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

2019 FINAL RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

PROFIT AND NET ASSET VALUE ATTRIBUTABLE TO SHAREHOLDERS

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

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

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

DIVIDENDS

The Board recommends the payment of a final dividend of HK 1.0 cent per share to shareholders whose names appear on the Register of Members of the Company on Tuesday, 16 June 2020, and such final dividend will not be subject to any withholding tax in Hong Kong. Including the interim dividend of HK 2.0 cents per share already paid, the total dividend for the year ended 31 December 2019 will amount to HK 3.0 cents per share (2018: HK 4.0 cents per share).

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

BUSINESS REVIEW

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

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

(I) Citistore

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

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

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

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

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

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

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

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

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

Sales of Own Goods

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

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

Concessionaire and Consignment Sales

Citistore's concessionaire sales are conducted by concessionaires at their own shop spaces which are set up in Citistore's stores under licence agreements, whilst consignment sales comprise the sales of consignors' products on consignment basis, in designated shelves or areas. Citistore charges these concessionaire and consignment counters on the basis of revenue sharing or basic commission (if any), whichever is higher, as its commission income. During the year under review, the total commission income derived from these concessionaire and consignment counters decreased by 7% year-on-year to HK$406 million, reflecting the decrease in the sales proceeds generated from both counters as shown below:

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

Citistore's Profit Contribution

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

(II) UNY HK

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

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

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

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

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

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

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

Sales of Own Goods

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

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

Consignment Sales

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

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

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

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

CORPORATE FINANCE

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

PROSPECTS

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

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

APPRECIATION

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

Lee Ka Shing
Chairman

Hong Kong, 23 March 2020

BUSINESS RESULTS

Consolidated Statement of Profit or Loss
for the year ended 31 December 2019

	Note	**2019**	2018
		HK$ million	HK$ million
Revenue	3	**1,707**	1,496
Direct costs		**(1,464)**	(1,290)
		243	206
Other revenue	4	**12**	11
Other (expense)/income, net	5	**(8)**	13
Selling and marketing expenses		**(33)**	(29)
Administrative expenses		**(98)**	(85)
Profit from operations		**116**	116
Finance costs on lease liabilities	6(c)	**(44)**	-
Profit before taxation	6	**72**	116
Income tax	7	**(10)**	(19)
Profit attributable to equity shareholders of the Company for the year		**62**	97
		HK cents	HK cents
Earnings per share			
– Basic and diluted	10	**2.0**	3.2

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2019

	2019	2018
	HK$ million	HK$ million
Profit attributable to equity shareholders of the Company for the year	**62**	97
Other comprehensive income for the year:		
Item that will not be reclassified to profit or loss:		
– Investments in listed securities designated as financial assets at fair value through other comprehensive income: net movement in the fair value reserve (non-recycling)	**(3)**	(4)
Total comprehensive income attributable to equity shareholders of the Company for the year	**59**	93

Consolidated Statement of Financial Position
at 31 December 2019

	Note	**2019** **HK$ million**	2018 HK$ million
Non-current assets			
Fixed assets		**118**	92
Right-of-use assets	11	**699**	-
Trademarks		**42**	44
Investments in listed securities designated as financial assets at fair value through other comprehensive income		**53**	56
Goodwill	12	**1,072**	1,072
Deferred tax assets		**26**	11
		2,010	1,275
Current assets			
Inventories		**110**	123
Trade and other receivables	13	**63**	68
Tax recoverable		**-**	2
Cash and bank balances		**363**	465
		536	658
Current liabilities			
Trade and other payables	14	**382**	428
Lease liabilities	15	**222**	-
Amounts due to affiliates		**1**	75
Current taxation		**21**	8
		626	511
Net current (liabilities)/assets		**(90)**	147
Total assets less current liabilities		**1,920**	1,422
Non-current liabilities			
Lease liabilities	15	**608**	-
Provisions for reinstatement costs		**17**	13
Deferred tax liabilities		**7**	8
		632	21
NET ASSETS		**1,288**	1,401

Consolidated Statement of Financial Position

at 31 December 2019 (continued)

	Note	**2019**	2018
		HK$ million	HK$ million
CAPITAL AND RESERVES			
Share capital		**612**	612
Reserves		**676**	789
TOTAL EQUITY		**1,288**	1,401

Notes:

1 Basis of preparation

The statutory financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong and the applicable requirements of the Hong Kong Companies Ordinance (Cap. 622). The statutory financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial information relating to the years ended 31 December 2019 and 2018 included in this preliminary announcement of annual results do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622) and will deliver the financial statements for the year ended 31 December 2019 in due course.

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

The measurement basis used in the preparation of the statutory financial statements is the historical cost basis as modified by the revaluation of investments in listed securities designated as financial assets at fair value through other comprehensive income.

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

2 Changes in accounting policies

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

- HKFRS 16, *Leases*
- HK(IFRIC) Interpretation 23, *Uncertainty over income tax treatments*
- Annual improvements to HKFRSs 2015-2017 cycle

Under HKFRS 16, a lessee is required to recognise, at the earlier of the commencement of a lease or the adoption of HKFRS 16, a right-of-use asset and a lease liability in the statement of financial position, and the related depreciation charge on the right-of-use asset and the related interest expenses on the lease liability in the statement of profit or loss as the distinction between operating and finance leases is removed. The only exceptions are short-term leases and leases of low value assets in relation to which the "practical expedient" under HKFRS 16 is applicable. The accounting for lessors has not significantly changed. The adoption of HKFRS 16 affects the leases of properties as a lessee previously classified as operating leases prior to the adoption of HKFRS 16, which results in an increase in both assets and liabilities in the lessee's statement of financial position and impacts on the timing of recognition of the financial effects in the lessee's statement of profit or loss over the period of the leases.

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

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

2 Changes in accounting policies (continued)

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

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

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

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

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

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

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

2 Changes in accounting policies (continued)

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

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

- right-of-use assets increased by HK$827 million (note 11);
- deferred tax assets increased by HK$9 million;
- trade and other payables decreased by HK$8 million;
- amounts due to affiliates decreased by HK$72 million; and
- lease liabilities increased by HK$966 million (note 15).

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

Except for HKFRS 16 whose financial impact on the Group is referred to above, none of the interpretation or amendment which is first effective for the current accounting period of the Group, as referred to above, had a material effect on the preparation or presentation of the Group's results and financial position for the current or prior periods.

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

2 Changes in accounting policies (continued)

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments to HKFRS and a revised Conceptual Framework, which are not yet effective for the financial year ended 31 December 2019 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for annual periods beginning on or after
Amendments to HKFRS 3, *Definition of a business*	1 January 2020
Amendments to HKAS 1 and HKAS 8, *Definition of material*	1 January 2020
Revised Conceptual Framework	1 January 2020

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

3 Revenue

Revenue represents the direct sales of goods to customers, commission income from consignment and concessionaire counters, promotion income and administration fee income recognised by the Group during the year. Revenue is analysed as follows:

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

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

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

4 Other revenue

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

5 Other (expense)/income, net

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

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

6 Profit before taxation

Profit before taxation is arrived at after charging:

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

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

7 Income tax

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

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

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

8 Segment reporting

No segmental information for the year ended 31 December 2019 is presented as the Group's revenue and trading results for the year were generated solely from its department store operation in Hong Kong, the revenue of which amounted to HK$1,707 million (2018: HK$1,496 million) during the year and the pre-tax profit from operation of which amounted to HK$65 million (2018: HK$112 million) during the year.

Geographical information

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

9 Dividends

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

	2019	2018
	HK$ million	HK$ million
Interim dividend declared and paid of HK2 cents (2018: HK2 cents) per share	**61**	61
Final dividend proposed after the end of the reporting period of HK1 cent (2018: HK2 cents) per share	**30**	61
	91	122

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

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

10 Earnings per share – basic and diluted

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK$62 million (2018: HK$97 million) and 3,047,327,395 (2018: 3,047,327,395) ordinary shares, being the number of ordinary shares in issue throughout the year.

11 Right-of-use assets

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

	HK$ million
Cost:	
At 1 January 2019 (upon the adoption of HKFRS 16, *Leases*) (note 2)	**1,406**
Transfer from fixed assets	**3**
Addition	**156**
Change in basic rent due to modification of certain lease terms (note 15)	**(71)**
At 31 December 2019	**1,494**
Accumulated depreciation:	
At 1 January 2019 (upon the adoption of HKFRS 16, *Leases*) (note 2)	**(579)**
Charge for the year (see note 6(c))	**(216)**
At 31 December 2019	**(795)**
Net book value:	
At 31 December 2019	**699**

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

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

12 Goodwill

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

(a) Citistore Goodwill

On 1 December 2014, the Group completed its acquisition of the entire issued share capital of Camay Investment Limited and its subsidiaries, namely Citistore (Hong Kong) Limited ("Citistore") and Puretech Investment Limited (the "Citistore Acquisition").

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

Impairment assessment is carried out by determining the value in use of the cash-generating unit under Citistore. The Directors have assessed that there was no impairment on the Citistore Goodwill at 31 December 2019, for the reason that in relation to the cash-generating unit under Citistore, the recoverable amount calculated based on value in use exceeded the carrying value at 31 December 2019.

(b) UNY HK Goodwill

On 31 May 2018, the Group acquired the entire issued share capital of UNY (HK) Co., Limited ("UNY HK", which was renamed as Unicorn Stores (HK) Limited on 27 July 2018) for an adjusted cash consideration of HK$291 million (the "UNY HK Acquisition").

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

Impairment assessment is carried out by determining the fair value less cost of disposal of the cash-generating unit under UNY HK. The Directors have assessed that there was no impairment on the UNY HK Goodwill at 31 December 2019, for the reason that in relation to the cash-generating unit under UNY HK, the recoverable amount calculated based on fair value less cost of disposal exceeded the carrying value at 31 December 2019.

13 Trade and other receivables

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

In respect of other trade and other receivables, credit terms given to counter-parties are generally based on the financial strength and repayment history of each counter-party. Normally, the Group does not obtain collateral from counter-parties. Ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise exposure to credit risk. Adequate impairment losses have been made for the estimated irrecoverable amounts.

At 31 December 2019, all of the trade and other receivables were expected to be recovered or recognised as expense within one year, except for rental deposits of HK$25 million (2018: HK$17 million) which is expected to be recovered after more than one year.

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

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

14 Trade and other payables

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

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

At 31 December 2019, all of the trade and other payables were interest-free and repayable within one year or on demand except for an amount of HK$3 million (2018: HK$1 million) which was expected to be settled after more than one year.

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

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

15 Lease liabilities

	HK$ million
At 1 January 2019 (upon the adoption of HKFRS 16, *Leases*) (note 2)	**966**
Addition	**156**
Change in basic rent due to modification of certain lease terms (note 11)(note)	**(71)**
Effects of rental concession and reduction	**(13)**
Lease payments according to the terms of the Remaining Leases made during the year	**(252)**
Finance costs on lease liabilities (see note 6(c))	**44**
At 31 December 2019	**830**

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

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

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

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

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

16 Review of results

The financial results for the year ended 31 December 2019 have been reviewed with no disagreement by the Audit Committee of the Company.

The figures in respect of the preliminary announcement of the Group’s results for the year ended 31 December 2019 have been agreed by the Company’s auditor, PricewaterhouseCoopers Hong Kong, to the amounts set out in the Group’s consolidated financial statements for the year then ended. The work performed by PricewaterhouseCoopers Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers Hong Kong on the preliminary announcement.

FINANCIAL REVIEW

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

Adoption of new accounting standard

Hong Kong Financial Reporting Standard 16, *Leases* ("HKFRS 16") became effective for the Group commencing on 1 January 2019, under which a lessee is required to recognise, at the earlier of the commencement of a lease or the adoption of HKFRS 16, a right-of-use asset and a lease liability in the statement of financial position, and the related depreciation charge on the right-of-use asset and the related interest expenses on the lease liability in the statement of profit or loss.

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

Material acquisitions and disposals

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

Results of operations

During the year ended 31 December 2019, the Group was engaged in the operation of department stores in Hong Kong under (i) Citistore (Hong Kong) Limited ("Citistore", a wholly-owned subsidiary of the Company); and (ii) Unicorn Stores (HK) Limited ("UNY HK", a wholly-owned subsidiary of the Company and which was formerly known as UNY (HK) Co., Limited until 27 July 2018 on which date the current name was adopted).

(a) Department store operation in Hong Kong

Citistore

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

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

Notes:

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

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

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

- *right-of-use assets in the statement of financial position measured at their carrying amounts (as if HKFRS 16 had been applied since the commencement date of the tenancy lease) but discounted using Citistore's incremental borrowing rate at 1 January 2019. Accordingly, Citistore recognised the related depreciation charge on the right-of-use assets in the aggregate amount of HK$140 million (of which HK$136 million is classified under "Direct costs" and HK$ 4 million is classified under "Administrative expenses") in the statement of profit or loss for the year ended 31 December 2019; and*
- *lease liabilities in the statement of financial position, which are interest-bearing at Citistore's incremental borrowing rate at 1 January 2019. Accordingly, Citistore recognised the related finance cost on the lease liabilities in the amount of HK$32 million in the statement of profit or loss for the year ended 31 December 2019.*

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

Goodwill on acquisition in the amount of HK$810 million (2018: HK$810 million) (the "Citistore Goodwill"), which arose from the Group's acquisition of Citistore in 2014, was recognised in the Group's consolidated statement of financial position at 31 December 2019. The Citistore Goodwill was tested for impairment at 31 December 2019 by determining the value in use of Citistore as a cash-generating unit in comparison with the carrying amount of the Citistore Goodwill at 31 December 2019. The directors of the Company have assessed that there was no impairment on the carrying amount of the Citistore Goodwill at 31 December 2019.

UNY HK

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

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

Notes:

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

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

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

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

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

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

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

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

(b) Overall

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

Finance costs on bank borrowing

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

Financial resources, liquidity and loan maturity profile

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

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

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

Based on the Group's net cash and bank balances of HK$363 million at 31 December 2019, the Group has adequate financial resources in meeting the funding requirements for its ongoing operations as well as its future expansion.

Treasury and financial management

The Group's financing and treasury activities are centrally managed at the corporate level. At 31 December 2019 and 2018, the Group was not a contractual party to any arrangements in relation to any derivative financial instruments for speculative or hedging purposes. The Group monitors closely its interest rate exposure and foreign exchange rate exposure and will consider hedging these exposures should the need arise.

Apart from the foregoing, the Group did not have any material exposures to interest rates or foreign exchange rates at 31 December 2019 and 2018.

Charge on assets

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

Capital commitments

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

Contingent liabilities

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

Employees and remuneration policy

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

The remuneration of the employees is in line with the market and commensurate with the level of pay in the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees include medical insurance, retirement scheme and training programmes.

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

OTHER INFORMATION

Closure of Register of Members

1. Book Close for determining the entitlement to attend and vote at the annual general meeting

   The Register of Members of the Company will be closed from Wednesday, 3 June 2020 to Monday, 8 June 2020, both days inclusive, during which period no transfer of shares will be registered, for the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting. In order to be entitled for attending and voting at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 2 June 2020.

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

   The Register of Members of the Company will be closed from Friday, 12 June 2020 to Tuesday, 16 June 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s share registrar, Tricor Standard Limited at the aforementioned address not later than 4:30 p.m. on Thursday, 11 June 2020.

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

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

Audit Committee

The Audit Committee met in March 2020 and reviewed the risk management and internal control systems, and the annual report for the year ended 31 December 2019.

Corporate Governance

During the year ended 31 December 2019, the Company complied with the applicable code provisions set out in the Corporate Governance Code (the “CG Code”) as stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), with the exception that the roles of the chairman and the chief executive officer of the Company have not been segregated as required by code provision A.2.1 of the CG Code. The Company is of the view that it is in the best interest of the Company to let Mr Lee Ka Shing act in the dual capacity as the Chairman and Managing Director given Mr Lee Ka Shing’s in-depth expertise and knowledge in business and the Group.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). Having made specific enquiries, the Company confirmed that all Directors have complied with the required standards as set out in the Model Code.

Forward-Looking Statements

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

By Order of the Board
Timon LIU Cheung Yuen
Company Secretary

Hong Kong, 23 March 2020

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