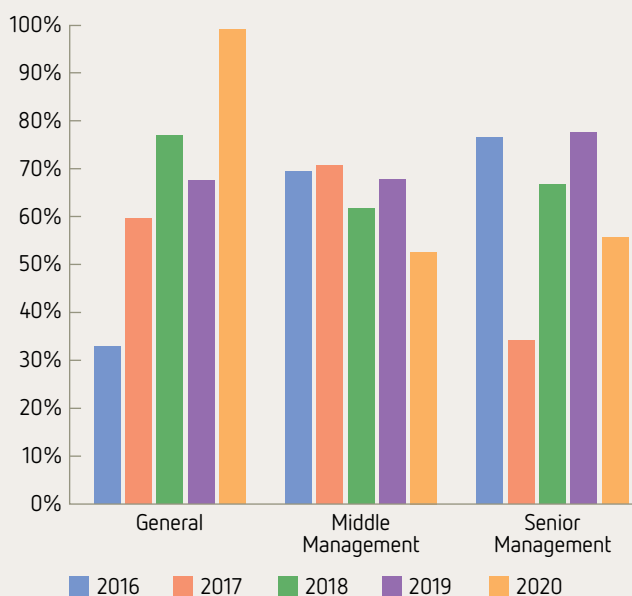
Note:

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

Percentage of Citistore Employees Trained by Gender



Percentage of Citistore Employees Trained by Employee Category



Ethics and Integrity

As a responsible company, we uphold the highest ethical standards and accountability throughout our operations and have zero-tolerance for corruption or malpractice of any form. All employees are required to follow our Staff Handbook which outlines our expectations of appropriate and ethical business conduct. To support our policies on ethics and integrity, the Company's Whistle-blowing Policy provides a confidential channel for employees to raise concerns about any improper behaviour. To ensure whistle-blowers have the freedom to report grievances without fear of reprisal, all cases are treated in strict confidence and submitted to designated personnel for thorough investigation.

During the reporting period, there were no cases of non-compliance with the relevant laws and regulations¹⁰ relating to corrupt practices.

Note:

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

6 Caring for Our Community

The Company is committed to contributing to the positive development of Hong Kong. Aside from the provision of financial and in-kind donations to charitable organisations and persons in need, we encourage staff volunteering and proactively support different community projects.

In 2020, we contributed over
HK\$250,100
 in community investment



Highlights of Community Programmes and Resources Contributed in 2020:

Organisations/Beneficiaries	Programmes	Contributions
Green Power	Plastic Shopping Bags Charge Collaborative Platform	Donation of HK\$149,694
Greeners Action	Lai See Reuse and Recycle Programme	<ul style="list-style-type: none"> Collected and delivered a total of 620 kg of red packets for reuse Donation of HK\$60,000
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, The Salvation Army and others	Donated more than 5,000 pieces of clothing, household goods, and accessories together with other value in kind at HK\$40,442

“Give Furry Friends A Home” at Citistore

In collaboration with House of Joy & Mercy, a local adoption organisation for stray and unwanted pets, we hosted a three-week campaign at our Ma On Shan store to spread the message of animal welfare and encourage the general public to adopt these abandoned pets. The campaign was a huge success, resulting in 168 adoption applications for our furry friends.



S.K.H Love Chocolate Charity Sale

Making use of our department stores as community platforms, Citistore supported S.K.H. St. Christopher’s Home by participating in their charity chocolate sale. All funds raised were donated to this non-profit organisation to assist their work supporting underprivileged groups and low-income families in Hong Kong.



Performance Table

HKEX KPI	Unit	2020		2019		
		Citistore	APITA/UNY	Citistore	APITA/UNY	
A. Environmental						
A1.2	Greenhouse gas emissions					
	Scope 1 emissions	Tonnes of CO ₂ e	69.4	10.7	67.7	6.7
	Scope 2 emissions	Tonnes of CO ₂ e	4,688.8	6,101.0	5,154.2	5,685.4
	Scope 3 emissions	Tonnes of CO ₂ e	0	3.5	11.8	10.1
	– total	Tonnes of CO ₂ e	4,758.2	6,115.2	5,233.7	5,702.2
	– intensity	Tonnes of CO ₂ e per FTE ¹¹	8.2	11.3	9.5	15.0
A1.4	Total non-hazardous waste produced					
	Recycled materials/wastes					
	Cardboard boxes	Kg	386,244	N/A ¹²	318,332	N/A ¹²
	Electronic items	Items	50	40	62	N/A
A2.1	Energy consumption by type					
	Fuel for company fleet	1,000 kWh	255.0	37.1	248.7	23.5
	Electricity	1,000 kWh	6,698.3	8,715.7	7,363.1	8,122.1
	– total	1,000 kWh	6,953.3	8,752.8	7,611.8	8,145.6
	– intensity	1,000 kWh per FTE	12.0	16.2	13.8	21.4
A2.5	Packaging material used					
	Total plastic shopping bag consumption					
	– total	Number	610,290	6,718,500	646,949	4,478,300
B. Social						
B1.1	Total workforce by gender, employment type, age group and employee category					
	<i>By gender</i>					
	Male	No. of people	102	162	110	108
	Female	No. of people	549	452	614	355
	<i>By employment type</i>					
	Full-time	No. of people	578	540	552	381
	Part-time	No. of people	73	74	172	82
	<i>By age group</i>					
	<30	No. of people	61	106	76	60
	30-50	No. of people	337	301	355	216
	>50	No. of people	253	207	293	187
	<i>By employee category</i>					
	General staff	No. of people	480	534	566	414
	Middle Managers	No. of people	135	65	118	40
	Senior Managers	No. of people	36	15	40	9
B1.2	Employee turnover rate by gender and age group					
	<i>By gender</i>					
	Male	%	22.6	44.4	20.9	25.9
	Female	%	14.0	40.7	19.2	31.3
	<i>By age group</i>					
	<30	%	31.2	68.9	25.0	31.7
	30-50	%	15.1	32.6	24.2	29.6
	>50	%	11.9	41.1	12.3	30.0

Notes:

11. The Company's FTE (Full-time Equivalent Employees) is 1,118 in 2020 where Citistore is 578 and APITA/UNY is 540.

12. At APITA/UNY, cardboard boxes are collected directly by the malls' cleaning personnel.

Sustainability

HKEX KPI	Unit	2020		2019		
		Citistore	APITA/UNY	Citistore	APITA/UNY	
B2.1	Number and rate of work-related fatalities					
	<i>By number</i>	No. of people	0	0	0	0
	<i>By rate</i>	%	0	0	0	0
B2.2	Lost days due to work injury					
		Days	136.5	600	20	725
B3.1	The percentage of employees trained by gender and employee category					
	Male	%	30.9	56.3	34.0	100.0
	Female	%	96.5	27.7	75.0	100.0
	General	%	99.0	30.4	67.5	100.0
	Middle Managers	%	52.6	67.7	67.8	100.0
	Senior Managers	%	55.6	13.3	77.5	100.0
B3.2	The average training hours completed per employee by gender and employee category					
	<i>By Gender</i>					
	Male	Hours	3.2	7.7	6.4	61.8
	Female	Hours	2.0	3.4	5.3	60.0
	<i>By employment category</i>					
	General	Hours	1.6	5.4	4.0	51.2
	Middle Managers	Hours	4.0	4.2	9.3	125.0
Senior Managers	Hours	5.9	0.8	6.9	111.1	
B6.2	Number of products and service related complaints received					
		Numbers	44	97	68	N/A ¹³

HKEX ESG Guide Content Index

Aspect	HKEX KPI	Description	Page Number	Remarks
A. Environmental				
A1 Emissions	A1	General Disclosure	22-25	
	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	31	
	A1.3	Total hazardous waste produced and intensity	/	Due to the business nature of the Company, this KPI is considered not material.
	A1.4	Total non-hazardous waste produced and intensity	31	
	A1.5	Description of measures to mitigate emissions and results achieved	23-24	
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	25	
A2 Use of Resources	A2	General Disclosure	22-24	
	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	23-24	
	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	

Note:

13. In 2019, APITA/UNY was in the process of developing its standard complaint-handling mechanism. Hence, the number of products and service related complaints were unavailable.

Aspect	HKEX KPI	Description	Page Number	Remarks
A3	A3	General Disclosure	22-25	
The Environment and Natural Resources	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	22-25	
B. Social				
B1	B1	General Disclosure	26	
Employment	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	B2	General Disclosure	28	
Health and Safety	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, and how they are implemented and monitored	19-20, 28	
B3	B3	General Disclosure	28	
Development and Training	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	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 2020, no relevant cases of non-compliance were recorded.
B5	B5	General Disclosure	22	
Supply Chain Management	B5.2	Practices relating to engaging suppliers, no. of suppliers where and how the practices are being implemented	22	
	B6	General Disclosure	20-21	
Product Responsibility	B6.2	Number of products and service related complaints received and how they are dealt with	21, 32	
	B6.3	Description of practices relating to observing and protecting intellectual property rights	22	
	B6.4	Description of quality assurance process and recall procedures	19-21	
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	21	
B7	B7	General Disclosure	29	
Anti-corruption	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	B8	General Disclosure	30	
Community Investment	B8.1	Focus areas of contribution	30	
	B8.2	Resources contributed to the focus area	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 2020.

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 2020, 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. Although the roles of the chairman and the chief executive officer of the Company have not been segregated, powers and authorities have not been over-concentrated as all major decisions are made in consultation with Board members and senior management who possess the relevant knowledge and expertise, as well as appropriate Board committees. Hence, the current arrangements are subject to adequate checks and balances notwithstanding the deviation.

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 eight members, as detailed below:

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

The changes to the Board and the biographical details of the Directors are set out on page 51 and pages 73 to 76 of this Annual Report respectively. Mr Lee Ka Shing is the brother of Dr Lee Ka Kit and the brother-in-law of Mr Li Ning. 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.

Corporate Governance Report

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 2020, 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") 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, as well as a non-executive director of Hong Kong Ferry (Holdings) Company Limited and an independent non-executive director of 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 2020, 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 for taking and keeping 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 or meeting by video conference 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 73 to 76 of this Annual Report.

During the year, a presentation on 5G development was arranged for the Directors. 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 is 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 2020 which comprised attending seminars and talks, and reading legal and regulatory updates and other reference materials. The seminars and talks involved topics on risk management, rule amendments, directors' liabilities 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 (<i>Chairman and Managing Director</i>)	✓	✓
Dr Lee Ka Kit	✓	✓
Dr Lam Ko Yin, Colin	✓	✓
Li Ning	✓	✓
Independent Non-executive Directors		
Kwong Che Keung, Gordon	✓	✓
Professor 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 2020. In addition to reviewing the audited financial statements and final results announcement for the year ended 31 December 2019, the major work performed by the Audit Committee in respect of the year ended 31 December 2020 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 2020, 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 Dr Lam Ko Yin, Colin	Wu King Cheong (<i>Chairman</i>) 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 2020, the Remuneration Committee held a meeting to review the salary structure of the employees of the Company and the level of salary increment for 2021 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 109 to 111 while the analysis of the senior management's emoluments by band is set out in note 10 to the financial statements on page 111. 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 with reference to the Directors' duties and responsibilities.

(c) Nomination Committee

The Nomination Committee which was established in December 2011 comprises:

Executive Directors	Independent Non-executive Directors
Lee Ka Shing (<i>Chairman</i>) Dr Lam Ko Yin, Colin	Kwong Che Keung, Gordon 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 2020. The major work performed by the Nomination Committee during 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. 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 Meetings, Committee Meetings 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 2020 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 ¹	N/A	1/1	2/2	1/1
Dr Lee Ka Kit	4/4 ¹	N/A	N/A	N/A	1/1
Dr Lam Ko Yin, Colin	4/4	N/A	1/1	2/2	1/1
Li Ning	4/4 ¹	N/A	N/A	N/A	1/1
Lee Tat Man	0/1 ²	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
Professor 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

Remarks:

- One board meeting was to consider the continuing connected transactions in which Mr Lee Ka Shing, Dr Lee Ka Kit and Mr Li Ning were regarded as having a material interest that they had abstained from voting and not being counted in the quorum.
- Antecedent to the retirement of Mr Lee Tat Man as an Executive Director of the Company on 8 June 2020, 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 2020, 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 78 to 81.

6 Auditor's Remuneration

For the year ended 31 December 2020, the Auditor(s) of the Company and its subsidiaries agreed to receive approximately HK\$2 million for audit and audit related services (2019: HK\$2 million) and approximately HK\$0.3 million for non-audit services relating to interim results review. The remuneration of the Auditor(s) in respect of audit and non-audit services (if any) is reviewed by the Audit Committee.

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 have reviewed and the Auditor of the Company has reported 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 reported 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 as required by the Listing Rules or otherwise are the summaries of certain policies adopted by the Board:

(i) Inside Information Policy

The Inside Information Policy 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 Diversity Policy 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 Nomination Policy 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 Dividend Policy incorporates 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.

In addition, the Company as a subsidiary of HLD shall, where appropriate, adhere to the policies adopted by HLD as guidance to members of its group, such as anti-money laundering and counter-terrorist financing policy, anti-corruption and bribery policy, anti-discrimination policy, equal employment opportunity policy, etc.

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.

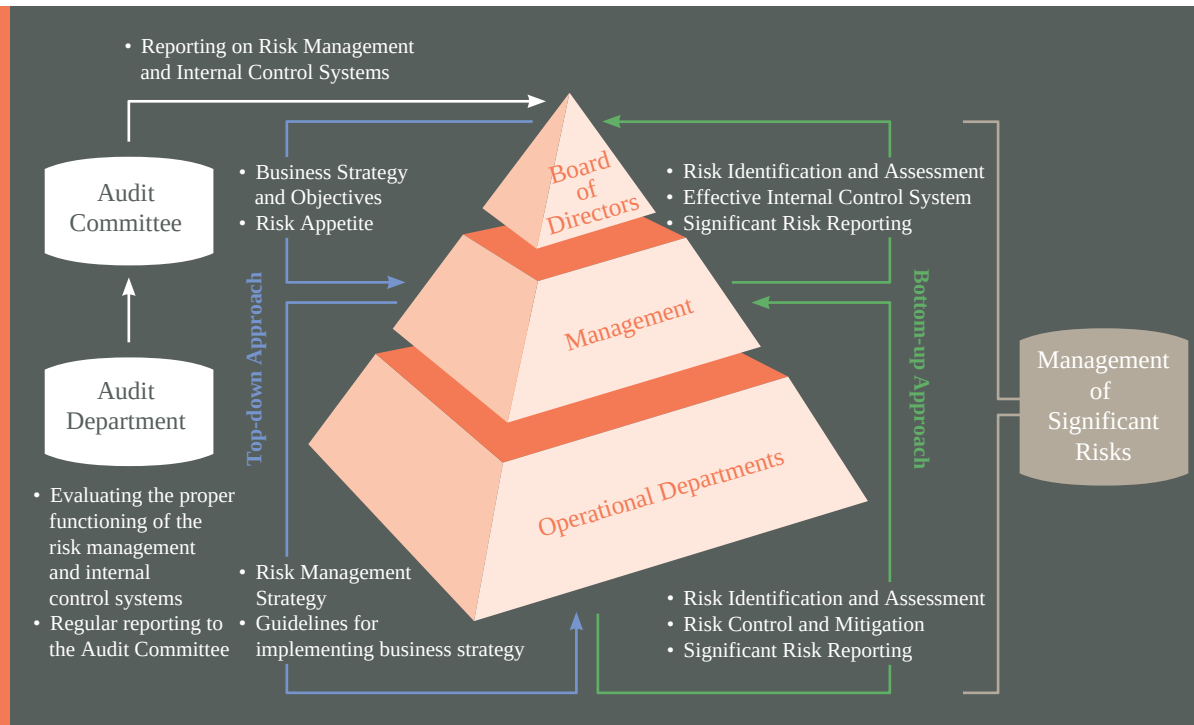
Each department of the Group is responsible for identifying its own risks and designing, implementing and monitoring the relevant risk management and internal control systems. The process involves the maintenance of the risk register setting out the particulars of the material risks together with the 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 2020. 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 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.

(f) Outbreak of COVID-19

The COVID-19 pandemic causes potential risks to staff's health and the society, and it might affect the group's operation and profit.

The Group manages this risk by closely monitoring and complying with the Government's regulations and measures. The Group also exercises preventive measures, such as work from home, health-check measures and hygiene control in the workplace, and takes prompt responses to prevent the spread of virus.

11 Company Secretary

The Company Secretary is to support the Board by ensuring that there is good information flow and the board policies 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.

Corporate Governance Report

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 through the Company's 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.hillk.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 2020.

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 Financial Review 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 82 to 131. 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 the Corporate Governance Report on pages 18 to 33 and pages 34 to 48 of this Annual Report respectively. The Chairman’s Statement, the Financial Review, the Sustainability 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.

Report of the Directors

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 2020 are set out on page 131.

Group Profit

The profit of the Group for the year ended 31 December 2020 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 82 to 131.

Dividends

An interim dividend of HK 1.0 cent per share was paid on 11 September 2020. 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 Wednesday, 9 June 2021, 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 Wednesday, 16 June 2021.

Charitable Donations

Charitable donations made by the Group during the year amounted to HK\$250,000 (2019: HK\$229,000).

Fixed Assets

Particulars of the movements in fixed assets during the year are set out in note 15 to the financial statements on page 114.

Bank Loans

As at 31 December 2020, 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 127.

Share Capital

Details of the Company's share capital are set out in note 29(c) to the financial statements on page 127. 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 2020 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 109 to 111.

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 (<i>Chairman and Managing Director</i>)	Kwong Che Keung, Gordon
Dr Lee Ka Kit (<i>Vice Chairman</i>)	Professor Ko Ping Keung
Dr Lam Ko Yin, Colin (<i>Vice Chairman</i>)	Wu King Cheong
Li Ning	Au Siu Kee, Alexander
Lee Tat Man (<i>retired on 8 June 2020</i>)	

Dr Lam Ko Yin, Colin, Professor Ko Ping Keung and Mr Au Siu Kee, Alexander 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, being eligible, 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 2020, 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
Henderson Land Development Company Limited	Lee Ka Kit	2				3,509,782,778	3,509,782,778	72.50
	Lee Ka Shing	2				3,509,782,778	3,509,782,778	72.50
	Li Ning	2		3,509,782,778			3,509,782,778	72.50

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	3				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Kit	4				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Kit	5				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Lee Ka Shing	3				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Shing	4				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Shing	5				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Li Ning	3		8,190 (Ordinary A Shares)			8,190 (Ordinary A Shares)	100.00
	Li Ning	4			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
	Li Ning	5			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 a waiver from strict compliance with the disclosure requirements under paragraph 13 of Appendix 16 to the Listing Rules has been applied to, and granted by the Stock Exchange.

Report of the Directors

Substantial Shareholders' and Others' Interests

As at 31 December 2020, 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	%
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:

- 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.
- 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.
- These shares were held by Hopkins as trustee of the Unit Trust.
- These shares were held by Hopkins as trustee of the Unit Trust.
- 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 2020 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 2020 and the Company did not enter into any equity-linked agreements during the year under review.

Interests in Transactions, Arrangements or Contracts and Connected / Continuing Connected Transactions

During the year under review, the Group had the connected/continuing connected transactions and arrangements as described under the sections “HLD Tenancy Agreements”, “Framework Agreement” and “Other Connected/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 Group’s department store and supermarket operations under the names of “Citistore” and “UNY”.

Report of the Directors

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:

Premises	Term ^{Note 1}			Turnover Rent Provisions and Miscellaneous Monthly Charges
	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	
(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	1 October 2014 – 30 September 2017	1 October 2017 – 30 September 2020	1 October 2020 – 30 September 2023	<u>Turnover rent:</u> 8% of annual turnover (on an aggregate basis for all shop premises of the Tsuen Wan Citistore)
Agreement Date: 15 October 2014	HK\$370,000	7% increase in basic rent from the basic rent of each preceding year	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	Turnover rent payable instead of basic rent if higher than the basic rent payable Miscellaneous charges (subject to review from time to time): (i) Management fee: HK\$5,315.6 (ii) Air-conditioning charges: HK\$9,409
Deed of Variation Date: 10 March 2020	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}		
Lettable Area: 1,893 sq.ft.				
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	1 October 2014 – 30 September 2017	1 October 2017 – 30 September 2020	1 October 2020 – 30 September 2023	<u>Turnover rent:</u> 8% of annual turnover (on an aggregate basis for all shop premises of the Tsuen Wan Citistore)
Agreement Date: 15 October 2014	HK\$5,369,444	7% increase in basic rent from the basic rent of each preceding year	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	Turnover rent payable instead of basic rent if higher than the basic rent payable Miscellaneous charges (subject to review from time to time): (i) Management fee: HK\$393,749 (ii) Air-conditioning charges: HK\$577,174.3
Deed of Variation Date: 10 March 2020	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}		
Lettable Area: 133,469 sq.ft.				

Premises	Term ^{Note 1}			Turnover Rent Provisions and Miscellaneous Monthly Charges
	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	
<p>Shop Nos. G18A, G18B, G19-G23, G/F ^{Notes 1 & 4}</p> <p>Agreement Date: 15 October 2014</p> <p>Deed of Variation Date: 10 March 2020</p> <p>Lettable Area: 2,951 sq.ft.</p>	<p>1 May 2015 – 30 September 2017</p> <p><i>HK\$490,000</i></p>	<p>1 October 2017 – 30 September 2020</p> <p><i>7% increase in basic rent from the basic rent of each preceding year</i></p>	<p>1 October 2020 – 30 September 2023</p> <p><i>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</i></p>	<p><u>Turnover rent:</u> 8% of annual turnover (on an aggregate basis for all shop premises of the Tsuen Wan Citistore)</p> <p>Turnover rent payable instead of basic rent if higher than the basic rent payable</p> <p><u>Miscellaneous charges (subject to review from time to time):</u> (i) Management fee: <i>HK\$8,131.9</i> (ii) Air-conditioning charges: <i>HK\$14,389.5</i></p>
<p>Shop No. G17, G/F ^{Notes 1 & 4}</p> <p>Agreement Date: 15 October 2014</p> <p>Deed of Variation Date: 10 March 2020</p> <p>Lettable Area: 547 sq.ft.</p>	<p>1 October 2015 – 30 September 2017</p> <p><i>HK\$110,000</i></p>	<p>1 October 2017 – 30 September 2020</p> <p><i>7% increase in basic rent from the basic rent of each preceding year</i></p>	<p>1 October 2020 – 30 September 2023</p> <p><i>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</i></p>	<p><u>Turnover rent:</u> 8% of annual turnover (on an aggregate basis for all shop premises of the Tsuen Wan Citistore)</p> <p>Turnover rent payable instead of basic rent if higher than the basic rent payable</p> <p><u>Miscellaneous charges (subject to review from time to time):</u> (i) Management fee: <i>HK\$1,506.4</i> (ii) Air-conditioning charges: <i>HK\$2,665.6</i></p>

Report of the Directors

Premises	Term ^{Note 1}			Turnover Rent Provisions and Miscellaneous Monthly Charges
	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	
(2) Yuen Long Branch of Citistore and UNY at KOLOUR • Yuen Long, 1 Kau Yuk Road, Yuen Long, New Territories, Yuen Long Town Lot No. 464				
Shop Nos. 1-3, 35-39 and 48-49, 2/F (the “First Premises”) Agreement Date: 15 October 2014	1 October 2014 – 30 September 2017 <i>HK\$305,000</i>	1 October 2017 – 30 September 2020 <i>7% increase in basic rent from the basic rent of each preceding year ^{Note 3}</i>	1 October 2020 – 30 September 2023 <i>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</i>	<u>Turnover rent:</u> 8% of annual turnover (on an aggregate basis for all shop premises of the Yuen Long Citistore) Turnover rent payable instead of basic rent if higher than the basic rent payable <u>Miscellaneous charges (subject to review from time to time):</u> (i) Management fee: <i>HK\$28,897</i> (ii) Air-conditioning charges: <i>HK\$25,587</i>
Deed of Variation Date: 4 March 2021 Lettable Area: 4,296 sq.ft.	Not applicable	Not applicable	Monthly basic rent for the period from 1 January 2021 to 30 September 2023 having been adjusted to HK\$400,000 for both the First Premises and the Second Premises (as defined below) in aggregate ^{Note 5}	
Whole of 3/F and 4/F Agreement Date: 15 October 2014	<u>Phase I:</u> 1 October 2014 – 30 June 2015 <i>HK\$1,128,000</i> <u>Phase II:</u> 1 July 2015 – 30 September 2017 <i>HK\$1,297,000</i>	1 October 2017 – 30 September 2020 <i>7% increase in basic rent from the basic rent of each preceding year</i>	1 October 2020 – 30 September 2023 <i>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</i>	<u>Turnover rent:</u> 8% of annual turnover (on an aggregate basis for all shop premises of the Yuen Long Citistore) Turnover rent payable instead of basic rent if higher than the basic rent payable <u>Miscellaneous charges (subject to review from time to time):</u> (i) Management fee: <i>HK\$273,585.6</i> (ii) Air-conditioning charges: <i>HK\$236,004.84</i>
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}		

Premises	Term ^{Note 1}			Turnover Rent Provisions and Miscellaneous Monthly Charges
	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	
Shop Nos. 31-34, 40-42 and 45-47, 2/F (the “Second Premises”) ^{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	Turnover rent: 8% of annual turnover (on an aggregate basis for all shop premises of the Yuen Long Citistore) Turnover rent payable instead of basic rent if higher than the basic rent payable Miscellaneous charges (subject to review from time to time): (i) Management fee: HK\$19,992.5 (ii) Air-conditioning charges: HK\$17,702.5
Deed of Variation Date: 10 March 2020 (the “First Deed”)	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}		
Deed of Variation Date: 4 March 2021 Lettable Area: 2,586 sq.ft.	Not applicable	Not applicable	Monthly basic rent as adjusted by the First Deed for the period from 1 January 2021 to 30 September 2023 having been adjusted to HK\$400,000 for both the First Premises and the Second Premises in aggregate ^{Note 5}	
Whole of B1/F ^{Note 1} Agreement Date: 11 January 2021 Lettable Area: 19,795 sq.ft.	6 April 2020 – 30 September 2023 HK\$1,372,000	Not applicable	Not applicable	Turnover rent: 7% of annual turnover (for business carrying out at the whole of B1/F of the Yuen Long UNY) Turnover rent payable instead of basic rent if higher than the basic rent payable Miscellaneous charges (subject to review from time to time): (i) Management fee: HK\$152,881.3 (ii) Air-conditioning charges: HK\$135,134.3

Report of the Directors

Premises	Term ^{Note 1}			Turnover Rent Provisions and Miscellaneous Monthly Charges
	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	
(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}	1 July 2015 – 30 September 2017	Not applicable	Not applicable	Not applicable
Agreement Date: 15 October 2014	HK\$1,448,000 (as adjusted to HK\$1,425,999 up to February 2017)			
Lettable Area: 53,913 sq.ft. (having moved to the Relocated Premises as mentioned below due to renovation of MOSTown)				
Shop No. 3101 (Relocated Premises), Level 3 ^{Notes 1, 6 & 7}	1 November 2016 (being the lease commencement date of the Relocated Premises) – 30 September 2017	Phase I: 1 October 2017 – 30 September 2018 Phase II: 1 October 2018 – 30 September 2019 Phase III: 1 October 2019 – 30 September 2020 HK\$1,756,117.8	1 October 2020 – 30 September 2023 <i>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</i>	Turnover rent: 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 Miscellaneous charges (subject to review from time to time): (i) Management fee: HK\$726,581.7 (ii) Air-conditioning charges: HK\$512,881.2
Agreement and Supplemental Letter Dates: 15 October 2014 and 21 December 2016 respectively	HK\$1,433,820	HK\$1,534,187.4		
Deed of Variation Date: 10 March 2020	Not applicable	Monthly basic rent for the period from 1 October 2019 to 30 September 2023 having been adjusted from HK\$1,756,117.8 to HK\$1,650,000 ^{Notes 2 & 3}		
Lettable Area: as adjusted to 62,340 sq.ft.				

Premises	Term ^{Note 1}			Turnover Rent Provisions and Miscellaneous Monthly Charges
	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	
Shop No. 2109 (formerly known as Shop Nos. 2E-89B and 2E-89C), Level 2 ^{Note 1}	19 September 2016 – 18 September 2019 <i>HK\$184,800</i>	With option to renew a further term of 36 months exercisable by the tenant <i>Open market rent as agreed between the parties, which shall be no less than HK\$184,000 and not more than HK\$221,760</i>	Not applicable	<u>Turnover rent:</u> 8% of annual turnover (turnover rent payable instead of basic rent if higher than the basic rent payable) Miscellaneous charges (subject to review from time to time): (i) Management fee: <i>HK\$40,721</i> (ii) Air-conditioning charges: <i>HK\$28,744.2</i>
Agreement Date: 11 October 2016 ^{Note 8}				
Renewed Agreement Date: 7 August 2019	19 September 2019 – 18 September 2022	Not applicable	Not applicable	<u>Turnover rent:</u> 8% of annual turnover (turnover rent payable instead of basic rent if higher than the basic rent payable) Miscellaneous charges (subject to review from time to time): (i) Management fee: <i>HK\$43,222.8</i> (ii) Air-conditioning charges: <i>HK\$30,500.8</i>
Lettable Area: 3,360 sq.ft.	<i>HK\$221,760</i> ^{Note 3}			
(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}	<u>Phase I:</u> 1 October 2014 – 30 November 2014 <i>HK\$861,740</i> <u>Phase II:</u> 1 December 2014 – 30 September 2017 <i>HK\$947,920</i>	1 October 2017 – 30 September 2020 <i>HK\$1,184,900</i> ^{Note 3}	1 October 2020 – 30 September 2023 <i>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</i>	<u>Turnover rent:</u> 9.5% of annual turnover (on an aggregate basis for all shop premises of the Tseung Kwan O Citistore) Turnover rent payable instead of basic rent if higher than the basic rent payable
Agreement Date: 15 October 2014				
Memorandum of Rent Review Date: 28 October 2020	Not applicable	Not applicable	<i>Monthly basic rent for the period from 1 October 2020 to 30 September 2023 having been adjusted to HK\$820,000</i> ^{Note 10}	
Lettable Area: 42,680 sq.ft.				

Report of the Directors

Premises	Term ^{Note 1}			Turnover Rent Provisions and Miscellaneous Monthly Charges
	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	
<p>Shop Nos. 2054-56, Level 2</p> <p>Agreement Date: 15 October 2014</p>	<p>1 October 2014 – 30 September 2017</p> <p>HK\$300,000</p>	<p>1 October 2017 – 30 September 2020</p> <p>7% increase in basic rent from the basic rent of each preceding year ^{Note 3}</p>	<p>1 October 2020 – 30 September 2023</p> <p>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</p>	<p><u>Turnover rent:</u> 9.5% of annual turnover (on an aggregate basis for all shop premises of the Tseung Kwan O Citistore)</p> <p>Turnover rent payable instead of basic rent if higher than the basic rent payable</p> <p>Miscellaneous charges (subject to review from time to time): (i) Management fee: HK\$56,379.2 (ii) Air-conditioning charges: HK\$48,805.8</p>
<p>Memorandum of Rent Review Date: 28 October 2020</p> <p>Lettable Area: 12,703 sq.ft.</p>	Not applicable	Not applicable	<p>Monthly basic rent for the period from 1 October 2020 to 30 September 2023 having been adjusted to HK\$280,000 ^{Note 10}</p>	
<p>Shop Nos. 2063-65, Level 2</p> <p>Agreement Date: 15 October 2014</p>	<p>1 October 2014 – 30 September 2017</p> <p>HK\$186,560</p>	<p>1 October 2017 – 30 September 2020</p> <p>7% increase in basic rent from the basic rent of each preceding year</p>	<p>1 October 2020 – 30 September 2023</p> <p>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</p>	<p><u>Turnover rent:</u> 9.5% of annual turnover (on an aggregate basis for all shop premises of the Tseung Kwan O Citistore)</p> <p>Turnover rent payable instead of basic rent if higher than the basic rent payable</p> <p>Miscellaneous charges (subject to review from time to time): (i) Management fee: HK\$29,892.7 (ii) Air-conditioning charges: HK\$25,821.5</p>
<p>Deed of Variation Date: 10 March 2020</p> <p>Lettable Area: 3,392 sq.ft.</p>	Not applicable	<p>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 ^{Notes 2 & 3}</p>		

Premises	Term ^{Note 1}			Turnover Rent Provisions and Miscellaneous Monthly Charges
	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	
Shop Nos. 2052-53, Level 2 ^{Notes 1 & 8} Agreement Date: 3 July 2017	10 July 2017 – 9 July 2020 <i>HK\$271,253</i>	With option to renew a further term to 30 September 2023 exercisable by the tenant <i>Open market rent as agreed between the parties, which shall be no less than HK\$271,253 and not more than HK\$311,941</i> ^{Note 3}	Not applicable	<u>Turnover rent:</u> 9.5% of annual turnover (on an aggregate basis for all shop premises of the Tseung Kwan O Citistore) Turnover rent payable instead of basic rent if higher than the basic rent payable <u>Miscellaneous charges (subject to review from time to time):</u> (i) Management fee: <i>HK\$130,641.8</i> (ii) Air-conditioning charges: <i>HK\$112,790.2</i>
Renewed Agreement Date: 24 February 2021 Lettable Area: 12,893 sq.ft.	10 July 2020 – 30 September 2023 <i>HK\$320,000</i>	Not applicable	Not applicable	<u>Turnover rent:</u> 9.5% of annual turnover (on an aggregate basis for all shop premises of the Tseung Kwan O Citistore) Turnover rent payable instead of basic rent if higher than the basic rent payable <u>Miscellaneous charges (subject to review from time to time):</u> (i) Management fee: <i>HK\$134,496.2</i> (ii) Air-conditioning charges: <i>HK\$116,238.8</i>
(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 <i>HK\$890,000</i>	1 October 2017 – 30 September 2020 <i>7% increase in basic rent from the basic rent of each preceding year</i>	1 October 2020 – 30 September 2023 <i>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</i>	<u>Turnover rent:</u> 8% of annual turnover (turnover rent payable instead of basic rent if higher than the basic rent payable) <u>Miscellaneous charges (subject to review from time to time):</u> (i) Management fee: <i>HK\$66,841.7</i> (ii) Air-conditioning charges: <i>HK\$141,464</i>
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}		

Report of the Directors

Premises	Term ^{Note 1}			Turnover Rent Provisions and Miscellaneous Monthly Charges
	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	
(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}	<u>Phase I:</u> 1 October 2014 – 31 July 2015 <i>HK\$386,308</i>	1 October 2017 – 30 September 2020 <i>HK\$483,567</i>	Not applicable	<u>Turnover rent:</u> Not applicable
Agreement Date: 15 October 2014	<u>Phase II:</u> 1 August 2015 – 30 September 2017 <i>HK\$420,394</i>			Miscellaneous charges (subject to review from time to time): (i) Management fee: <i>HK\$58,400.7</i> (ii) Air-conditioning charges: <i>HK\$60,218.7</i> (iii) Additional air-conditioning charges: <i>HK\$5,329.2</i>
Renewed Agreement Date: 4 March 2021	1 October 2020 – 30 September 2023	Not applicable	Not applicable	<u>Turnover rent:</u> Not applicable
Lettable Area: 22,724 sq.ft. (expressed in terms of gross floor area)	<i>HK\$481,000</i>			Miscellaneous charges (subject to review from time to time): (i) Management fee: <i>HK\$74,534.8</i> (ii) Air-conditioning charges: <i>HK\$76,807.2</i>

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 these 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 lingering COVID-19 pandemic in 2020 leading to weak retail market, the landlords granted certain rental concessions in respect of these premises to Citistore HK in an aggregate amount of approximately HK\$23,270,000 for the seven months from February 2020 to April 2020 and from June 2020 to September 2020.*
4. *The tenancy agreements in respect of these premises provide for a rent-free period of 3 months.*
5. *The monthly basic rents for the First Premises and the Second Premises in respect of the period from 1 January 2021 to 30 September 2023 were adjusted in accordance with the deed of variation entered into between Citistore HK and the relevant landlords on 4 March 2021 by reference to the independent rental valuation of these premises on a combined basis.*
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 monthly basic rents for these premises in respect of the period from 1 October 2020 to 30 September 2023 were revised at market rental in accordance with the memoranda of rent review entered into between Citistore HK and the agent of the relevant landlords on 28 October 2020 by reference to the independent rental valuation.*
11. *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.*
12. *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.*

Report of the Directors

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	2020	2021	2022	2023 ¹
HK\$ million	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\$831,000 which has been included in the aggregate rents under the Framework Agreement.

For the year ended 31 December 2020, the Group paid approximately HK\$193,772,000 representing the aggregate rents under the Framework Agreement (including all the HLD Tenancy Agreements) (collectively the “Framework Tenancy Transactions”).

Other Connected/Continuing Connected Transactions

The Company had the following connected/continuing connected transactions, each of which, as disclosed by way of announcement, was subject to the reporting and announcement requirements but exempt from independent shareholders’ approval requirement under Chapter 14A of the Listing Rules:

(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 the landlords (HKF Property Investment Limited and Lenfield Limited, both being subsidiaries of HK Ferry) 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 (the “HKF Premises”) 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 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. A formal tenancy renewal agreement pursuant to the terms and conditions of the 2017 Tenancy Renewal Offer Letter was subsequently entered into by the relevant parties on 15 January 2018 (the “2018 Tenancy Agreement”).

Report of the Directors

- (ii) As disclosed in the announcement dated 9 June 2020 (the “2020 Announcement”), the term of the 2018 Tenancy Agreement expired on 30 June 2020. On 9 June 2020, Citistore HK as tenant and HREAL as agent of the landlords (HKF Property Investment Limited and Lenfield Limited) entered into a tenancy renewal offer letter (the “2020 Tenancy Renewal Offer Letter”) to renew the tenancy of the HKF Premises for a term of one year from 1 July 2020 to 30 June 2021 at a fixed monthly basic rent of HK\$318,000, 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 government rates, air-conditioning charges and promotional levy.

In accordance with the applicable Hong Kong Financial Reporting Standards, the Group recognised the basic rent (being fixed payments) as an acquisition of right-of-use asset of capital in nature taking into account the carrying amount of such right-of-use asset, i.e. approximately HK\$4,000,000 recognised by the Group during the year, having been initially measured on the basis of the discounted present value of the fixed basic rent payable by the Group under the 2020 Tenancy Renewal Offer Letter. Such acquisition of right-of-use asset constituted a one-off connected transaction of the Company under Chapter 14A of the Listing Rules. The turnover rent, management fee, air-conditioning charges and other miscellaneous charges payable by the Group under the 2020 Tenancy Renewal Offer Letter (being variable payments) are being recognised as expenses in the Group’s profit and loss accounts in the periods in which they are incurred, and the payment of such expenses is regarded as a continuing connected transaction of the Company under Chapter 14A.31 of the Listing Rules. A formal tenancy renewal agreement pursuant to the terms and conditions of the 2020 Tenancy Renewal Offer Letter was subsequently entered into by the relevant parties on 21 October 2020 (the “2020 Tenancy Agreement”).

(B) Master Agreements entered into with HLD Group

The Company has entered into certain master agreements with HLD and a subsidiary of HLD. As HLD and the subsidiary of HLD are connected persons of the Company, the transactions under such master agreements constitute continuing connected transactions of the Company and the principal terms thereof are summarised below:

(i) *Cleaning Services Agreement*

On 23 June 2017, the Company and Broad Capital Limited, a subsidiary of HLD, entered into a master agreement 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 “2017 Cleaning Services Agreement”). As disclosed in the 2020 Announcement, in order to enable the Group to make arrangements in advance for continuing provision of cleaning services for the stores, shops and other premises operated by the Group, the same parties entered into a new master agreement on 9 June 2020 for a term of three years from 1 December 2020 to 30 November 2023 in relation to the provision of cleaning services to any subsidiary of the Group for fees to be settled on monthly basis (the “2020 Cleaning Services Agreement”). Under both the 2017 Cleaning Services Agreement and the 2020 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.

(ii) Gift Certificates Sales Agreement

As disclosed in the 2020 Announcement, the Company and HLD entered into a master agreement on 9 June 2020 for a term of three years from 1 July 2020 to 30 June 2023, pursuant to which HLD Group may from time to time purchase gift certificates from any member of the Group, at prices as from time to time quoted or offered for public purchase of the gift certificates (the “Gift Certificates Sales Agreement”). The purchase price of the gift certificates is to be settled within three months of the relevant purchase.

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

	Financial year ended 31 December 2020 (HK\$)	Financial year ending 31 December 2021 (HK\$)	Financial year ending 31 December 2022 (HK\$)	Financial year ending 31 December 2023 (HK\$)
(i) Annual caps for the aggregate amounts payable by the Group				
2018 Tenancy Agreement	7,500,000 ^{1&7}	Not applicable	Not applicable	Not applicable
2020 Tenancy Agreement	3,500,000 ^{2&7}	3,500,000 ³	Not applicable	Not applicable
2017 Cleaning Services Agreement	9,506,000 ¹	Not applicable	Not applicable	Not applicable
2020 Cleaning Services Agreement	864,000 ²	11,700,000	13,300,000	13,700,000 ⁴
(ii) Annual caps for the aggregate amounts receivable by the Group				
Gift Certificates Sales Agreement	3,000,000 ²	6,000,000	6,000,000	3,000,000 ⁴

The amounts actually paid/received by the Group under the transactions as contemplated in the respective agreements mentioned above (collectively, the “Other Citistore Transactions”) for the year ended 31 December 2020 are set out below:

	For the year ended 31 December 2020 (Approx. HK\$)
(i) Amounts actually paid by the Group	
2018 Tenancy Agreement	3,133,000 ^{5&7}
2020 Tenancy Agreement	1,644,000 ^{6&7}
2017 Cleaning Services Agreement	7,186,000 ⁵
2020 Cleaning Services Agreement	645,000 ⁶
(ii) Amounts actually received by the Group	
Gift Certificates Sales Agreement	960,000 ⁶

Notes:

1. These annual caps relate to the period from 1 January 2020 up to the expiration date of the respective agreements.
2. These annual caps relate to the period from the commencement date of the term of the respective agreements up to 31 December 2020.
3. This annual cap relates to the period from 1 January 2021 up to the expiration date of the 2020 Tenancy Agreement.
4. These annual caps relate to the period from 1 January 2023 up to the expiration date of the respective agreements.
5. These amounts relate to the period from 1 January 2020 up to the expiration date of the respective agreements.
6. These amounts relate to the period from the commencement date of the term of the respective agreements up to 31 December 2020.
7. The relevant annual cap and the relevant amount represent the turnover rent, management fees, air-conditioning charges and other miscellaneous charges (exclusive of Government rates) payable/paid by Citistore HK.

Report of the Directors

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 been approved by the Board; (b) were not, in all material respects, in accordance with the pricing policies of the Group; (c) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (d) 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 page 129 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 2020, 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 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 2020:

- (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.

Discussion and Analysis of Performance

A discussion and analysis of the Group's performance during the year ended 31 December 2020 is shown on pages 10 to 16.

Sustainability

The report on sustainability 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 125.

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 2021

Biographical Details of Directors and Senior Management

Executive Directors

LEE Ka Shing, *JP*, aged 49, 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 and a member of the Council of City University of Hong Kong. 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 and the brother-in-law of Mr Li Ning.

Dr LEE Ka Kit, *GBS, JP, DBA (Hon)*, aged 57, 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 and the brother-in-law of Mr Li Ning.

Biographical Details of Directors and Senior Management

Dr LAM Ko Yin, Colin, SBS, FCILT, FHKIoD, DB (Hon), aged 69, 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 47 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, an honorary Court member of Hong Kong Baptist University, a member of the Court of The Hong Kong University of Science and Technology and a member of the Court of City University of Hong Kong. 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 64, 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 and the brother-in-law of Dr Lee Ka Kit and Mr Lee Ka Shing.

Independent Non-executive Directors

KWONG Che Keung, Gordon, FCA, aged 71, 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, COSCO SHIPPING International (Hong Kong) Co., Ltd., FSE Services Group 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 Wealthking Investments Limited (formerly known as OP Financial Limited) until 27 August 2019 and Global Digital Creations Holdings Limited until 22 May 2020. Henderson Land has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

Professor KO Ping Keung, PhD, FIEEE, JP, aged 70, 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 Electronic and Computer 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 Futures Ordinance.

WU King Cheong, BBS, JP, aged 70, 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 74, 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. Currently, Mr Au is an independent non-executive director of Wharf Real Estate Investment Company Limited and Miramar Hotel and Investment Company, Limited, and a non-executive director of Hong Kong Ferry (Holdings) 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, FCG*, aged 63, 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 58, 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

78	Independent Auditor's Report
82	Consolidated Statement of Profit or Loss
83	Consolidated Statement of Profit or Loss and Other Comprehensive Income
84	Consolidated Statement of Financial Position
85	Consolidated Statement of Changes in Equity
86	Consolidated Cash Flow Statement
87	Notes to the Consolidated Financial Statements
131	Principal Subsidiaries

Independent Auditor's Report



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 82 to 131, which comprise:

- the consolidated statement of financial position at 31 December 2020;
- 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 2020, 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 (“HKSA”) 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
<p>Goodwill impairment assessment</p> <p>Refer to note 19 to the consolidated financial statements.</p> <p>As at 31 December 2020, 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”).</p> <p>For both Citistore and UNY, management has concluded that there was no impairment of goodwill as at 31 December 2020. 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 2021 to 2025 of each cash-generating unit and the discount rate.</p> <p>We focused on auditing the goodwill impairment assessment because the estimation of the significant assumptions used in the goodwill impairment assessment is subject to a high degree of estimation uncertainty.</p>	<p>Our procedures in relation to management’s impairment assessment on each cash-generating unit included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the management’s internal control and assessment process of the goodwill impairment assessment and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • 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 2021 to 2025 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. <p>We found the goodwill impairment assessment performed by management to be supportable based on available evidence.</p>

Independent Auditor's Report

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 HKSAAs 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 HKSAAs, 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, actions taken to eliminate threats or safeguards applied.

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 2021

Consolidated Statement of Profit or Loss

for the year ended 31 December 2020

	Note	2020 HK\$ million	2019 HK\$ million
Revenue	5	1,829	1,707
Direct costs		(1,581)	(1,464)
		248	243
Other revenue	6	11	12
Other income/(expense), net	7	57	(8)
Selling and marketing expenses		(30)	(33)
Administrative expenses		(108)	(98)
Profit from operations		178	116
Finance costs on lease liabilities	8(c)	(36)	(44)
Profit before taxation	8	142	72
Income tax	11	(15)	(10)
Profit attributable to equity shareholders of the Company for the year		127	62
		HK cents	HK cents
Earnings per share			
– Basic and diluted	14	4.2	2.0

The notes on pages 87 to 131 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 2020

	2020 HK\$ million	2019 HK\$ million
Profit attributable to equity shareholders of the Company for the year	127	62
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)	(8)	(3)
Total comprehensive income attributable to equity shareholders of the Company for the year	119	59

The notes on pages 87 to 131 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

at 31 December 2020

	Note	2020 HK\$ million	2019 HK\$ million
Non-current assets			
Fixed assets	15	110	118
Right-of-use assets	16	552	699
Trademarks	17	41	42
Investments in listed securities designated as financial assets at fair value through other comprehensive income	18	45	53
Goodwill	19	1,072	1,072
Deferred tax assets	26	26	26
		1,846	2,010
Current assets			
Inventories	20	121	110
Trade and other receivables	21	48	63
Cash and bank balances	22	415	363
		584	536
Current liabilities			
Trade and other payables	23	380	382
Lease liabilities	24	261	222
Amounts due to affiliates	25	1	1
Current taxation		4	21
		646	626
Net current liabilities		(62)	(90)
Total assets less current liabilities		1,784	1,920
Non-current liabilities			
Lease liabilities	24	413	608
Provision for reinstatement costs		17	17
Deferred tax liabilities	26	7	7
		437	632
NET ASSETS		1,347	1,288
CAPITAL AND RESERVES			
Share capital	29(c)	612	612
Reserves		735	676
TOTAL EQUITY		1,347	1,288

Approved and authorised for issue by the Board of Directors on 23 March 2021.

Lee Ka Shing
Lee Ka Kit

Directors

The notes on pages 87 to 131 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020

	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 2019		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)
Balance at 31 December 2019		612	10	(7)	673	1,288
Balance at 1 January 2020		612	10	(7)	673	1,288
Changes in equity for 2020:						
Profit for the year		–	–	–	127	127
Other comprehensive income for the year		–	–	(8)	–	(8)
Total comprehensive income for the year		–	–	(8)	127	119
Final dividend approved in respect of the previous financial year	13(b)	–	–	–	(30)	(30)
Interim dividend declared in respect of the current financial year	13(a)	–	–	–	(30)	(30)
Balance at 31 December 2020		612	10	(15)	740	1,347

The notes on pages 87 to 131 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2020

	Note	2020 HK\$ million	2019 HK\$ million
Operating activities			
Profit before taxation		142	72
Adjustments for:			
Bank interest income	7	(4)	(8)
Dividend income from investments in listed securities designated as financial assets at fair value through other comprehensive income	7	(1)	(3)
Net gain on disposal of a subsidiary	7	–	(2)
Fixed assets written off	7	3	–
Amortisation of trademarks	8(c)	1	2
Depreciation on fixed assets	8(c)	45	35
Depreciation on right-of-use assets	8(c)	228	216
Finance costs on lease liabilities	8(c)	36	44
Rent concession and reduction	24	(23)	(13)
Operating profit before changes in working capital		427	343
(Increase)/decrease in inventories		(11)	13
Decrease in trade and other receivables		13	4
Decrease in trade and other payables		–	(41)
Decrease in amounts due to affiliates		–	(2)
Cash generated from operations		429	317
Tax paid in Hong Kong		(33)	(2)
Net cash generated from operating activities		396	315
Investing activities			
Interest received		5	9
Dividends received from investments in listed securities designated as financial assets at fair value through other comprehensive income	7	1	3
Additions to fixed assets		(45)	(57)
Proceeds from disposal of a subsidiary	7	–	2
Decrease/(increase) in deposits with banks over three months of maturity at acquisition		20	(2)
Net cash used in investing activities		(19)	(45)
Financing activities			
Dividends paid to shareholders	13	(60)	(122)
Interest payments of lease liabilities to affiliates		(25)	(32)
Principal repayments of lease liabilities to affiliates		(117)	(145)
Interest payments of lease liabilities to third parties		(12)	(12)
Principal repayments of lease liabilities to third parties		(91)	(63)
Net cash used in financing activities		(305)	(374)
Net increase/(decrease) in cash and cash equivalents		72	(104)
Cash and cash equivalents at 1 January		343	447
Cash and cash equivalents at 31 December	22	415	343

The notes on pages 87 to 131 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2020

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 stores and supermarket-cum-stores operations.

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 a number of amendments to HKFRSs and HKASs and a revised Conceptual Framework 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:

- Amendments to HKFRS 3, *Definition of a business*
- Amendments to HKAS 1 and HKAS 8, *Definition of material*
- Revised Conceptual Framework

The directors of the Company (“Directors”) have assessed and considered that none of the abovementioned amendments has any material impact on the Group’s financial position at 31 December 2020 or the Group’s financial performance for the year then ended.

Also, the Group as a lessee has early adopted the amendment to HKFRS 16, *COVID-19-related rent concessions*, in the Group’s consolidated financial statements for the current accounting period. Under the amendment, the Group has applied the practical expedient to all qualifying COVID-19-related rent concessions (see note 2(i)) to elect not to assess whether such rent concessions are lease modifications and account for such rent concessions as if they were not lease modifications.

During the year ended 31 December 2020, the Group recognised a credit before tax of HK\$23 million in profit or loss to reflect changes in lease payments (see note 24) that arose from rent concessions to which the Group as a lessee has applied the practical expedient.

While the amendment requires retrospective application with the cumulative effect of initially applying this amendment recognised as an adjustment to the opening balance of equity at the beginning of the reporting period in which the lessee first applies the amendment, there is no impact on the opening balances of the Group’s consolidated statement of financial position at 1 January 2020.

2 Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

Save as disclosed above, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments to HKFRSs and HKASs, which are not yet effective for the financial year ended 31 December 2020 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 HKAS 16, <i>Property, plant and equipment: Proceeds before intended use</i>	1 January 2022
Amendments to HKAS 37, <i>Provisions, contingent liabilities and contingent assets : Onerous contracts – costs of fulfilling a contract</i>	1 January 2022
Amendments to HKFRS 3, <i>Business combinations: Reference to the Conceptual Framework</i>	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
Amendments to HKAS 1, <i>Classification of liabilities as current or non-current</i>	1 January 2023

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 2020 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. Given the COVID-19 pandemic has caused and will likely cause significant disruptions to economic activities, the uncertainties associated with accounting estimates and assumptions may also be increased accordingly.

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 statements (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 2020, the Group was in a net current liabilities position of HK\$62 million (2019: HK\$90 million). This was mainly due to the recognition of the current portion of lease liabilities of HK\$261 million (2019: HK\$222 million) under 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' attributable share of 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 stores 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 are 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.

Under HKFRS 16, *Leases*, 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 recognition exemption under HKFRS 16, *Leases*, 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.

When a 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 rate 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 lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract (i.e. lease modification") that is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are COVID-19-related rent concessions, which are rent concessions that arose as a direct consequence of the COVID-19 pandemic and where all of the following conditions are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

2 Significant accounting policies (continued)

(i) Leased assets (continued)

The Group as a lessee applies the practical expedient to all qualifying COVID-19-related rent concessions to elect not to assess whether such rent concessions are lease modifications and account for such rent concessions as if they were not lease modifications.

When a lease is capitalised, the right-of-use asset recognised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the lease commencement, 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 lease to the end of the term of the lease, taking into consideration any renewal options attaching thereto (if any). The Group presents the right-of-use asset separately from the lease liabilities in the statement of financial position.

(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 deferred tax assets 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 and other income recognition

Revenue and other income are 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 and other income are recognised in profit or loss as follows:

(i) *Sales of goods*

Revenue arising from the sales of goods from department stores and supermarket-cum-stores operations 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 and sundry income*

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

(iv) *Rental income for antenna sites*

Rental income for antenna sites is recognised over the lease term.

(v) *Interest income*

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

(vi) *Administration fee income*

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

(vii) *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.

(viii) *Government subsidies*

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grants will be received and all the attached conditions (if any) will be complied with. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

2 Significant accounting policies (continued)

(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.

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 (see note 2(m)(ii))

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 2020, the Group has recognised deferred tax assets in relation to the difference between depreciation on fixed assets and the related depreciation allowances, 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 on the assets, the Group compares the risk of default occurring 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 2020 and 2019 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. Given that the COVID-19 pandemic has caused and will likely cause disruptions to economic activities, the Group has adopted appropriate policies for its liquidity risk management practices which takes into account the use of alternative sources of funding where necessary. This includes the Group's available cash and bank balances (see note 22), the Group's investments in unpledged listed securities (see note 18) which are realisable into cash, and the banking facility available to the Group (see note 33).

Notes to the Consolidated Financial Statements
for the year ended 31 December 2020

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 at amortised cost (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:

	2020					Total HK\$ million	Carrying amount HK\$ million
	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			
Trade and other payables (excluding contract liabilities and provision for reinstatement costs)	361	1	–	–	362	362	
Lease liabilities	285	222	213	1	721	674	
Amounts due to fellow subsidiaries	1	–	–	–	1	1	
	647	223	213	1	1,084	1,037	

	2019					Total HK\$ million	Carrying amount HK\$ million
	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			
Trade and other payables (excluding contract liabilities)	365	3	–	–	368	368	
Lease liabilities	256	260	375	15	906	830	
Amounts due to fellow subsidiaries	1	–	–	–	1	1	
	622	263	375	15	1,275	1,199	

(c) Interest rate risk

At 31 December 2020 and 31 December 2019, the Group did not have any borrowings or liabilities (excluding the Group's lease liabilities recognised under HKFRS 16) 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 years ended 31 December 2020 and 31 December 2019, 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 2020 and 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 2020 and 31 December 2019, 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 2020 and 31 December 2019.

Other financial assets and liabilities are carried at amounts not materially different from their fair values at 31 December 2020 and 31 December 2019.

During the years ended 31 December 2020 and 31 December 2019, 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 years ended 31 December 2020 and 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 2020 had increased/decreased by 5% (2019: 5%), with all other variables held constant, the total equity of the Company would increase/decrease by HK\$2 million (2019: HK\$3 million).

Notes to the Consolidated Financial Statements
for the year ended 31 December 2020

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:

	2020 HK\$ million	2019 HK\$ million
Sales of goods	1,404	1,220
Commission income from consignment counters (note (i))	304	329
Commission income from concessionaire counters (note (i))	108	146
Promotion income	7	7
Administration fee income	6	5
	1,829	1,707

Note:

- (i) During the year ended 31 December 2020, Citistore (Hong Kong) Limited (“Citistore”) has granted concessions on the commissions payable by the operators of the consignment counters and concessionaire counters, in the form of reductions in the basic commissions payable by such operators to Citistore and/or the percentage of the sales revenue of the consignment counters and concessionaire counters which forms the basis on which variable commissions are payable by such operators to Citistore. The financial impact arising from the grant of the aforementioned concessions, as well as the adverse effect on Citistore’s revenue performance due to the COVID-19 pandemic, have together resulted in a decrease in the aggregate commission income of HK\$63 million to the Group for the year ended 31 December 2020.

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

	2020 HK\$ million	2019 HK\$ million
Receipts from sales of goods by consignment counters	1,111	1,181
Receipts from sales of goods by concessionaire counters	347	496
	1,458	1,677

6 Other revenue

	2020 HK\$ million	2019 HK\$ million
Sponsorship fees	2	2
Rental income for antenna sites	3	3
Sundry income	6	7
	11	12

7 Other income/(expense), net

	2020 HK\$ million	2019 HK\$ million
Bank interest income	4	8
Dividend income	1	3
Net gain on disposal of a subsidiary (note (i))	–	2
Rental expenditure of a shop premise which ceased business operation	–	(22)
Government subsidies (note (ii))	55	–
Fixed assets written off	(3)	–
Others	–	1
	57	(8)

Notes:

- (i) This related to the Group's disposal during the corresponding year ended 31 December 2019 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.
- (ii) Included in the amount of government subsidies recognised for the year ended 31 December 2020 is an amount of HK\$54 million, being the aggregate amount of approved subsidies from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by the Government of the Hong Kong Special Administrative Region of the People's Republic of China ("HKSAR Government"), for the Group's subsidiaries, namely Citistore and Unicorn Stores (HK) Limited ("UNY"), in the amounts of HK\$32 million and HK\$22 million respectively. The aforementioned amounts of approved subsidies were duly received by Citistore and UNY in two tranches during the year ended 31 December 2020, and were applied towards the payroll costs for the months of June 2020, July 2020 and August 2020 (under the first tranche) and for the months of September 2020, October 2020 and November 2020 (under the second tranche) respectively. There were no unfulfilled conditions or other contingencies attaching to these grants.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2020

8 Profit before taxation

Profit before taxation is arrived at after charging:

	2020 HK\$ million	2019 HK\$ million
(a) Directors' emoluments:		
Directors' fees, salaries, allowances and benefits-in-kind	1	1
Details of the Directors' emoluments are set out in note 9.		
(b) Staff costs (other than Directors' emoluments):		
Salaries, wages and other benefits	257	238
Contributions to defined contribution retirement plans	12	11
(c) Other items:		
Amortisation of trademarks (note 17)	1	2
Depreciation		
– on fixed assets (note 15)	45	35
– on right-of-use assets (note (ii)) (note 16)	228	216
Auditors' remuneration		
– audit services	2	2
– other services	–	–
Finance costs on lease liabilities (note (ii)) (notes 24 and 34)	36	44
Expenses relating to short-term leases (note (ii))	3	29
Other charges in respect of rental premises		
– net of rent concessions (notes (i) and (ii))	71	94
Cost of inventories sold (note 20)	973	841

Notes:

- (i) Included contingent rental expenses of HK\$Nil (2019: HK\$2 million) during the year.
- (ii) For the purpose of comparison between the two financial years ended 31 December 2020 and 31 December 2019, the depreciation charge on right-of-use assets of HK\$228 million (2019: HK\$216 million), the finance cost on lease liabilities of HK\$36 million (2019: HK\$44 million) and the rental and related expenses of HK\$74 million (2019: HK\$123 million) are aggregated which amounted to HK\$338 million for the year ended 31 December 2020 (2019: HK\$383 million). The year-on-year decrease of HK\$45 million is mainly attributable to the decrease in turnover rentals payable by Citistore due to the decrease in revenue during the year ended 31 December 2020, as well as the grant to Citistore by the landlords of the store outlets of rent concessions in 2020 in the aggregate amount of HK\$23 million.

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:

	2020					Total HK\$'000
	Directors' fees HK\$'000	Salaries, allowances and benefits-in-kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000		
Executive Directors						
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*	25	–	–	–		25
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	425	800	–	–		1,225

* Retired on 8 June 2020.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2020

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)

	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.

During the years ended 31 December 2020 and 31 December 2019, all the emoluments received by the Directors were in respect of their services as directors of the Company and/or its subsidiary undertakings.

During the year ended 31 December 2020 and at 31 December 2020, 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) (2019: None).

During the year ended 31 December 2020 and at 31 December 2020, 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) (2019: 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:

	2020 HK\$ million	2019 HK\$ million
Salaries, allowances and benefits-in-kind	5	5
Discretionary bonuses	1	1
Retirement scheme contributions	–	–
	6	6

Their emoluments are within the following bands:

	Number of individuals	
	2020	2019
HK\$1,000,000 or below	1	1
HK\$1,000,001 to HK\$2,000,000	4	4
	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 2020 (of which these consolidated financial statements form a part) received no emoluments from the Group during the year (2019: Nil).

Notes to the Consolidated Financial Statements
for the year ended 31 December 2020

11 Income tax

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

	2020 HK\$ million	2019 HK\$ million
Current tax – Hong Kong		
– provision for the year	14	17
– under-provision in respect of prior years	1	–
Deferred taxation		
– origination and reversal of temporary differences (note 26)	–	(7)
	15	10

Provision for Hong Kong Profits Tax has been made at 16.5% (2019: 16.5%) on the estimated assessable profits for the year, taking into account a one-off reduction of 100% (2019: 100%) of the tax payable for the year of assessment 2019/20 subject to a ceiling of HK\$20,000 (2018/19: HK\$20,000) for each business allowed by the HKSAR Government.

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

	2020 HK\$ million	2019 HK\$ million
Profit before taxation	142	72
Notional tax on profit before taxation, calculated at the Hong Kong Profits Tax rate of 16.5% (2019: 16.5%)	23	12
Tax effect of non-taxable income	(10)	(2)
Tax effect of non-deductible expenses	1	–
Under-provision in respect of prior years	1	–
Income tax	15	10

12 Segment reporting

No segmental information for the year ended 31 December 2020 is presented as the Group's revenue and trading results for the year were generated solely from its department stores and supermarket-cum-stores operations in Hong Kong, the revenue of which amounted to HK\$1,829 million (2019: HK\$1,707 million) during the year and the pre-tax profit from operation (after finance costs on lease liabilities) of which amounted to HK\$142 million (2019: HK\$65 million) during the year.

Geographical information

Since all of the Group's revenue was generated in Hong Kong during the years ended 31 December 2020 and 31 December 2019, and all of the Group's fixed assets, right-of-use assets, trademarks and goodwill at 31 December 2020 and 31 December 2019 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

	2020 HK\$ million	2019 HK\$ million
Interim dividend declared and paid of HK1 cent (2019: HK2 cents) per share	30	61
Final dividend proposed after the end of the reporting period of HK1 cent (2019: HK1 cent) per share	30	30
	60	91

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

	2020 HK\$ million	2019 HK\$ million
Final dividend in respect of the previous financial year, approved and paid during the year of HK1 cent (2019: HK2 cents) per share	30	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\$127 million (2019: HK\$62 million) and 3,047,327,395 (2019: 3,047,327,395) ordinary shares, being the number of ordinary shares in issue throughout the year.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2020

15 Fixed assets

	Leasehold improvements HK\$ million	Furniture and equipment HK\$ million	Motor vehicles HK\$ million	Total HK\$ million
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
Cost:				
At 1 January 2020	194	71	1	266
Additions	17	23	–	40
Written off	(1)	(15)	–	(16)
At 31 December 2020	210	79	1	290
Accumulated depreciation:				
At 1 January 2020	128	19	1	148
Charge for the year (note 8(c))	30	15	–	45
Written off	(1)	(12)	–	(13)
At 31 December 2020	157	22	1	180
Net book value:				
At 31 December 2020	53	57	–	110

16 Right-of-use assets

	2020 HK\$ million	2019 HK\$ million
Cost:		
At 1 January	1,494	1,406
Transfer from fixed assets (note 15)	–	3
Addition for the year (note 24)	92	156
Change in basic rent due to modification of certain lease terms (note 24)	(15)	(71)
Reassessment of lease term (note 24)	(1)	–
Lease payment made before lease commencement	1	–
Reinstatement cost	4	–
Write back on expiry of leases	(2)	–
At 31 December	1,573	1,494
Accumulated depreciation:		
At 1 January	(795)	(579)
Charge for the year (note 8(c))	(228)	(216)
Write back on expiry of leases	2	–
At 31 December	(1,021)	(795)
Net book value:		
At 31 December	552	699

Except for short-term leases and leases of low-value assets of the Group in which the Company or any of its subsidiaries is a lessee and in relation to which the recognition exemption under HKFRS 16 is applicable, the Group recognises for each of the remaining leases (the “Remaining Leases”) a right-of-use asset.

Depreciation charge on the right-of-use assets is recognised using the straight-line method during the period of 1 year to 9 years, being the period from the dates of the commencement/modification of the Remaining Leases to the end of the term of the Remaining Leases taking into consideration the renewal options attaching thereto (if any).

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

17 Trademarks

	2020 HK\$ million	2019 HK\$ million
Cost:		
At 1 January and 31 December	51	51
Accumulated amortisation:		
At 1 January	9	7
Charge for the year (note 8(c))	1	2
At 31 December	10	9
Carrying amount:		
At 31 December	41	42

On 1 December 2014, the Company completed its acquisition of the entire issued share capital of Camay Investment Limited and its subsidiaries, namely Citistore which is engaged in department stores operation 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 (2019: HK\$7 million) arising from the fair value adjustment on business combination in 2014 (i.e. in relation to the trademarks) was recognised at 31 December 2020 (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 2020.

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 2020 and 31 December 2019, 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 2020 amounted to HK\$1 million (2019: 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

	2020 HK\$ million	2019 HK\$ million
Citistore Goodwill (as defined below)	810	810
UNY Goodwill (as defined below)	262	262
	1,072	1,072

(a) Citistore Goodwill

As a result of the Citistore Acquisition (see note 17), goodwill (the “Citistore Goodwill”) was recognised in the Group’s consolidated statement of financial position at 1 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 stores 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 fair value less cost of disposal of the cash-generating unit under Citistore. 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 and other rental premises for each of the future five forecast years ending 31 December 2021, 2022, 2023, 2024 and 2025 recognised as lease liabilities at 31 December 2020) of the cash-generating unit which is determined on the basis of the discounted cashflow model and management’s expectations of market development and management’s plan on the opening of new stores, and the following assumptions:

- (i) an average increase of 4.9% in the forecast receipts from gross sales annually over the future five forecast years ending 31 December 2021, 2022, 2023, 2024 and 2025;
- (ii) a terminal value into perpetuity in accordance with the perpetual growth model, which is determined based on an annual forecast net cash inflow subsequent to the year ending 31 December 2025 and assuming a terminal perpetual annual growth rate of 2%; and
- (iii) an estimated cost of disposal which is determined based on the Group’s experience with disposal of assets/businesses and in line with industry benchmarks.

The abovementioned forecast changes in the receipts from gross sales in each of the future five forecast years ending 31 December 2021, 2022, 2023, 2024 and 2025 are based on the expectations of the Group’s management of their plans and market development as at 31 December 2020. A post-tax discount rate of 11% (2019: 11%), which represents the Group’s current market assessment of the risks specific to the cash-generating unit under Citistore, is used to determine the discount factor under the discounted cashflow model.

The Directors have assessed that there was no impairment on the Citistore Goodwill at 31 December 2020.

19 Goodwill (continued)

(a) Citistore Goodwill (continued)

At 31 December 2020, in relation to the cash-generating unit under Citistore, the recoverable amount calculated based on fair value less cost of disposal (after deducting the carrying amounts of the fixed assets, trademarks, right-of-use assets and negative working capital of Citistore at 31 December 2020) exceeded the carrying value. If the post-tax discount rate had been 1% higher, the Directors have assessed that it would not result in an impairment loss on the Citistore Goodwill. If the forecast receipts from gross sales for each of the future five forecast years ending 31 December 2021, 2022, 2023, 2024 and 2025 had been 6% lower, there would be a potential implication for impairment on the Citistore Goodwill in the estimated amount of HK\$188 million. In this regard, by adopting a 6% decrease in the forecast receipts from gross sales of Citistore for each of the future five forecast years ending 31 December 2025 in the aforementioned sensitivity analysis, consideration has been given to, among others, (i) the feature of Citistore's business operation of department stores in Hong Kong; (ii) the sensitivity of Citistore's business operation to the economic and market conditions in Hong Kong; and (iii) Citistore's actual versus budgeted financial performances in the past years.

(b) UNY 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", which was renamed as Unicorn Stores (HK) Limited on 27 July 2018) (the "UNY Acquisition"). As a result of the UNY Acquisition, goodwill (the "UNY 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 Goodwill is allocated to the Group's supermarket-cum-stores operation under UNY 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. 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 and other rental premises for each of the future five forecast years ending 31 December 2021, 2022, 2023, 2024 and 2025 recognised as lease liabilities at 31 December 2020) of the cash-generating unit which is determined on the basis of the discounted cashflow model and management's expectations of market development and management's plan on the opening of new stores, and the following assumptions:

- (i) an average increase of 12.8% in the forecast receipts from gross sales annually over the future five forecast years ending 31 December 2021, 2022, 2023, 2024 and 2025;
- (ii) a terminal value into perpetuity in accordance with the perpetual growth model, which is determined based on an annual forecast net cash inflow subsequent to the year ending 31 December 2025 and assuming a terminal perpetual annual growth rate of 2%; and
- (iii) an estimated cost of disposal which is determined based on the Group's experience with disposal of assets/businesses and in line with industry benchmarks.

19 Goodwill (continued)

(b) UNY Goodwill (continued)

The abovementioned forecast changes in the receipts from gross sales in each of the future five forecast years ending 31 December 2021, 2022, 2023, 2024 and 2025 are based on the expectations of the Group's management of their plans and market development as at 31 December 2020. A post-tax discount rate of 11% (2019: 11%), which represents the Group's current market assessment of the risks specific to the cash-generating unit under UNY, is used to determine the discount factor under the discounted cashflow model.

The Directors have assessed that there was no impairment on the UNY Goodwill at 31 December 2020.

At 31 December 2020, in relation to the cash-generating unit under UNY, 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 negative working capital of UNY at 31 December 2020) exceeded the carrying value. If the post-tax discount rate had been 1% higher or if the forecast receipts from gross sales for each of the future five forecast years ending 31 December 2021, 2022, 2023, 2024 and 2025 had been 2% lower, the Directors have assessed that it would not result in an impairment loss on the UNY Goodwill. In this regard, by adopting a 2% decrease in the forecast receipts from gross sales of UNY for each of the future five forecast years ending 31 December 2025 in the aforementioned sensitivity analysis, consideration has been given to, among others, (i) the feature of UNY's business operation of supermarket-cum-stores in Hong Kong; (ii) the sensitivity of UNY's business operation to the economic and market conditions in Hong Kong; and (iii) UNY's actual versus budgeted financial performances in the past years.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2020

20 Inventories

Inventories in the consolidated statement of financial position comprise:

	2020 HK\$ million	2019 HK\$ million
Finished goods	121	110

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:

	2020 HK\$ million	2019 HK\$ million
Carrying amount of inventories sold	966	836
Write-down of inventories	7	5
	973	841

21 Trade and other receivables

	2020 HK\$ million	2019 HK\$ million
Trade debtors	11	12
Deposits, prepayments and other receivables	37	51
	48	63

At 31 December 2020, all of the trade and other receivables were expected to be recovered or recognised as expense within one year, except for various deposits of HK\$27 million (2019: HK\$25 million) which are 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:

	2020 HK\$ million	2019 HK\$ million
Current or under 1 month overdue	11	12

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:

	2020 HK\$ million	2019 HK\$ million
Neither past due nor impaired	11	11
Less than 1 month past due	–	1
	11	12

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

	2020 HK\$ million	2019 HK\$ million
Deposits with banks	280	269
Cash at bank and in hand	135	94
Cash and bank balances in the consolidated statement of financial position	415	363
Less: deposits with banks over three months of maturity at acquisition	–	(20)
Cash and cash equivalents in the consolidated cash flow statement	415	343

Except for a pledged bank deposit in the amount of HK\$101,562 at 31 December 2019 held by UNY in favour of a bank for the purpose of a corporate credit card issued to it by such bank but which arrangement was cancelled during the year ended 31 December 2020, no other assets of the Group had been charged to any other parties at 31 December 2020 and 31 December 2019.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2020

23 Trade and other payables

	2020 HK\$ million	2019 HK\$ million
Trade creditors	276	281
Contract liabilities (note)	14	14
Accrued expenses and other payables	81	75
Deposits received	9	12
	380	382

Note: During the year ended 31 December 2020, HK\$10 million (2019: HK\$9 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 2020 and 2019 were expected to be recognised within one year.

At 31 December 2020, all of the trade and other payables were interest-free and repayable within one year or on demand except for an amount of HK\$1 million (2019: HK\$3 million) which was expected to be settled after more than one year.

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

	2020 HK\$ million	2019 HK\$ million
Due within 1 month or on demand	235	242
Due after 1 month but within 3 months	41	39
	276	281

24 Lease liabilities

	2020 HK\$ million	2019 HK\$ million
At 1 January	830	966
Addition for the year (note 16)	92	156
Change in basic rent due to modification of certain lease terms (note 16)	(15)	(71)
Reassessment of lease term (note 16)	(1)	–
Effects of rent concession and reduction	(23)	(13)
Lease payments made during the year	(245)	(252)
Finance costs on lease liabilities for the year (note 8(c))	36	44
At 31 December	674	830

24 Lease liabilities (continued)

	2020 HK\$ million	2019 HK\$ million
Represented by:		
Amount classified under current liabilities		
– contractual maturity within 1 year	261	222
Amount classified under non-current liabilities		
– contractual maturity after 1 year and within 2 years	207	237
– contractual maturity after 2 years and within 5 years	205	356
– contractual maturity after 5 years	1	15
	413	608
Total carrying amount of lease liabilities	674	830

Finance cost is determined and recognised on the basis of the Group's estimated incremental borrowing rate of 4.8% per annum on the carrying balance of the lease liability of each Remaining Lease (see note 16) at initial recognition, adjusted for lease modification/reassessment of the lease term for certain leases, and after deducting the lease payments made for such Remaining Lease during the year ended 31 December 2020 and during the corresponding year ended 31 December 2019. The Directors considered the Group's estimated 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 2020 is an amount of HK\$460 million (2019: HK\$539 million) relating to the lease liabilities payable to affiliates.

25 Amounts due to affiliates

	2020 HK\$ million	2019 HK\$ million
Amounts due to fellow subsidiaries	1	1

At 31 December 2020, all of the amounts due to fellow subsidiaries were unsecured, interest-free and repayable within one year or on demand.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2020

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 HK\$ million	Total HK\$ million
At 1 January 2019	(11)	–	8	–	(3)
Impact of change in accounting policy upon adoption of HKFRS 16	–	–	–	(9)	(9)
Charged/(credited) to profit or loss (note 11(a))	11	(16)	(1)	(1)	(7)
At 31 December 2019	–	(16)	7	(10)	(19)
At 1 January 2020	–	(16)	7	(10)	(19)
Charged/(credited) to profit or loss (note 11(a))	(1)	1	–	–	–
At 31 December 2020	(1)	(15)	7	(10)	(19)

	2020 HK\$ million	2019 HK\$ million
Net deferred tax assets recognised in the consolidated statement of financial position	(26)	(26)
Net deferred tax liabilities recognised in the consolidated statement of financial position	7	7
	(19)	(19)

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, certain long-time employees of Citistore and UNY, 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 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 and which amounts are reduced by the employee's accrued entitlements under Citistore's and UNY's defined contribution retirement schemes.

28 Financial instruments by category

The Group held the following financial instruments at 31 December 2020 and 31 December 2019.

	2020 HK\$ million	2019 HK\$ million
Financial assets		
Financial assets at amortised cost		
Trade and other receivables (excluding prepayments)	40	56
Cash and bank balances	415	363
Financial assets at fair value through other comprehensive income		
Investments in listed securities	45	53
	500	472
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables (note 4(b))	362	368
Lease liabilities (notes 4(b) and 24)	674	830
Amounts due to affiliates (note 4(b))	1	1
	1,037	1,199

Notes to the Consolidated Financial Statements
for the year ended 31 December 2020

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

(a) Statement of financial position

	2020 HK\$ million	2019 HK\$ million
Non-current asset		
Investments in subsidiaries	351	351
Current asset		
Amounts due from affiliates	1,660	1,617
Current liabilities		
Trade and other payables	2	2
Amounts due to affiliates	643	604
	645	606
Net current assets	1,015	1,011
NET ASSETS	1,366	1,362
CAPITAL AND RESERVES		
Share capital	612	612
Reserve	754	750
TOTAL EQUITY	1,366	1,362

The statement of financial position of the Company was approved by the Board of Directors on 23 March 2021 and was signed on its behalf.

Lee Ka Shing

Lee Ka Kit

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 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
At 1 January 2020	750
Movement in reserve for 2020:	
Profit for the year	64
Final dividend approved and paid in respect of the previous financial year (note 13(b))	(30)
Interim dividend declared and paid in respect of the current financial year (note 13(a))	(30)
At 31 December 2020	754

(c) Share capital

	The Group and the Company			
	Number of shares		Amount	
	2020 million	2019 million	2020 HK\$ million	2019 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 2020, 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\$754 million (2019: HK\$750 million). As stated in note 13(a), after the end of the reporting period, the Directors proposed a final dividend of HK1 cent (2019: HK1 cent) per share, amounting to HK\$30 million (2019: HK\$30 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 operations such as the department stores and supermarket-cum-stores operations. 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 2020, the Group maintained net cash and bank balances (after deducting the Group's total bank borrowings of HK\$Nil (2019: HK\$Nil) and excluding the Group's lease liabilities recognised under HKFRS 16, *Leases* of HK\$674 million at 31 December 2020 (2019: HK\$830 million)) of HK\$415 million (2019: HK\$363 million) and therefore the Group's gearing ratio was Nil (2019: Nil).

The Group was not subject to externally imposed capital requirements during the year ended 31 December 2020 (2019: None) and at 31 December 2020 (2019: None).

31 Capital commitments

At 31 December 2020, 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\$15 million (2019: HK\$4 million).

32 Contingent liabilities

At 31 December 2020 and 31 December 2019, 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:

	2020 HK\$ million	2019 HK\$ million
Cash rental paid and payable (note (ii))	209	221
Cleaning expenses	8	8
Car park expenses	1	1
Management fee income	3	1
Gift certificates sold	2	–

During the year ended 31 December 2020, the addition to right-of-use assets (see note 16) included an addition of HK\$78 million (2019: Nil) in relation to tenancy leases entered into with fellow subsidiaries.

(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 of the Company, are as follows:

	2020 HK\$ million	2019 HK\$ million
Cash rental paid and payable (note (iii))	7	8

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\$55 million (2019: HK\$52 million) for the year ended 31 December 2020.

Note (iii): Including management fees, air-conditioning charges and rates of HK\$3 million (2019: HK\$4 million) for the year ended 31 December 2020.

During the year ended 31 December 2020, the addition to right-of-use assets (see note 16) included an addition of HK\$4 million (2019: Nil) in relation to a tenancy lease entered into with a related company.

Furthermore, at 31 December 2020, an intermediate holding company of the Company had issued a corporate guarantee in favour of a bank in relation to a banking facility granted by such bank to a direct wholly-owned subsidiary of the Company and a fellow subsidiary of the Group for an aggregate amount of up to HK\$1,000 million (2019: HK\$1,000 million).

Notes to the Consolidated Financial Statements
for the year ended 31 December 2020

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 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
At 1 January 2020	–	–	830	830
Recognition during the year, net	30	30	53	113
Payments	(30)	(30)	(245)	(305)
Finance costs (note 8(c))	–	–	36	36
At 31 December 2020	–	–	674	674

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).

36 Parent and ultimate controlling party

At 31 December 2020, 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 2020

Set out below are the particulars of the principal subsidiaries of the Company at 31 December 2020 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 stores and supermarket-cum-stores operations			
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

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*

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Share Registrar

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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



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

