



Convenience Retail Asia Limited
利亞零售有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 00831

ANNUAL REPORT **2020**



馮氏

A Fung Retailing Company







CRA was awarded a “Gold Award” in the Non-Hang Seng Index (Small Market Capitalisation) Category of the HKICPA’s Best Corporate Governance Awards 2020

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Corporate Information

Executive Director

Richard YEUNG Lap Bun (*Chief Executive Officer*)

Non-executive Directors

Victor FUNG Kwok King # (*Chairman*)

William FUNG Kwok Lun +

Godfrey Ernest SCOTCHBROOK *

Benedict CHANG Yew Teck *

Independent Non-executive Directors

Anthony LO Kai Yiu #**

ZHANG Hongyi #**

Sarah Mary LIAO Sau Tung +**

Group Chief Compliance and Risk Management Officer

Jason YEUNG Chi Wai

Company Secretary

Maria LI Sau Ping

Registered Office

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Cricket Square, P.O. Box 902
Grand Cayman, KY1-1103
Cayman Islands

Head Office and Principal Place of Business

15th Floor, LiFung Centre
2 On Ping Street
Siu Lek Yuen
Shatin
New Territories
Hong Kong

Website

www.cr-asia.com

Legal Advisers

Mayer Brown
(as to Hong Kong Law)

Conyers Dill & Pearman, Cayman
(as to Cayman Islands Law)

Auditor

PricewaterhouseCoopers
Certified Public Accountants

Principal Banker

The Hongkong and Shanghai
Banking Corporation Limited

Nomination Committee members

+ *Remuneration Committee members*

* *Audit Committee members*

Highlights

Financial Highlights

	Change	2020 HK\$'000	2019 HK\$'000 (Restated)
Revenue	-0.5%	1,191,701	1,197,453
Core operating profit	+50.6%	67,456	44,785
Core operating profit (included interest expenses on lease liabilities)	+59.3%	61,859	38,824
Profit attributable to shareholders of the Company			
Continuing Operations	+84.1%	61,150	33,213
Included Discontinued Operations	+1,412.9%	3,140,446	207,574
Basic earnings per share (HK cents)			
Continuing Operations	+81.8%	8.0	4.4
Included Discontinued Operations	+1,409.9%	410.7	27.2
Dividend paid per share (HK cents)			
Basic	-76.0%	6	25
Special	+1,733.3%	385	21
Total	+750.0%	391	46

Operation Highlights

- Full-year profit increased 1,412.9%, primarily due to the one-off gain of HK\$2,879 million from the sale of Circle K Hong Kong business to the brand owner
- Net profit from Continuing Operations increased 84.1%, mainly due to an increase in festive sales and improvement in gross profit by the Saint Honore business as well as receiving certain government subsidies that offset part of the Group's operating costs during the year
- The Group maintained a healthy financial position with net cash of HK\$373 million and no bank borrowings
- Challenges are expected to remain in 2021 as global economies and the local retail market struggle to recover from the pandemic
- With the payment of the special dividend before the end of the year, the Company does not intend to declare any further dividend payments in respect of the financial year ended 31 December 2020

Highlights (continued)

Number of Stores as of 31 December 2020

Saint Honore Cake Shops

Hong Kong	84
Macau	9
Guangzhou	26

Subtotal	119
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Pâtisserie Mon cher

Hong Kong	1
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Total number of stores under Bakery Group	120
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Zoff Eyewear Stores

Hong Kong	11
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Total number of Stores under Convenience Retail Asia	131
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Chairman's Statement



Dr Victor FUNG Kwok King
Chairman

The period under review was one of the most difficult in the history of Hong Kong retail. COVID-19 forced local companies to make profound changes to the way they do business. With the local economy in a tailspin and store traffic slowing to a trickle, many were not able to survive. To help society through difficult economic times, Circle K donated 100,000 meal boxes and 450,000 food vouchers worth HK\$20 each to people in need, while Saint Honore donated HK\$2 million in bread vouchers for use by a number of charitable organisations across the city. We also distributed 100,000 face masks to the elderly in February, at a time when they were difficult to obtain in Hong Kong.

Despite such troubled times, the Group was able to lean on its well-established online-to-offline (O2O) customer relationship management (CRM) programmes, engaging its loyal membership bases with minimal in-person exposure to deliver exceptional customer care and produce satisfactory financial results. The Group also showed its determination to stay ahead of the curve and deliver shareholder value, securing a deal that will reinvent Convenience Retail Asia as a leading, high-quality specialty retailer in the Greater Bay Area (GBA).

A Challenging Year for Retailers

The global pandemic followed closely on the heels of the public order events of 2019 and early 2020 to wreak even more havoc on Hong Kong's economy and retail market. Border and boundary closures and lengthy quarantine requirements all but eliminated tourists from the Chinese Mainland. Meanwhile, social distancing guidelines, bans on large group gatherings, and work- and study-from-home directives had severe effects on domestic consumer spending and store traffic.

Chairman's Statement (continued)

A Challenging Year for Retailers (continued)

Hong Kong retail took a major hit overall, falling 24.3% by value and 25.5% by volume^{note} in 2020 compared to 2019, but the supermarket segment registered 9.7% growth in value and 4.1% by volume^{note} as people continuing to shop for groceries and essentials. For convenience stores, there was a certain increase in sales of higher-value but lower-margin products, while items such as packaged beverages and ready-to-eat meals slowed along with foot traffic.

Transforming for Future Growth

For more than 35 years, we built Circle K, our flagship business, into a leading convenience retail chain in Hong Kong – an experience that served us well as we expanded and diversified into the bakery and eyewear businesses. On 7 December 2020, the Group's shareholders approved the sale of its convenience store business to the brand owner, Alimentation Couche-Tard Inc., for approximately HK\$2.8 billion. This sale benefits our shareholders in a number of ways. It unlocks value and provides a healthy special cash dividend. It also enables our shareholders to benefit from a re-rating of the Group as we redirect the business towards its next round of growth. We shall now reposition the Group as a multi-brand, specialty retailer in the GBA that will generate future growth and returns in clearly defined, high-potential segments.

With the closing of the deal, Convenience Retail Asia now boasts a strong trio of attractive brands in the bakery, premium pâtisserie and fast-fashion eyewear segments: Saint Honore, Mon cher and Zoff. Our intention is to grow each of these brands into a significant business in its own right within the next few years. From time to time, we will consider refreshing our portfolio to ensure that all our businesses are growing and creating value for our shareholders. In this regard, we will continue to seek out new opportunities and add to our portfolio of speciality brands through licensing, franchising, joint ventures and acquisitions. We shall be selective in choosing appropriate projects, and we will embark upon them only if we are able to marshal the necessary resources to make each commitment a success.

Note:

Published by the Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 2 February 2021

Outlook

Among many other things, COVID-19 has shown how important it is to be prepared, be agile and stay relevant. Also, consumers are much more health-conscious now. They expect healthy products, clean and safe shopping environments, and less personal contact. To a large extent, these shifts in customer habits and demand can be expected to continue even after the pandemic subsides.

We have been able to keep pace with these changing times. We have made numerous adjustments to our operations, from product hygiene and presentation to fine-tuning our O2O business model. In addition to making life “EFS” – “easy, fast and simple” – for our customers, we are ensuring that people can get the items they need with peace of mind. As a result, we have been able to stabilise Saint Honore's comparable store sales in the context of the general market contraction.

As for our employees, COVID-19 has been our top priority concern. We are pleased that our people have been safe and healthy so far. We shall continue to do our utmost to keep them that way.

We expect the coming year may also be full of surprises and challenges. But we are confident that we have the management focus, know-how, talent, proven omnichannel platforms and network to overcome them.

Our strategy and purposeful investment in our capabilities and technology – especially in the bakery segment over the years – are now beginning to bear fruit and open up avenues that will boost growth for years to come. In 2021, we expect to increase our store network for all our brands, enhance sales through O2O platforms and make important inroads into B2B, where there are a number of opportunities for our businesses.

As we enter the new year, we are optimistic that we are laying the foundation of a new Convenience Retail Asia, one with fresh avenues of growth that will benefit our shareholders, employees and the community at large.

I would like to thank our management for providing a steady hand in turbulent times, and our valued colleagues for their hard work and determination. Over the years, they have made great contributions to the success of Circle K and the Group, and I am sure they will continue to play key roles in the next chapter of our growth story.

Victor FUNG Kwok King

Chairman

Hong Kong, 23 March 2021

CEO's Statement



Mr Richard YEUNG Lap Bun
Chief Executive Officer

One of the hallmarks of Convenience Retail Asia is its ability to adapt to different market situations. During the year under review, the COVID-19 pandemic caused foot traffic and consumer sentiment to plummet, putting our business to the test as we sought creative ways to drive sales while protecting the health and safety of our staff and customers.

The Group's online-to-offline (O2O) business model delivered admirable performances for its convenience store and bakery operations by enabling people to shop for their favourite products while largely avoiding in-person contact. We made life "EFS" for customers with readily available necessities, in-demand products and useful services. We achieved efficiencies and ensured food and operational safety, from our supply chain to our manufacturing facilities and stores. We saw another encouraging performance from our fast-fashion eyewear chain Zoff and introduced the pâtisserie Mon cher, both of which are extremely popular Japanese brands renowned for quality. Perhaps most importantly, our dedicated employees braved difficult conditions to once again deliver world-class service for our valued customers.

Operations Review – Saint Honore Cake Shop

As at 31 December 2020, the Group had opened five Saint Honore stores and closed 11 stores for a total of 93 across Hong Kong and Macau. The number of stores in Guangzhou at year-end was 26.

Saint Honore is a household name in Hong Kong and a leading brand in the bakery category. It also serves as the Group's primary manufacturing enterprise. During the year, business was affected by steep declines in footfall and tourism due to the pandemic, which led to a low-single-digit year-on-year drop in same-store sales. A stronger renminbi in the second half of the year also placed pressure on raw material costs. However, the business countered by leveraging its strengths in quality and innovation to develop appealing new products. It adjusted its sales and marketing strategies to account for changing consumer behaviour. It also engaged its growing base of approximately 800,000 loyal members in "Cake Easy", Saint Honore's O2O customer relationship management (CRM) programme, to further drive business and mitigate the adverse effects of COVID-19.

Operations Review – Saint Honore Cake Shop (continued)

Social distancing guidelines and limits on group gatherings impacted birthday cake sales. However, packaged products continued to enjoy strong double-digit growth. Saint Honore also launched creative products like the Emoji Mask cake to offer customers a bit of fun during the pandemic. Average basket sizes continued to increase as customers bought more items at one time to reduce their shopping frequency. Holiday sales saw double-digit year-on-year growth due to successful marketing and promotional campaigns that also capitalised on the growing trend for families to celebrate such occasions at home.

“Cake Easy” has been growing steadily since its inception. Approximately 80% of its members are active. During the pandemic, “Cake Easy” saw an unprecedented spike as more and more people took advantage of the platform’s easy-to-use features, such as the ability to purchase cakes from home.

The Group continued to implement “lean manufacturing” projects in its factories to simplify workflow, improve operational efficiency and speed up responsiveness. Floor space optimisation helped consolidate production flow. Increased automation boosted productivity and capacity while mitigating the effects of labour shortages and costs. The Group also continued to emphasise safety and hygiene during the pandemic, providing staff with personal protection equipment (PPE) and regularly cleaning and sanitising facilities and equipment.

Saint Honore was proud to receive the “Good Employer Charter 2020” certificate from the Hong Kong Labour Department. It was also once again recognised as a “Quality E-shop” by the Hong Kong Retail Management Association, and for the first time it was awarded a “Bronze” prize in the “2020 Top 10 Quality E-Shop Awards”. Saint Honore also continued to play an active role in society. To support Hong Kong’s most vulnerable communities during the pandemic, for example, it donated HK\$2 million worth of bread vouchers to Feeding Hong Kong for distribution to a number of charitable organisations across the city.



The creative new Toilet Paper Roll and Emoji Mask cakes received an enthusiastic response from customers

Operations Review – Saint Honore Cake Shop (continued)

In Guangzhou, the Group created innovative new cakes with appealing designs to drive sales. Packaged products saw higher demand during the pandemic, with sales increasing approximately 20% year on year. The Group also continued leveraging omnichannel marketing to engage loyal customers and VIPs. One successful campaign was the launch of a weekly stamp promotion via WeChat, which resulted in 10% transaction growth among VIP customers. Joint promotions with UnionPay and Alipay also helped drive sales during the year.

Operations Review – Mon cher

In September 2020, the Group obtained the franchise licence to operate the premium Japanese pâtisserie chain Mon cher in Hong Kong and Macau and commenced operation of its first store, located in Sogo Department Store in Causeway Bay, Hong Kong. Established in Osaka in 2003, Mon cher is a well-developed brand famous for its signature Dojima cream rolls. Mon cher can be expanded via different business models, including premium cake shops, cafés and online channels.

Mon cher is a valuable addition to the Group's portfolio. Given the Group's vast experience in the manufacturing, marketing and sale of cake and bakery products, and backed by its comprehensive production facilities, the brand should be able to be built into a leading premium brand in its category in Hong Kong and Macau. Mon cher also represents a great fit as the Group reinvents itself around a business model centred on high-quality specialty products and services.



The fluffy, creamy Dojima Roll is the signature product of Pâtisserie Mon cher, a premium cake shop licensed from Japan

Operations Review – Zoff

The Group's franchise of the popular Japanese fast-fashion eyewear chain Zoff exemplifies its vision to be a leader in high-quality specialty products and services. Patrons can walk into any one of Zoff's 11 convenient locations in Hong Kong, select their favourite frames and have them fitted with lenses in 30 minutes or less. Stores carry more than 1,300 SKUs, and new products are launched every two weeks. In just three short years, Zoff has become the Hong Kong category leader in brand awareness, demonstrating the local appeal of Japanese quality and the Group's ability to build brands.

During the year we introduced several new collections. "Romantic Ladies", "Peanuts 70th Anniversary" and "'50s American Classic" frame collections proved popular with consumers. We introduced "Advance Progressive" and "T8 Transition" lenses, the latter of which was the first for a fast-fashion eyewear chain. We continued to promote our popular "ZOFF+PROTECT", "SMART" and "Sports" anti-bacterial eyewear to help people stay safe during the pandemic, as well as "PC" blue light cut lenses for those spending more time studying or working from home. We also carried out more cross-promotions with Fung Group companies, credit card companies and shopping malls. Overall, we were able to maintain sales momentum despite a soft market, particularly in comparison to our competitors.

To protect against COVID-19, we execute a rigorous series of preventive cleaning and sanitisation measures at all our Zoff stores on a daily basis to safeguard our customers and colleagues. Furthering Zoff's commitment to social responsibility, we have been collaborating with "Child Eye Care", a non-governmental organisation ("NGO") initiated by the Hong Kong Health Care Alliance to help children with myopia, to provide preliminary eye examinations and online surveys for youngsters.



Zoff's popular anti-bacterial eyewear and blue light cut lenses helped people stay safe during the pandemic

Discontinued Operations – Circle K

Circle K remained a trusted leader in retail. Loyal customers used the innovative, award-winning O2O CRM platform “OK Stamp It” to order their favourite products from the comfort of home and take advantage of value-added, cost-saving promotions and offers. “OK Stamp It” also demonstrated the ability of the Group’s omnichannel business model to engage consumers and drive sales in difficult as well as favourable retail markets.

The Group continued to design successful marketing campaigns. It introduced a collection of limited-edition items themed on a popular Korean cartoon character to offer fun for “OK Stamp It” members during the pandemic. A series of “thankful” campaigns offered customers special deals on popular products, wellness items and necessities. An even wider range of takeaway meals and drinks made it easier for people to eat quality, affordable meals at home. The Group also introduced a Circle K house-brand face mask to provide the public with a steady supply of high-quality, reasonably priced masks.

On the services front, a collaboration with PayMe provided an easy, contactless payment experience at Circle K stores for more than 2 million of the app’s users. AliPayHK users were able to link their accounts to their “OK Stamp It” memberships and earn e-stamps – and loyalty rewards – even faster. Gift cards remained popular, too; during the year, we launched iTunes Pass with 10% bonus value and “Le Petit Prince” limited-edition Octopus cards.

In category management, the Simply Great Submarine proved to be a popular lunchtime option. The “Ice Cold Beer Festival” featured international brews and local draught beer for customers to drink at home. In late 2020, customers were invited to try a “taste of the world” with more than 40 different confectionary products from across the globe.



Circle K's promotion with popular Korean cartoon characters helped customers have fun during the pandemic



A wide range of takeaway meals like the popular Simply Great Submarine made it easier for people to eat quality food at home

Many of the Group's social outreach activities focused on helping communities combat the pandemic. The Group donated HK\$1 million to local NGOs, partners and their outreach programmes. Circle K also donated HK\$9 million in meal box and cash coupons to the Community Chest for those in need.

Discontinued Operations – Circle K (continued)

Circle K received the "Smart Energy Award 2020" from CLP for its efforts in environmental protection. The Group was also proud that "OK Stamp It" received two regional awards for its "Public Transport Fare Subsidy Campaign" at *Marketing Magazine's* "Loyalty & Engagement Awards". The O2O customer loyalty programme won Silver for "Best Engagement Campaign – Mass Audience" and Bronze in the "Best Use of Rewards & Incentives" category.

On 7 December 2020, the Group announced that nearly 100% of its shareholders had approved the sale of its Circle K convenience store business in Hong Kong to Alimentation Couche-Tard Inc., owner of the Circle K brand, for a consideration of approximately HK\$2.8 billion. The deal was completed on 21 December 2020 and a special dividend was paid before the end of the year.



The Group's social outreach activities focused on helping communities combat the pandemic. In 2020, the Group donated over HK\$10 million in meal box and cash coupons to local NGOs to assist those in need

Future Prospects

The Group is moving forward with three strong businesses: Saint Honore bakeries, Mon cher premium pâtisserie and Zoff fast-fashion eyewear. Our proven track record building brands in Hong Kong and the Greater Bay Area, deep local knowledge, world-class customer experience, unsurpassed operational excellence and talented staff position us well for medium- to long-term growth.

Challenges remain in the near term as Hong Kong works to overcome the devastating impacts of COVID-19. Our top priority is ensuring the safety of our customers and our businesses. We must also continue to respond quickly and effectively to changing shopping habits and spending patterns. To keep delivering shareholder value, we will strive to mitigate renminbi fluctuations and negotiate favourable rents. We will also emphasise lean manufacturing to further optimise our production processes, and monitor how the global pandemic may be affecting our suppliers so as to avoid disruptions to our supply chain.

Our three “Plus” strategies – focusing on internet-savvy customers (“internet+”); emphasising products, promotion, place and pricing plus great customer experience (“4P’s+”); and leveraging our O2O retail model (“bricks-and-mortar+”, or online plus storefront) – will be our roadmap on our journey of reinvention. We are also excited about the future for Zoff and Mon cher, both of which will further establish the Group as a leader in high-quality specialty retail.

Richard YEUNG Lap Bun

Chief Executive Officer

Hong Kong, 23 March 2021

Management Discussion and Analysis

Financial Review

In 2020, the Group's turnover of the Continuing Operations decreased 0.5% to HK\$1,192 million. Turnover for the bakery business decreased 1.4% to HK\$1,077 million as comparable store sales in Hong Kong saw a low single-digit drop, despite higher sales of festive products. Turnover for the Zoff eyewear business increased 10.7% to HK\$115 million on the back of outlet expansion, though transaction numbers were seriously impacted by the reduction in foot traffic in commercial and tourist districts resulting from the COVID-19 outbreak.

Gross margin and other income as a percentage of turnover increased 1.6% to 55.6% due to favourable impacts from the depreciation of renminbi, which resulted in lower manufacturing costs for Saint Honore, and the subsidies received from Hong Kong Government's Anti-epidemic Fund.

Operating expenses as a percentage of turnover decreased to 49.9% from 50.3% in the previous year. This was mainly due to rental and utility concessions, and subsidies received from the Hong Kong Government's Employment Support Scheme. Including interest expenses on lease liabilities arising from operating leases, operating expenses decreased to 50.4% of turnover from 50.8%.

Core operating profit before interest expenses on lease liabilities increased 50.6% to HK\$67 million. Including interest expenses on lease liabilities, core operating profit increased 59.3% to HK\$62 million.

Net profit of the Continuing Operations increased 84.1% to HK\$61 million. Net profit including Discontinued Operations increased 1,412.9% to HK\$3,140 million due to the Group's sale of its Circle K convenience store business in Hong Kong to the brand owner, Alimentation Couche-Tard Inc.. This includes the results of the Discontinued Operations of HK\$3,079 million, which comprise the net profit of the convenience store operations in Hong Kong before the sale of HK\$200 million and the related disposal gain of HK\$2,879 million.

For 2020, basic earnings per share for Continuing Operations increased 81.8% to 8.0 HK cents from 4.4 HK cents, and basic earnings per share including Discontinued Operations increased 1,409.9% to 410.7 HK cents from 27.2 HK cents.

As at 31 December 2020, the Group had a net cash balance of HK\$373 million, generated mainly from daily business operations. The Group had no bank borrowings. Most of the Group's cash and bank deposits were in its operating currencies and deposited with major banks in Hong Kong and on the Chinese Mainland. The majority of the Group's assets, liabilities, revenues and payments were held in either Hong Kong dollars or renminbi. The Group had some foreign exchange exposure in renminbi resulting from its business operations on the Chinese Mainland. The Group is subject to interest rate risks on the interest income earned from bank deposits. The Group will continue its policy of placing surplus cash in bank deposits denominated in its operating currencies, with appropriate maturity periods to meet the funding requirements of any acquisition projects in the future. The Group shall also consider setting up standby banking facilities for use on potential projects and in daily operations.

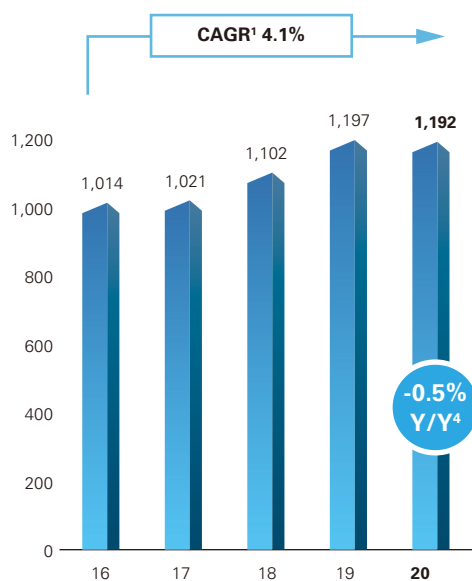
With the payment of the special dividend made on 30 December 2020, the Company does not intend to declare any further dividend payments in respect of the financial year ended 31 December 2020.

Management Discussion and Analysis (continued)

Financial Review (continued)

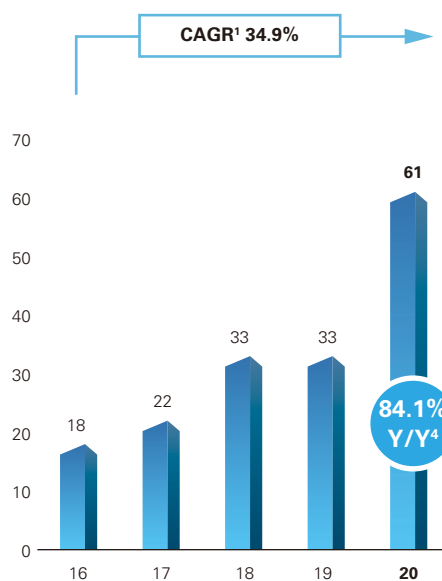
Revenue*

(HK\$ million)



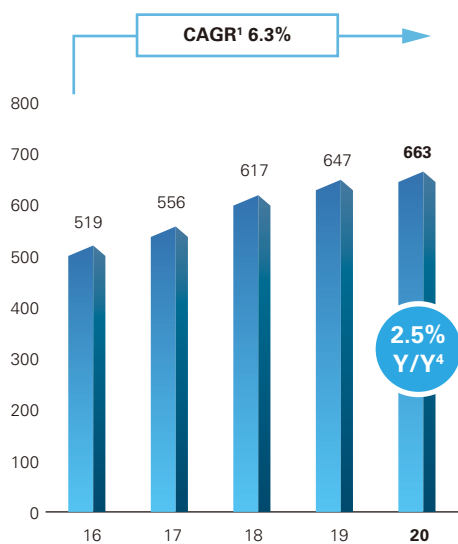
Net Profit*

(HK\$ million)



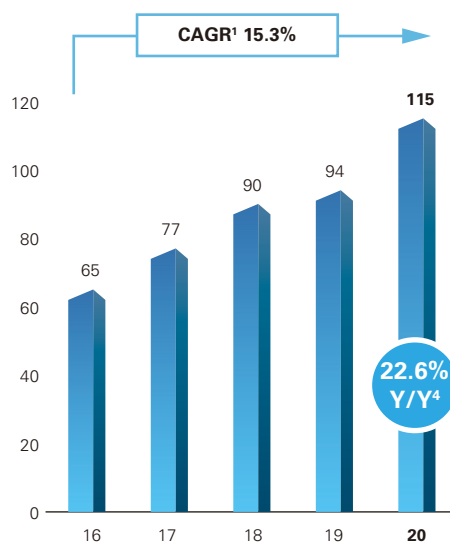
Gross Profit and Other Income*

(HK\$ million)



Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)*

(HK\$ million)

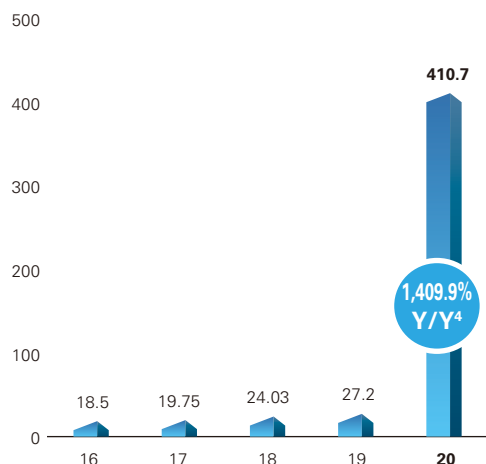


* For Continuing Operations

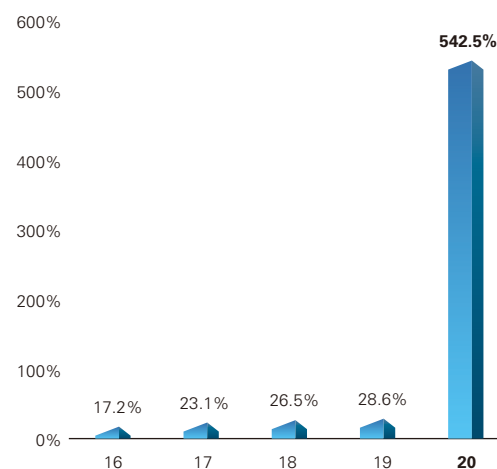
Financial Review (continued)

Earnings per Share

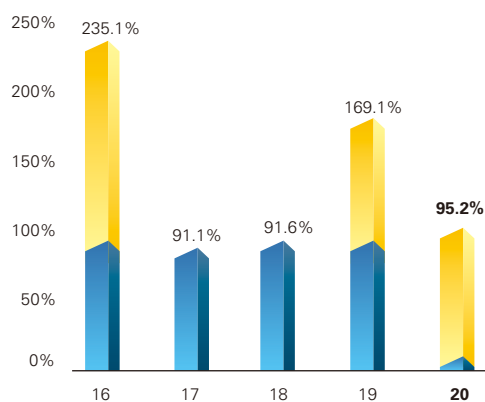
(HK cents)





Return on Total Equity²



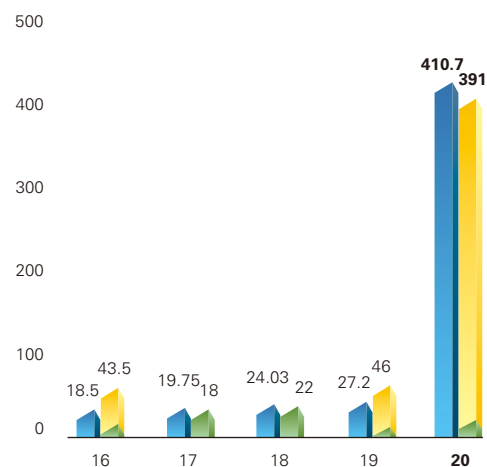
Dividend Payout³






 Special dividend
 Full year dividend

Dividend per Share

(HK cents)



 Earnings per share
 Full year dividend per share
 Special dividend per share

Notes:

1. Compound annual growth rate (CAGR)
2. Net profit/total equity
3. Dividend per share/earnings per share
4. Year on year growth rate

Business Model and Corporate Strategy

Convenience Retail Asia is a member of the Fung Retailing Group. It owns the famous Saint Honore Cake Shop bakery chain, operating stores in Hong Kong, Macau and throughout the Pearl River Delta region. As at 31 December 2020, there were 119 Saint Honore stores in total across Hong Kong, Macau and Guangzhou. In 2017, the Group secured the Hong Kong, Macau and Southern China franchise for Zoff, Japan's leading fast-fashion eyewear chain and a highly popular brand among younger generations. There are currently 11 Zoff stores in high-traffic commercial locations in Hong Kong. In 2020, the Group obtained the franchise licence to operate Mon cher, a premium Japanese cake and pâtisserie chain, in Hong Kong and Macau. There is currently one location in Hong Kong with more openings planned.

The Group aims to be the most innovative, customer-preferred retail chain company wherever it operates, employing a multi-pronged strategy that includes:

- Innovative products and services offered through its O2O operational and marketing platforms
- Customer-centric business focus
- Excellence in customer service
- Convenient outlet locations
- Highly motivated, engaged employees
- Maximised efficiency through the adoption of the latest information technology
- Synchronised supply chain management infrastructure and processes
- Continuous investment in brand-building, store networks, people development, eCRM platforms and supply chain infrastructure

The Group strives to achieve sustainable, long-term value for shareholders through a total commitment to its customers, employees and businesses. Its keys to success are excellent customer focus, innovation, flawless execution of its powerful O2O business model, ethical business practices, and strong partnerships with quality suppliers as well as the prudent, professional management of its growth and profitability.

The Board and management play proactive roles in the development of the Group's business model and pursue new ventures to maintain competitiveness and drive sustainable long-term growth.

Employees

As at 31 December 2020, the Group had a total of 2,700 employees, with 1,400, or 52%, based in Hong Kong and 1,300, or 48%, based in Guangzhou, Shenzhen and Macau. Part-time staff accounted for 18% of total headcount. Employee benefit expenses for the year amounted to HK\$433 million compared to HK\$450 million in 2019.

The Group offers competitive remuneration schemes to eligible employees that include salary packages as well as discretionary bonuses based on individual and company performance. Employees may also take advantage of comprehensive job-related skill enhancement programmes and attractive career advancement opportunities. Frontline staff receive thorough training in delivering quality customer service, a critical aspect of the Group's business model. During the pandemic, the Group has also endeavoured to provide stable, secure work environments for its valued staff by improving efficiencies throughout its operations to create a more agile organisation that can adapt to down cycles.

Ensuring workplace satisfaction and retaining talented, passionate employees are key to delivering consistently first-rate customer service. Therefore, the Group makes great effort to support its staff and their families, especially in difficult times. Each year, the HEARTS (Happy, Energised, Achievements, Respect, Training and Success) employee engagement programme, supported by the Activity Organising Board (AOB), co-ordinates a number of career development and work-life balance initiatives to help our colleagues succeed in their jobs and personal lives. Community activities also contribute to workplace satisfaction while fostering staff camaraderie. During the year under review, employees gave back to society by spending time with the elderly, donating PPE to those in need, participating in recycling and food waste reduction programmes, and more.

In 2020, Circle K and Saint Honore were honoured to receive the "15 Years Plus Caring Company Logo" and "10 Years Plus Caring Company Logo", respectively, from the Hong Kong Council of Social Service. Zoff was also awarded its first "Caring Company Logo". These awards are given in recognition of companies that demonstrate care for the community, employees and the environment.

Health and Safety

The COVID-19 pandemic has underscored the importance of having a strong health and safety culture in place, particularly for businesses with frequent interactions between frontline staff and customers. The Group has been closely monitoring the latest developments regarding the novel coronavirus and is careful to follow the latest guidelines issued by local health authorities. It has also taken a number of proactive steps to ensure that its employees can work with peace of mind. These include carrying out regular, thorough sanitisation of equipment and facilities; optimising process flows and store layouts for minimal person-to-person contact; installing partitions and air purifiers in workplaces; and introducing work-from-home arrangements for staff. The Group has also established a fund to provide staff with free PPE and support those whose household incomes have been affected by COVID-19.

Management Discussion and Analysis (continued)

Health and Safety (continued)

In its day-to-day operations, the Group operates its facilities to the highest global standards to ensure world-class safety and hygiene. Saint Honore's factories in Hong Kong and Shenzhen are both ISO 9001-accredited. The Shenzhen factory has also earned Hazard Analysis and Critical Control Points (HACCP) food safety accreditation, while its in-house microbiological laboratory is certified by the China National Accreditation Services (CNAS) for conformity assessment. Staff receive comprehensive food safety, workplace safety and hygiene training – supplemented by thorough instruction in pandemic prevention – and are provided with protective clothing and equipment where necessary. The Group also carries out regular inspections to ensure that factories and stores continue to meet relevant compliance guidelines. Staff also receive training on the "5S" principles of "sort, straighten, shine, standardise and sustain"

Sustainability and Corporate Social Responsibility

As a member of the Fung Group, the Group adheres to the United Nations Global Compact on human rights, labour, anti-corruption efforts, environmental protection and sustainability.

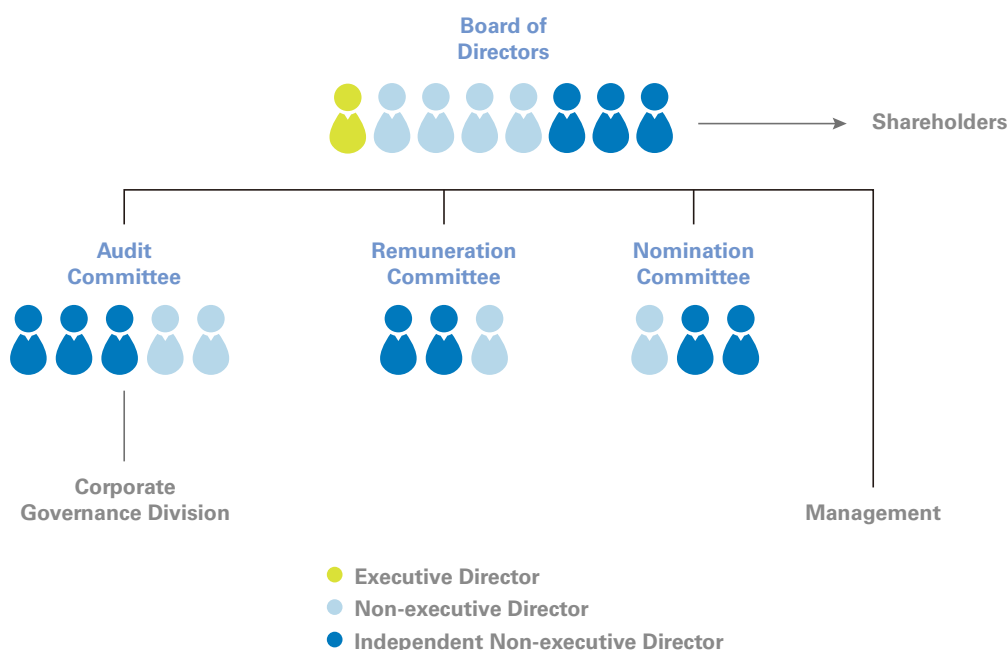
The Group is committed to achieving sustainable operations. It practices reducing, re-using and recycling wherever possible to help protect the environment, conserve natural resources and create cost savings. It also uses energy-efficient equipment and low-carbon fuels to reduce carbon emissions.

During the year, Convenience Retail Asia received a "Gold Award" in the Non-Hang Seng Index (Small Market Capitalisation) Category of the Hong Kong Institute of Certified Public Accountants' Best Corporate Governance Awards 2020. Further environmental, social and governance policies and performance information will be provided in a separate report on the Company's website.

Corporate Governance Report

The Board and management are committed to principles of good corporate governance consistent with prudent management and enhancement of shareholder value. These principles emphasise transparency, accountability and independence.

The Board



Board Composition

The Board is structured to ensure it is of a high calibre and has a balance of skills, experience, knowledge, diversity and other perspectives appropriate to the businesses and development of the Group. The Board is currently composed of the Non-executive Chairman, one Executive Director (“ED”), three Independent Non-executive Directors (“INED”) and three Non-executive Directors (“NED”). Biographical details and relevant relationships of the Board members are set out in the Directors and Senior Management Profile section on pages 42 to 46.

An up-to-date list of Directors identifying their roles and functions and whether they are Independent Non-executive Directors is available on the websites of both The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Company.

Chairman and Chief Executive Officer

In order to enhance independence, accountability and responsibility, the roles of Chairman and Chief Executive Officer are held separately by Dr Victor Fung Kwok King and Mr Richard Yeung Lap Bun. Their respective responsibilities are clearly defined by the Board in writing. The Chairman is responsible for overseeing the proper functioning of the Board with good corporate governance practices and procedures, whilst the Chief Executive Officer is responsible for managing the Group’s businesses, including the implementation of major strategies and initiatives adopted by the Board.

The Board (continued)

Non-executive and Independent Non-executive Directors

The Non-executive Directors and the Independent Non-executive Directors offer to the Board their skills, experiences and diverse industry expertise. Through active participation in the meeting of the Board and the Board Committees, they bring constructive analysis and independent judgement on management proposals, scrutinise performance against business goals, ensure the Board maintains high standards of financial reporting and regulatory compliance, as well as providing adequate checks and balances for safeguarding the interests of the Company and the shareholders as a whole.

Independence of Independent Non-executive Directors

The Company has received from each Independent Non-executive Director an annual written confirmation of his/her independence in accordance with Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers all of the Independent Non-executive Directors to be independent during the year ended 31 December 2020.

Each Independent Non-executive Director is required to inform the Company as soon as practicable if there is any change of circumstances that may affect his/her independence.

Board Diversity

The Company recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage.

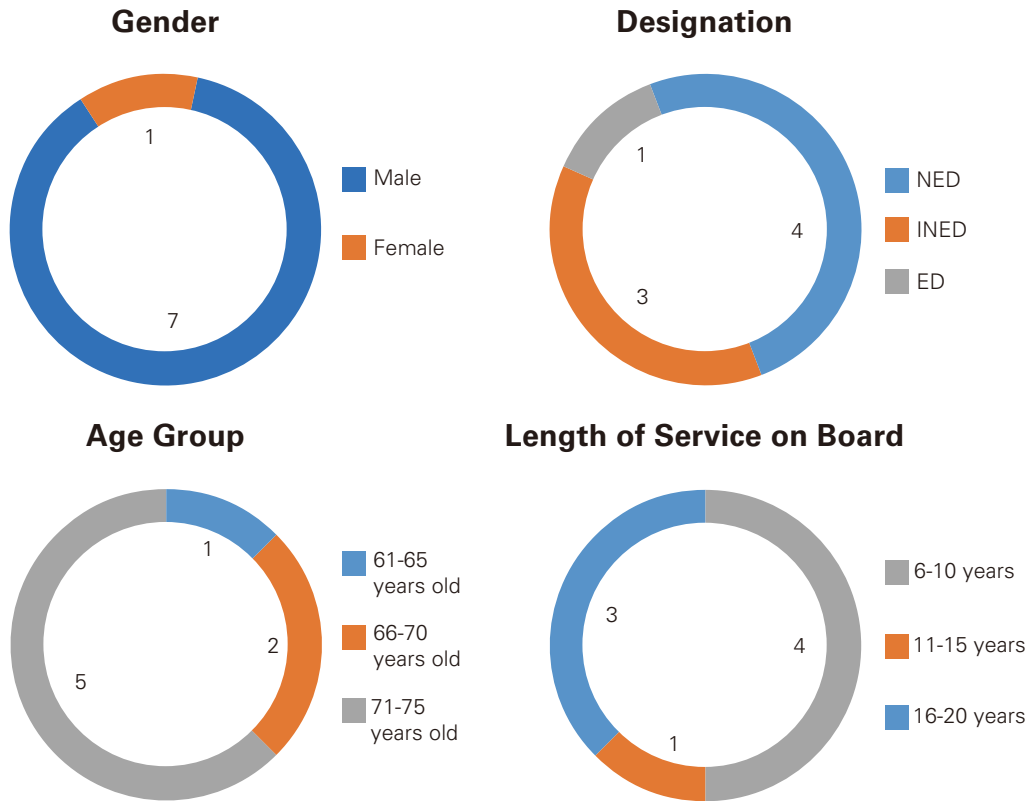
A Board Diversity Policy has been adopted by the Board. In reviewing Board composition, the Nomination Committee will consider the benefits of all aspects of diversity including, but not limited to, skills, regional and industry experience, background, ethnicity, age, culture and gender, so as to maintain an appropriate range and balance of skills, experience and background on the Board. In identifying suitable candidates, the Nomination Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board, balance of skills, experience, independence and knowledge of the Company and the diversity representation of the Board will also be considered.

Based on the latest review, the Nomination Committee considers the Board to be diverse in respect of the aforesaid evaluation criteria. The Nomination Committee has considered but decided not to set any measurable objectives for implementing the Board Diversity Policy. The Nomination Committee will continue to ensure that diversity is taken into consideration when assessing Board composition.

The Board (continued)

Board Diversity (continued)

An analysis of the Board’s current composition is set out in the following charts:



With regard to the Directors’ skills, regional and industry experience as well as background, please refer to their biographical details set out in the Directors and Senior Management Profile section on pages 42 to 46.

Board Evaluation

The Board recognises the importance and benefits of conducting regular evaluation of its performance to ensure the effectiveness of its functioning.

The Board has conducted an annual evaluation and a questionnaire is sent to each Director seeking his/her view on issues including the overall performance of the Board (including its committees), Board composition, conduct of Board meetings and provision of information to the Board.

The responses to the questionnaire are analysed and discussed at the Nomination Committee and Board meetings. Any suggestions made by the Directors are duly considered and will be implemented as appropriate to enhance corporate governance practices. The results of the 2020 Board evaluation indicated that the Board and its committees continue to function satisfactorily and the committees fulfilled their duties as set out in their terms of reference.

The Board (continued)

Nomination and Appointment of Directors

The Board has the ultimate responsibility for the selection, appointment and re-appointment of Directors. The Nomination Committee is delegated with the duties to, inter alia, review the composition of the Board. When necessary, the Nomination Committee will identify, select and nominate suitable candidates for appointment as new Director(s), and make recommendations on the re-appointment of incumbent Directors in accordance with the Director Nomination policy.

When recommending any candidate for directorship, the Nomination Committee will consider various factors including, but not limited to, the potential contribution that the candidate can bring to the Board in terms of qualifications, skills and experience, the candidate must have sufficient time available for the proper performance of Director's duties, the candidate should be of high ethical character with reputation for integrity, the candidate will contribute optimally to diversity, and so forth.

The search process for candidates can be undertaken by the Nomination Committee itself, through referral from various sources, or by the Company's advisors and professional search consultants. The Nomination Committee will then develop a short list of potential candidates for the Board to agree on a preferred candidate.

After the Board has made the appointment, the newly appointed Director is subject to election by shareholders at the first general meeting following the appointment.

In 2020, the Board reviewed its composition, the retirement, resignation and re-appointment of Directors. No new Director was appointed during the year ended 31 December 2020.

All Non-executive Directors and Independent Non-executive Directors are appointed for an initial term of three years and will continue in office thereafter subject to termination by notice in writing by either party to the other. In addition, all Directors are required to retire from office by rotation and are subject to re-election by shareholders at the Annual General Meeting (the "AGM") at least once every three years pursuant to the Company's Articles of Association.

To reinforce accountability, any re-appointment of Director (including Independent Non-executive Director who has served the Board for more than nine years) is subject to a separate resolution to be approved by the shareholders.

Other Matters Concerning Directors

Written procedures are put in place for Directors to seek independent professional advice in performing their duties at the Company's expense. No request was made by any Director for such independent professional advice in 2020.

The Directors ensure that they can give sufficient time and attention to the affairs of the Company. The Directors are requested to disclose to the Company on a periodic basis the number and nature of offices held in public companies or organisations and other significant commitments. The identity of the public companies or organisations and an indication of the time involved are also disclosed.

The Board (continued)**Potential Conflict of Interest**

If a potential conflict of interest involving a substantial shareholder or a Director arises, the matter will be dealt with by a physical Board meeting instead of a written resolution. Directors who have a potential conflict of interest shall not be counted in the quorum of the meeting and must abstain from voting on the relevant resolutions. Directors with no conflict of interest will attend and vote at meetings dealing with such conflict issues.

Information and Continuous Professional Development

On appointment to the Board, each Director is given an induction on the Group's structure, businesses and governance practices to enhance his/her understanding of the Group's operations.

All Directors are kept informed on a timely basis of major changes that may affect the Group's businesses, including relevant rules and regulations. Management provides the Directors with a monthly financial summary of the Group giving a balanced and understandable assessment of the Group's performance, position and prospects. Apart from the said monthly financial summary, the Directors are provided with information and briefings on specific issues when necessary to facilitate the making of informed decisions.

The Board and each Director have separate and independent access to the Company's senior management. All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, and all applicable laws, rules and regulations, are followed.

The Directors are encouraged to participate in continuous professional development to enhance and refresh their knowledge and skills for discharging their duties and responsibilities.

All Directors are required to provide the Company with their training records on an annual basis. Ongoing training and professional development undertaken by the current Directors in during the year are summarised as follows:

Directors	Types of Professional Development
Victor FUNG Kwok King	A, B
William FUNG Kwok Lun	A, B
Godfrey Ernest SCOTCHBROOK	A, B
Benedict CHANG Yew Teck	A, B
Anthony LO Kai Yiu	A, B
ZHANG Hongyi	A, B
Sarah Mary LIAO Sau Tung	A, B
Richard YEUNG Lap Bun	A, B

- A Attending training sessions arranged by the Company, or attending and/or giving speech at external seminars/training sessions
- B Reading regulatory and industry related updates, as well as materials which covered the Group's businesses, Directors' duties and so forth

Corporate Governance Report (continued)

The Board (continued)

Liability Insurance for Directors

The Company has arranged appropriate liability insurance to indemnify its Directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed regularly.

Board Process

Roles and Responsibilities of the Board and Delegation to Management

The Board is responsible for setting the overall strategy of the Group and making decisions on major operational and financial matters as well as investments. The Board reserves for its decision or approval matters involving:

- Recommendations on Directors' appointment or re-appointment;
- Composition and terms of reference of Board committees;
- Major acquisitions and disposals;
- Appointment of Chief Executive Officer;
- Remuneration of individual Executive Directors, Non-executive Directors and senior management;
- Annual budgets and monitoring performance against budget;
- Annual and interim reports;
- Major capital and borrowing transactions;
- Maintaining appropriate and effective risk management and internal control systems, reviewing their effectiveness and ensuring relevant statutory and regulatory compliance; and
- Other significant operational/financial matters and corporate governance issues.

Board Process (continued)

Roles and Responsibilities of the Board and Delegation to Management (continued)

Day-to-day operational responsibilities are delegated by the Board to management. The management, headed by the CEO, is responsible for the day-to-day management of the Group's businesses and affairs. Major responsibilities include:

- Preparation of annual and interim financial statements for Board approval before public reporting;
- Execution of business strategies and initiatives adopted by the Board;
- Monitoring of budgets;
- Implementation and monitoring of appropriate and effective risk management and internal control systems, review of relevant financial, operational, compliance and ESG (environmental, social and governance) controls; and
- Compliance with relevant statutory requirements, rules and regulations.

The Board and management fully appreciate their respective roles and responsibilities, and are supportive of the development of a healthy corporate governance culture.

Independent Reporting of Corporate Compliance Function

The Board recognises the importance of independent reporting of the corporate compliance function. The Group Chief Compliance and Risk Management Officer is invited to attend all Board and committee meetings to advise on corporate governance matters covering risk management, internal controls and compliance issues relating to business operations, mergers and acquisitions, accounting and financial reporting, as well as on regulatory compliance matters.

Board and Committee Meetings

The Board held six meetings in 2020 (with an average attendance rate of directors of 98%). The Chairman holds meetings annually with the Independent Non-executive Directors without the Executive Directors present.

The dates of the 2020 Board meetings and committee meetings were determined in the third quarter of 2019 to facilitate maximum attendance of Directors. Amendments to this schedule were notified to the Directors within a reasonable time before a regular Board meeting/committee meeting. Notice of meeting is sent at least 14 days before the meeting.

Corporate Governance Report (continued)

Board Process (continued)

Board and Committee Meetings (continued)

The Board meeting agenda is set by the Board Chairman in consultation with members of the Board, whilst committee meeting agenda is set by the respective committee chairman. Agenda and accompanying papers are sent to all Directors at least three days before the intended meeting so as to give the Directors sufficient time to prepare before the meeting. Draft minutes of meetings with sufficient details are circulated to all Board and committee members for comments and records, within a reasonable time after each Board or committee meeting. The Board and each committee formally adopts the draft minutes at the subsequent meeting.

The adopted minutes of the Board meetings and committee meetings are kept by the Company Secretary and are open for inspection by all Directors.

A summary of the attendance at the meetings held in 2020 are set out in the following table:

	No. of meetings attended /held					
	Board	Audit Committee ⁽⁶⁾	Remuneration Committee	Nomination Committee	Annual General Meeting ⁽⁶⁾	Extraordinary General Meeting ⁽⁶⁾
Non-executive Directors:						
Victor FUNG Kwok King <i>(Group Chairman and Chairman of Nomination Committee)</i>	6/6	–	–	1/1	1/1	1/1
William FUNG Kwok Lun	6/6	–	1/1	–	1/1	1/1
Godfrey Ernest SCOTCHBROOK ⁽¹⁾	5/6	3/4	–	–	1/1	1/1
Benedict CHANG Yew Teck	6/6	4/4	–	–	1/1	1/1
Independent Non-executive Directors:						
Anthony LO Kai Yiu <i>(Chairman of Audit Committee)</i>	6/6	4/4	–	1/1	1/1	1/1
Sarah Mary LIAO Sau Tung ⁽²⁾ <i>(Chairman of Remuneration Committee)</i>	6/6	2/2	1/1	–	1/1	1/1
ZHANG Hongyi	6/6	4/4	1/1	1/1	1/1	1/1
Malcolm AU Man Chung ⁽³⁾	2/2	2/2	1/1	–	1/1	–
Executive Directors:						
Richard YEUNG Lap Bun <i>(Chief Executive Officer)</i>	6/6	–	–	–	1/1	1/1
PAK Chi Kin ⁽⁴⁾	6/6	–	–	–	1/1	1/1
Group Chief Compliance and Risk Management Officer:						
Jason YEUNG Chi Wai ⁽⁵⁾	6/6	4/4	1/1	1/1	1/1	1/1
Average Attendance Rate of Directors	98%	95%	100%	100%	100%	100%
Dates of Meeting in 2020	10 March 29 April 13 August 7 September 30 October 7 December	10 March 29 April 13 August 7 December	10 March	10 March	29 April	7 December

Board Process (continued)

Board and Committee Meetings (continued)

Notes:

- (1) *Did not attend the Audit Committee meeting due to other business commitments. The Company Secretary updated the relevant Director on the matters discussed at the meetings and provided him with the minutes of the meetings. Such Director also rendered his views and comments to the Board through the Chairman or the Company Secretary.*
- (2) *Re-designated as Chairman of the Remuneration Committee and appointed as a member of the Audit Committee on 29 April 2020.*
- (3) *Retired as Independent Non-executive Director, the Chairman of the Remuneration Committee and a member of the Audit Committee on 29 April 2020.*
- (4) *Resigned as Executive Director and Chief Operating Officer on 21 December 2020.*
- (5) *Attended meetings by invitation as a non-member.*
- (6) *Representatives of the external auditor attended all Audit Committee meetings, the Annual General Meeting and Extraordinary General Meeting.*

Board Committees

The Board has established the following committees with defined terms of reference (available on the Company's corporate website), which are in line with the CG Code:

- Audit Committee
- Remuneration Committee
- Nomination Committee

All the committees comprise a majority of Independent Non-executive Directors. Each of the Audit Committee and Remuneration Committee is chaired by an Independent Non-executive Director, and the Nomination Committee is chaired by the Non-executive Chairman. Such committees are provided with sufficient resources to discharge their duties and have access to independent professional advice if considered necessary at the Company's expense.

Audit Committee

<i>Chairman</i>	Anthony LO Kai Yiu *
<i>Members</i>	Godfrey Ernest SCOTCHBROOK + Benedict CHANG Yew Teck + ZHANG Hongyi * Sarah Mary LIAO Sau Tung * (appointed as a member with effect from 29 April 2020) Malcolm AU Man Chung * (ceased as a member with effect from 29 April 2020)

* *Independent Non-executive Director*

+ *Non-executive Director*

Corporate Governance Report (continued)

Board Committees (continued)

Audit Committee (continued)

The Audit Committee is primary responsible for reviewing the Group's financial reporting, risk management, internal controls and corporate governance matters, and making relevant recommendations to the Board. The committee includes members who possess appropriate professional qualifications, accounting or related financial management expertise as required under the Listing Rules.

The Audit Committee met four times in 2020 (with an average attendance rate of 95%) to consider and review with senior management, the Company's internal auditor under the Corporate Governance Division ("CGD") and external auditor various matters as set out in the Audit Committee's terms of reference, which included the following:

- Independence of external auditor, their related terms of engagement and fees;
- The Group's accounting policies and practices, compliance with the Listing Rules and statutory requirements, connected transactions, risk management and internal control systems, policies and practices on corporate governance, treasury and financial reporting matters (including the annual and interim financial statements before recommending to the Board for approval);
- Adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, financial reporting and internal audit functions; and
- Audit plans, findings and reports of external auditor and CGD, as well as their effectiveness.

The Audit Committee has authority to investigate any activity within its terms of reference and has full access to and the cooperation of management. It has direct access to CGD and the external auditor, and full discretion to invite any management to attend its meetings.

Whistleblowing Arrangements

Under the Group's Whistleblowing Policy, employees can report any concern, including actual or potential misconduct, possible impropriety or fraud in financial reporting, accounting, risk management and internal control matters, to either senior management or the Group Chief Compliance and Risk Management Officer. Any shareholders or stakeholders, including customers and suppliers, can also report similar concerns by writing in confidence to the Group Chief Compliance and Risk Management Officer at the Company's principal place of business in Hong Kong.

No incident of fraud or misconduct that has material effect on the Company's financial statements and overall operations was reported by employees, shareholders or stakeholders in 2020.

Board Committees (continued)**Audit Committee** (continued)*External Auditor's Independence*

In order to enhance independent reporting by the external auditor, PricewaterhouseCoopers ("PwC"), the Company's external auditor, was invited to attend all the meetings of the Audit Committee in 2020. During the year, one separate session was held between the committee members and PwC to discuss audit and related issues of the Group.

The external audit engagement partner of PwC is subject to periodical rotation. A policy restricting the employment of employees or former employees of the external auditor at senior executive or financial positions within the Group has been put in place.

A policy on the provision of non-audit services by the external auditor has been established which includes prohibition of specified non-audit services to be performed by the external auditor. Other non-audit services, with fees above a threshold and are considered not to affect the independence of the external auditor, require prior approval of the Audit Committee.

For the year ended 31 December 2020, the following fees paid or payable to PwC have been endorsed by the Audit Committee:

	Fees HK\$'000
Audit services	2,080
Non-audit services (including agreed-upon procedures regarding disposal of discontinued operation, interim financial information and tax services)	2,193
Total	4,273

Prior to the commencement of the audit of the Company's financial statements for the year ended 31 December 2020, the Audit Committee received written confirmation from PwC as to their independence and objectivity as required by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Audit Committee is satisfied with the review of audit fees and scope, effectiveness of the audit process, independence and objectivity of PwC, and has recommended to the Board the re-appointment of PwC as the Company's external auditor for the financial year ending 31 December 2021 at the forthcoming AGM.

Board Committees (continued)

Remuneration Committee

<i>Chairman</i>	Sarah Mary LIAO Sau Tung * (re-designated as the Chairman with effect from 29 April 2020) Malcolm AU Man Chung * (ceased as the Chairman and a member with effect from 29 April 2020)
<i>Members</i>	William FUNG Kwok Lun + ZHANG Hongyi *

* *Independent Non-executive Director*

+ *Non-executive Director*

The Remuneration Committee is primarily responsible for:

- Make recommendations to the Board on the Company's policy and structure regarding remuneration for all Directors and senior management, including allocation of share options to employees under the Company's Share Option Scheme;
- Make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management;
- Make recommendations to the Board on the remuneration of Non-executive Directors; and
- Review the Group's remuneration and human resources policy.

The Remuneration Committee met once in 2020 (with a 100% attendance rate) to review the remuneration packages of Executive Directors and senior management and recommend the adoption of a new share option scheme to the Board. There were no Executive Directors' service contracts requiring review in 2020.

Remuneration Policy for Executive Directors

Remuneration for Executive Directors includes fees, basic salary, bonus based on performance and share options which are designed to align Directors' interest with maximising the Company's long term shareholder value. No Executive Director is allowed to approve his own remuneration.

All Executive Directors' remuneration packages were approved by the Remuneration Committee at the beginning of the Group's Three-Year Business Plan (2020 to 2023).

Board Committees (continued)

Remuneration Committee (continued)

Remuneration Policy for Non-executive Directors

Remuneration for Non-executive Directors comprises Directors' fees which are determined by the Board and approved by the shareholders from time to time with reference to the level of fees paid by other companies listed on the Stock Exchange with similar business nature and market capitalisation, time and effort spent in discharging duties and level of complexity of work involved. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties, including attendance at Company meetings.

Details of Directors' emoluments of the Company are set out in note 12 to the consolidated financial statements on pages 104 to 105.

Nomination Committee

<i>Chairman</i>	Victor FUNG Kwok King +
<i>Members</i>	Anthony LO Kai Yiu * ZHANG Hongyi *

+ *Non-executive Director*

* *Independent Non-executive Director*

The Nomination Committee is primarily responsible for:

- Review the structure, size and composition (including diversity) of the Board;
- Assess the independence of Independent Non-executive Directors;
- Make recommendations to the Board on the appointment or re-appointment of Directors; and
- Review and monitor the training and continuous professional development of Directors and senior management.

The Nomination Committee met once in 2020 (with a 100% attendance rate) to review the aforesaid matters and also the evaluation of the performance of the Board and its committees.

Company Secretary

Ms Maria Li Sau Ping has been the Company Secretary of the Company since 2007 and has day-to-day knowledge of the Group's affairs. She reports to the Group Chairman on Board governance matters and is responsible for ensuring that Board policies and procedures are followed. All Board members have access to her advice and services. She arranges comprehensive and tailored induction programme for newly appointed Directors and provides updates to the Directors on relevant new legislation or regulatory requirements from time to time. Directors' trainings have been organised on a regular basis to assist Directors' continuous professional development. In 2020, Ms Maria Li undertook over 15 hours of professional training and confirms that she has complied with all the required qualifications, experience and training requirements of the Listing Rules.

Directors' and Relevant Employees' Securities Transactions

The Group has adopted a Code for Securities Transactions by Directors and Relevant Employees (the "Securities Code") governing Directors' securities transactions on terms no less exacting than those of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with the Securities Code.

A copy of the Securities Code will be sent to each Director and each relevant employee twice annually, with a reminder that he/she is prohibited from dealing in the securities of the Company during the blackout periods before publication of the Group's interim and annual results, and that all his/her dealings should be conducted in accordance with the Securities Code.

Specific confirmation of compliance has been obtained from each Director and each relevant employee. No incident of non-compliance by Directors and relevant employees was noted by the Company in 2020.

Directors' Interests

Details of Directors' interests in the shares and underlying shares of the Company and its associated corporations are set out in the Directors' Report on pages 55 to 56.

Directors' and Auditor's Responsibilities for Financial Statements

The Directors' responsibilities for the financial statements and the responsibilities of the external auditor to the shareholders are set out on pages 60 and 65 to 66 respectively.

Risk Management and Internal Control

In a dynamic business environment, it is crucial for the Group to identify, assess and manage external and internal risks in a timely and systematic manner. Effective risk management is important to the Group's achievement of its strategic objectives.

The Board is responsible for the Group's risk management and internal control systems and for reviewing their effectiveness and adequacy with the assistance of the Audit Committee. The risk management and internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and provide reasonable but not absolute assurance against material misstatement, loss or fraud. The Audit Committee reports to the Board on any material issues and makes relevant recommendations.

The Board has delegated to management the design, implementation and ongoing monitoring of the risk management and internal control systems. Qualified personnel throughout the Group maintain and monitor these systems on an ongoing basis.

The main features of the Group's risk management and internal control framework are set out as follows:

Control Environment

The Group operates within an established control environment, which is consistent with the principles outlined in "Internal Control and Risk Management – A Basic Framework" issued by HKICPA. The scope of internal controls for the Group relates to three major areas: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations.

Risk Management and Internal Control (continued)

Governance Structure

The Group maintains a tailored governance structure with defined lines of responsibility and appropriate delegation of authority. Risk identification, assessment, reporting and mitigation are performed across the business.

There are three layers of roles and responsibilities for managing risks and internal controls:

Role	Accountability	Responsibilities
Oversight	Board as a whole, reviews are conducted through Audit Committee	<ul style="list-style-type: none"> • Oversight of corporate governance, financial reporting, risk management and internal control systems • Fostering a risk awareness culture
Risk and control owner	Management and business units	<ul style="list-style-type: none"> • Day-to-day execution and monitoring of internal controls and risk management procedures • Formulation and implementation of policies and operating guidelines • Balance between business operation efficiency and exercising internal controls • Ensuring that critical risks are reported to the Board, along with the status of actions taken to manage such risks
Risk monitoring and communication	Corporate Compliance Group	<ul style="list-style-type: none"> • Evaluation of risk management and internal control systems to identify areas for improvement • Monitoring of corporate governance disclosure and compliance with the Listing Rules and statutory requirements • Undertaking of investigations

Risk Management and Internal Control (continued)

Management of Key Risks

The Group's risk management process is embedded in its strategy formulation, business planning, investment decisions, internal controls and day-to-day operations.

The following are considered key risks faced by the Group and are managed as such:

1. *Operational Risk Management*

Corporate policies and procedures covering key risks and control standards have been established and implemented. Such policies and procedures are reviewed regularly to ensure their effectiveness. Control procedures are put in place in connection with the approval of the Group's major business transactions and investments, and the monitoring of daily operations of the Group's businesses.

Contingency and business continuity plans are also examined periodically to evaluate their effectiveness.

2. *Financial Risk Management*

The Board approves the Group's Three-Year Business Plan and annual budgets, reviews the Group's operating and financial performance and key performance indicators against the budgets on a quarterly basis. Management closely monitors actual financial performance of the Group on a monthly basis.

The Group adopts a principle of minimising financial risks. Details of the Group's financial risk management (encompassing foreign exchange risk, credit risk, liquidity risk and interest rate risk) are set out in note 3 to the consolidated financial statements on pages 90 to 92.

3. *Reputational Risk Management*

The reputation of the Group is built on its long-established standards of ethics in conducting business. Guidelines of the Group's business ethical practices as endorsed by the Board are set out in the Code of Conduct and Business Ethics (available on the Company's corporate website). The code covers a range of topics, including avoiding conflicts of interest, anti-bribery and anti-corruption practices, competition law compliance, data protection, protection of copyright and so forth.

All Directors, officers and employees are expected to comply with the aforesaid code at all times. The code is posted on the Company's intranet for ease of reference and as a constant reminder to all employees.

The Group places great emphasis on employees' ethical standards and integrity in all aspects of its operations. The Group takes a zero-tolerance approach to bribery and is committed to complying with all applicable anti-bribery laws. Any ethical concerns raised under the Whistleblowing Policy will be investigated independently.

In 2020, no incident of non-compliance with the Code of Conduct and Business Ethics that had significant impact on the Group's operations was reported.

Risk Management and Internal Control (continued)

Management of Key Risks (continued)

4. *Regulatory Compliance Risk Management*

The Corporate Compliance Group comprises CGD and the Corporate Secretarial Division. Under the supervision of the Group Chief Compliance and Risk Management Officer and in conjunction with the Group's external advisors, the team regularly reviews adherence to relevant laws and regulations, compliance with the Listing Rules, public disclosure requirements and the Group's standards of compliance practices.

Internal Audit

The internal audit function is carried out by CGD and its mission, authority, scope of work and other matters are formalised under the Internal Audit Charter approved by the Audit Committee.

CGD staff independently review the Group's risk management and internal control systems, and evaluate their effectiveness, adequacy and compliance. In addition, CGD staff regularly visit the Group's offices, factories, distribution centres and selected stores in Hong Kong, Macau and on the Chinese Mainland to help embedding the compliance culture in the Group's business practices by performing on-site reviews.

The Audit Committee approved CGD's current Three-Year Internal Audit Plan (2020 to 2023) that is linked to the Group's Three-Year Business Plan. The Internal Audit Plan is based on a risk assessment methodology and covers the Group's major operations over a three-year period. The scope of the internal audit review covers material financial, operational and compliance controls, as well as risk management policies and procedures. A summary of the key recommendations is presented at the Audit Committee meetings. The implementation of all agreed recommendations is being followed up on a quarterly basis and the progress of implementation is reported to the Audit Committee at each committee meeting.

As part of the annual review of the effectiveness of the Group's risk management and internal control systems, CGD independently reviews the Internal Control and Risk Management Self-Assessment Checklist completed by the management in each material business unit across the Group, and assesses the effectiveness and adequacy of the risk management procedures and internal controls implemented. CGD's review also considers the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function. The outcome of the review is reported to the Audit Committee when it meets to consider the Group's annual results for the year ended 31 December 2020.

External Audit

The external auditor, PwC, performs independent statutory audit on the Group's financial statements. To facilitate the audit, the external auditor attended all the meetings of the Audit Committee. The external auditor also reports to the Audit Committee any significant weaknesses in the Group's internal control procedures which come to their notice during the course of the audit. PwC noted no significant internal control weaknesses in their audit for the financial year ended 31 December 2020.

Risk Management and Internal Control (continued)

Handling and Dissemination of Inside Information

The Company handles and disseminates inside information in accordance with the requirements of the Securities and Futures Ordinance and the Listing Rules.

With regard to the procedures and internal controls for the handling and dissemination of inside information, the Company:

- has adopted the Policy on Inside Information to ensure potential inside information is captured and confidentiality of such information is maintained until timely disclosure is made.
- has included in the Code of Conduct and Business Ethics a prohibition on dealing in the Company's securities whilst in possession of inside information.
- has established and implemented measures such as pre-clearance on dealing in the Company's securities by the Directors and relevant employees, notification of regular blackout periods and securities dealing restrictions to the Directors and relevant employees, as well as identification of projects by code names.
- has established and implemented procedures for responding to external enquiries about the Group's affairs.

Overall Assessment

The Audit Committee, with delegated authority from the Board and the assistance of CGD, conducted an annual review of the effectiveness and adequacy of the Group's risk management and internal control systems for the year ended 31 December 2020 which has been confirmed by senior management by the completion of an Internal Control and Risk Management Self-Assessment Checklist in each material business unit across the Group.

Based on the above and the assessment made by CGD, and also taking into account the results of the work conducted by the external auditor for the purpose of their audit, the Audit Committee considered that for the year ended 31 December 2020:

- The risk management and internal control systems, as well as accounting systems of the Group remained in place and were functioning effectively and adequately, and were designed to provide reasonable assurance that material assets were protected, business risks attributable to the Group were identified and monitored, material transactions were executed in accordance with the Group's policies under management's authorisation, and the financial statements were reliable for publication.
- There were ongoing processes for identifying, evaluating and managing the significant risks faced by the Group.
- The resources, staff qualifications and experience, training programmes and budget of the Group's accounting, financial reporting and internal audit functions were adequate.

Corporate Governance Report (continued)

Compliance With the Corporate Governance Code

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in full compliance with all of the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules throughout the year ended 31 December 2020.

Shareholders' Rights

Under the Company's Articles of Association, on the written requisition of shareholder(s) holding not less than one-tenth of the Company's paid-up capital carrying the right of voting at the Company's general meetings, the Board shall convene an extraordinary general meeting for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of the requisition.

Any proposal to be tabled at the Company's general meetings for consideration can be put forward in writing to the Board or the Company Secretary at the Company's principal place of business in Hong Kong. The detailed procedures vary depending on whether the proposal constitutes an ordinary resolution or a special resolution or whether the proposal relates to the election of an individual other than a Director of the Company as a Director.

The Company conducts all voting at general meetings by poll. Notice to shareholders will be sent in the case of AGM at least 20 clear business days before the meeting and at least 10 clear business days in the case of all other general meetings.

Specific enquiries by shareholders requiring the Board's attention can be sent in writing to the Company Secretary at the Company's principal place of business in Hong Kong. Other general enquiries can be directed to the Company through the Company's website.

Dividend Policy

A Dividend Policy has been adopted by the Board in November 2018. Details of the policy are set out in the Directors' Report on page 48.

Changes in Constitutional Documents

The Board confirmed that there were no significant changes in the Company's constitutional documents during the year ended 31 December 2020 which affected the Company's operations and reporting practices. The constitutional documents are available for viewing on the websites of both the Stock Exchange and the Company.

Investor Relations and Communication

The Company pursues a policy of promoting transparency in corporate communication and investor relations. Regular communication programmes include conducting analyst briefing in person and/or via email, participation in investor conferences, conducting road shows, arranging company visits and ad hoc meetings with institutional shareholders and analysts.

The Company maintains a corporate website (www.cr-asia.com) as one of the channels to promote effective corporate communication with the investors and the general public. The website is used to disseminate company announcements, shareholder information and other relevant financial and non-financial information in an electronic format on a timely basis.

A Shareholders Communication Policy has been adopted by the Board, with the objective of ensuring that the shareholders are provided with information about the Group to enable them to exercise their rights in an informed manner, and to engage actively with the Group. The policy is reviewed regularly to ensure its effectiveness.

Key calendar events for shareholders' attention and share information, including market capitalisation as at 31 December 2020, are set out in the Information for Investors section on page 47.

Annual General Meeting

AGM provides an opportunity for communication between the Board and the shareholders of the Company. All shareholders have proper notice of the AGM at which Directors and chairmen or members of the committees are available to take shareholders' questions.

The most recent AGM of the Company was held at Ground Floor, Hong Kong Spinners Industrial Building, Phases I and II, 800 Cheung Sha Wan Road, Kowloon, Hong Kong on 29 April 2020 at 4:00 p.m. The notice of AGM, the Company's annual report and the circular containing information on the proposed resolutions were sent to shareholders at least 20 clear business days prior to the meeting. Separate resolutions were proposed in respect of each substantially separate issue.

Members of the Audit Committee, Remuneration Committee and Nomination Committee were available to answer questions from shareholders. A representative of the external auditor (the engagement partner) also attended the AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

At the AGM, all resolutions as set out in the notice were put to vote by way of poll by the shareholders. An explanation was provided of the detailed procedures for conducting a poll. The Company's Hong Kong branch share registrar, Tricor Abacus Limited, was appointed as the scrutineer at the AGM for the purpose of vote-taking.

The results of the poll were published on the websites of both the Stock Exchange and the Company on the day of the AGM.

Recognition

The Company is pleased to be awarded a "Gold Award" in the Non-Hang Seng Index (Small Market Capitalisation) Category of the HKICPA's Best Corporate Governance Awards 2020.

Directors and Senior Management Profile

Executive Directors

Richard YEUNG Lap Bun – *Chief Executive Officer*

Mr Yeung, aged 64, has over 30 years of experience in general management, food distribution and supply chain management and has been a Director of the Company since 1 November 2000. He is currently the Chief Executive Officer of the Group responsible for overseeing the Group's operations, marketing, logistics and supply chain management, and is actively involved in new business development and repositioning of the Group's businesses to the O2O business models. Prior to joining the Group in October 1998, he spent about ten years in senior positions at HAVI Food Services Group, managing the supply chain of McDonald's Restaurants in various countries in Asia. Mr Yeung graduated from the University of Hawaii with a Bachelor of Business Administration degree. Mr Yeung also holds a Master's degree in Business Administration from the California State University of Los Angeles and is a Certified Public Accountant of the American Institute of Certified Public Accountants. He is also a director of Fung Retailing Limited, a substantial shareholder of the Company.

Non-executive Directors

Victor FUNG Kwok King – *Chairman*

Dr Fung, aged 75, brother of Dr William Fung Kwok Lun, has been a Non-executive Director of the Company since 3 January 2001. Dr Fung is Group Chairman of the Fung Group, a Hong Kong-based multinational which comprises major operating groups engaging in trading, logistics, distribution and retailing. They include Li & Fung Limited, Global Brands Group Holding Limited and the Company, and other privately held entities. He is also a director of King Lun Holdings Limited, Fung Holdings (1937) Limited and Fung Retailing Limited, which are substantial shareholders of the Company. Dr Fung holds Bachelor's and Master's degrees in Electrical Engineering from the Massachusetts Institute of Technology, and a Doctorate in Business Economics from Harvard University. He currently is an independent non-executive director of Chow Tai Fook Jewellery Group Limited and Chairman of the Advisory Board of the Asia Global Institute at The University of Hong Kong, a multi-disciplinary think-tank to assume and carry forward the mission and operations of Fung Global Institute, of which Dr Fung was Founding Chairman (July 2010–June 2015). In public service, Dr Fung is an Advisor of the Infrastructure Financing Facilitation Office of The Hong Kong Monetary Authority, a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development and a member of the Council of the Hong Kong Laureate Forum. He is also Chairman of the 2022 Foundation, a non-profit entity focused on research into Hong Kong's long-term competitiveness. In October 2020, Dr Fung has been appointed as a non-official member of the Governance Committee of Hong Kong Growth Portfolio. Formerly, he was Chairman of the Hong Kong Trade Development Council (1991–2000), the Hong Kong representative on the APEC Business Advisory Council (1996–2003), Chairman of the Hong Kong Airport Authority (1999–2008), Chairman of The Council of The University of Hong Kong (2001–2009), a member of the Chinese People's Political Consultative Conference (2003–2018), Chairman of the Greater Pearl River Delta Business Council (2004–2013), a member of the Commission on Strategic Development of the Hong Kong Government (2005–2012), Chairman of the International Chamber of Commerce (2008–2010), a vice chairman of China Centre for International Economic Exchanges (2009–2014), a member of WTO Panel on Defining the Future of Trade (2012–2013) and Chairman of the Steering Committee on the Hong Kong Scholarship for Excellence Scheme (2014–2018). In 2003 and 2010, the Hong Kong Government awarded Dr Fung the Gold Bauhinia Star and the Grand Bauhinia Medal respectively for his distinguished service to the community. He was conferred Fellow of the Hong Kong Academy of Finance in June 2019, which was set up to nurture financial leaders in Hong Kong. He was also honoured with the Lifetime Achievement Award in the 2019 DHL/SCMP Hong Kong Business Awards in December 2019.

Non-executive Directors (continued)

William FUNG Kwok Lun

Dr Fung, aged 72, brother of Dr Victor Fung Kwok King, has been a Non-executive Director of the Company since 3 January 2001. Dr Fung is Group Deputy Chairman of the Fung Group, a Hong Kong based multinational which comprises major operating groups engaging in trading, logistics, distribution and retailing. He is Chairman and non-executive director of Global Brands Group Holding Limited, a publicly listed company within the Fung Group. He is also a director of the substantial shareholders of the Company, King Lun Holdings Limited, Fung Holdings (1937) Limited and Fung Retailing Limited. Dr Fung held key positions at major trade and business organisations. He is the past Chairman of the Hong Kong Exporters' Association (1989–1991), the Hong Kong Committee for the Pacific Economic Cooperation (1993–2002) and the Hong Kong General Chamber of Commerce (1994–1996). He was a Hong Kong Special Administrative Region delegate to the Chinese People's Political Consultative Conference (1998–2003). He has been awarded the Silver Bauhinia Star by the Hong Kong Government in 2008. Dr Fung graduated from Princeton University with a Bachelor of Science degree in Engineering and holds a Master's degree in Business Administration from the Harvard Graduate School of Business. He was awarded the degrees of Doctor of Business Administration, *honoris causa* by The Hong Kong University of Science and Technology, by The Hong Kong Polytechnic University and by Hong Kong Baptist University, and degree of Doctor of Letters, *honoris causa* by Wawasan Open University of Malaysia. Currently, Dr Fung is an independent non-executive director of VTech Holdings Limited, Sun Hung Kai Properties Limited and The Hongkong and Shanghai Hotels, Limited. Formerly, he was Group Non-executive Chairman of Li & Fung Limited until October 2020.

Godfrey Ernest SCOTCHBROOK

Mr Scotchbrook, aged 75, prior to re-designation as Non-executive Director of the Company on 3 August 2005, was an Independent Non-executive Director since November 2002. Mr Scotchbrook presently serves as an independent director of Del Monte Pacific Limited and Del Monte Foods, Inc. (companies engaged in the production, marketing and distribution of premium branded beverage and/or food products) and an independent non-executive director of Boustead Singapore Limited (a company engaged in engineering services and geo-spatial technology) in Singapore. Mr Scotchbrook is the Founder of Scotchbrook Communications Ltd., a firm specialising in investor relations, issues management, corporate positioning and public affairs; and is a veteran in corporate governance. He is a Fellow of the Hong Kong Management Association and also of the British Chartered Institute of Public Relations.

Benedict CHANG Yew Teck

Mr Chang, aged 67, has been a Non-executive Director of the Company since 1 July 2012. He is currently the Chief Executive Officer and Founding Partner of IDS Medical Systems Group Limited and also a director of Fung Holdings (1937) Limited, a substantial shareholder of the Company. Formerly, Mr Chang was the Group Managing Director of Integrated Distribution Services Group Limited (October 2003–April 2011) and a non-executive director of Li & Fung Limited (February 2011–May 2014). Mr Chang graduated from the University of Surrey, United Kingdom, with a Bachelor of Science Degree (First Class Honours) in Marine Engineering. He was the Chairman of the Advisory Board of the Asian Institute of Supply Chains & Logistics of the Chinese University of Hong Kong (September 2006–March 2015) and was also a member of the Advisory Board of the School of Information Systems, Singapore Management University.

Directors and Senior Management Profile (continued)

Independent Non-executive Directors

Anthony LO Kai Yiu

Mr Lo, aged 72, has been an Independent Non-executive Director of the Company since 3 August 2005. Mr Lo is Chairman of Shanghai Century Capital Limited and has over 30 years of experience in accounting, banking, finance and investments. Mr Lo also serves as an independent non-executive director of Hong Kong listed Playmates Holdings Limited, Tristate Holdings Limited and Lam Soon (Hong Kong) Limited. Mr Lo is former Chairman and Co-Chief Executive Officer of Shanghai Century Acquisition Corporation (a company formerly listed on the American Stock Exchange). He retired as independent non-executive director of Mecox Lane Limited, a company listed on NASDAQ, Hong Kong listed IDT International Limited, and The Taiwan Fund, Inc., a company listed on the New York Stock Exchange, in June 2014, August 2015 and April 2018, respectively. Mr Lo is qualified as a Chartered Accountant with the Canadian Institute of Chartered Accountants and is a member of the Hong Kong Institute of Certified Public Accountants.

ZHANG Hongyi

Mr Zhang, aged 75, has been an Independent Non-executive Director of the Company since 1 July 2012. Mr Zhang is a Senior Economist and a Fellow of the Hong Kong Institute of Bankers, graduated from Peking Institute of Foreign Trade and retired from Bank of China. He has been re-designated from Council Member to Vice Chairman of China Development Institute (Shenzhen) since 29 May 2019. Mr Zhang has been an independent non-executive director of Bank of East Asia (China) Limited, whose term of office expired on 9 December 2019. He previously served as the President of Shenzhen Branch of Bank of China, Vice Mayor of Shenzhen Municipal Government, Deputy C.E.O. of Hong Kong & Macau Regional Office of Bank of China, Chairman of Nanyang Commercial Bank, Limited, Chairman of Hua Chiao Commercial Bank Ltd., Vice Chairman of BOC Credit Card (International) Limited, General Manager of Macau branch of Bank of China, Managing Director of Banco Tai Fung, Chairman of Nam Tung Trust & Investment Co. Ltd., Chairman of Nantong Bank Ltd. (Zhuhai), Executive Vice President of China Development Institute (Shenzhen), a director of Henderson (China) Investment Company Limited, an independent non-executive director of Shenzhen Rural Commercial Bank Limited, Shenzhen Overseas Chinese Town Co., Ltd. (listed on the Shenzhen Stock Exchange) and Ping An Insurance (Group) Company of China, Ltd. (listed on Hong Kong and Shanghai Stock Exchanges), and a non-executive director of Inter-Citic Minerals Inc. (listed on the Canadian Stock Exchange).

Sarah Mary LIAO Sau Tung

Dr Liao, aged 69, has been appointed as Independent Non-executive Director of the Company with effect from 1 April 2014. Dr Liao retired as the Master of New College of The University of Hong Kong in November 2018 and was Senior Advisor to the Vice-Chancellor on Sustainability (2008–2014). She was a member of the Chinese Council for International Cooperation on Environment and Development (2009–2016) and was a member of the Board of Trustees of the Environmental Defense Fund (2009–2017) and is now on their China Advisory Board. Dr Liao was formerly the Secretary for the Environment, Transport and Works of the Hong Kong Government (2002–2007). Prior to her Government appointment, Dr Liao was in the consultancy business and amongst her many projects she was engaged as the environmental consultant to the Beijing's Olympic Bid and Organising Committee (2000–2008). Formerly, Dr Liao was a director (July 2008–April 2012) of Westport Innovations Inc. which is listed on the Toronto Stock Exchange and NASDAQ. Dr Liao is a Fellow of the Royal Society of Chemistry and the Hong Kong Institute of Engineers. She was awarded the Member of the British Empire (MBE); and Justice of Peace and the Gold Bauhinia Star by the Hong Kong Government.

Group Chief Compliance and Risk Management Officer

Jason YEUNG Chi Wai

Mr Yeung, aged 66, was appointed as the Group Chief Compliance and Risk Management Officer of the Company in July 2015. He is also the Group Chief Compliance and Risk Management Officer of Fung Holdings (1937) Limited, a substantial shareholder of the Company, and its publicly-listed companies in Hong Kong. He has extensive experience in handling legal, compliance and regulatory matters, and worked previously in both the public and private sectors practising corporate, commercial and securities law. Prior to joining the Fung Group, he was Deputy Chief Executive (Personal Banking) of Bank of China (Hong Kong) Limited with responsibility for the overall performance of the personal banking businesses of Bank of China (Hong Kong) Limited. Mr Yeung graduated from The University of Hong Kong with a Bachelor's degree in Social Sciences. He also graduated from The College of Law, United Kingdom and holds a Bachelor's degree in Law, and a Master's degree in Business Administration from The University of Western Ontario, Canada.

Senior Management

LAI Chun Pang – *Group Managing Director, Saint Honore Group*

Mr Lai, aged 59, is the Group Managing Director of Saint Honore. With nearly 40 years of experience in the retail chain business, Mr Lai spent ten years on the Chinese Mainland under Convenience Retail Southern China spearheading the Circle K convenience store business from 2009 to 2019, and the Saint Honore bakery chain in Guangzhou from 2009 to 2015. In his current role, he oversees Saint Honore Group's retail and manufacturing operations in Hong Kong, Macau, Shenzhen and Guangzhou. Prior to joining the Group in 1987, Mr Lai started his career as a frontline manager and merchandiser of sports apparel for Crocodile Garments Limited. Mr Lai holds a Master of Arts degree in International Business Management and a Bachelor of Arts degree in Business Studies from City University of Hong Kong.

Directors and Senior Management Profile (continued)

Senior Management (continued)

Carrina CHAN Wong Man Li – *Managing Director, Saint Honore Retailing Group*

Mrs Chan, aged 58, has over 30 years of experience in the food and beverage and retail chain industry. She is currently responsible for the Saint Honore operations in Hong Kong and Macau overseeing marketing and category, retail operations, products and site development management. She also took up the advisory role for the Group's cake shop operation on the Chinese Mainland. Mrs Chan holds a Master's degree in Business Administration jointly conferred by the J.L. Kellogg Graduate School of Management, Northwestern University in the United States and The Hong Kong University of Science and Technology. She also holds a Bachelor's degree in Administrative Studies from the Trent University in Canada. Mrs Chan joined Saint Honore group in 1986 and was promoted to the position of Managing Director in 1996. She acted as the member of the Corporate Advisory Board of School of Business and Management of The Hong Kong University of Science and Technology during the period 2000–2009.

Raymond CHAN Chor Fai – *Financial Controller*

Mr Chan, aged 48, has been the Financial Controller of the Group since 2012, is responsible for overseeing the Group's finance and accounting functions, including mergers and acquisitions, treasury, investor relations, financial planning and analysis, risk management and financial reporting. Mr Chan has over 25 years of experience in auditing, finance and accounting. Prior to joining the Group in 2007, he was the Finance and Accounting Manager of a leading fashion retail group in Greater China and an Internal Auditor of a multinational conglomerate. He commenced his professional career with Ernst & Young, providing assurance and business advisory services to a wide range of companies. Mr Chan graduated from The University of Hong Kong with a Bachelor's degree in Business Administration and also holds a Bachelor's degree in Law from the University of London. He has completed the Executive Programme held by the Stanford Center for Professional Development, Stanford University. Mr Chan is a member of the Hong Kong Institute of Certified Public Accountants.

Information for Investors

Listing Information

Listing Hong Kong Stock Exchange
Stock code 00831

Key Dates

23 March 2021 Announcement of 2020 Final Results
20 May 2021 Record date for right to attend
Annual General Meeting
26 May 2021 Annual General Meeting

Share Information

Board lot size 2,000 shares
Shares outstanding as at 31 December 2020 776,244,974 shares
Market capitalisation as at 31 December 2020 HK\$457,985,000
Earnings per share for 2020
Interim 10.8 HK cents
Full year 410.7 HK cents
Dividend per share for 2020
Interim 6 HK cents
Final Nil
Special 385 HK cents
Full year 391 HK cents

Share Registrar and Transfer Offices

Principal:

Tricor Services (Cayman Islands) Limited
Second Floor, Century Yard
Cricket Square, P.O. Box 902
Grand Cayman, KY1-1103
Cayman Islands

Hong Kong Branch:

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

Enquiries Contact

Raymond CHAN Chor Fai
Financial Controller
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Fax 2991 6302
E-mail investor@cr-asia.com

Convenience Retail Asia Limited
15th Floor, LiFung Centre
2 On Ping Street
Siu Lek Yuen, Shatin
New Territories
Hong Kong

Website

www.cr-asia.com

Directors' Report

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2020.

Principal Activities, Business Review and Analysis of Operations

The principal activity of the Company is investment holding. During the year, the subsidiaries are principally engaged in the operation of (i) a chain of bakeries under the brand name of Saint Honore in Hong Kong, Macau and on the Chinese Mainland; (ii) premium pâtisserie under the brand name of Mon cher in Hong Kong – one of Japan's most popular pâtisserie and cake brands; (iii) developing businesses mainly included a chain of fast-fashion eyewear stores under the brand name of Zoff in Hong Kong; and (iv) a chain of convenience stores in Hong Kong under the brand name of Circle K (Discontinued Operations). Further review and analysis of these business activities, including the risks and uncertainties facing the Group and likely future developments in the Group's businesses, are set out in the Chairman's Statement, CEO's Statement and Management Discussion and Analysis sections on pages 5 to 7, pages 8 to 14 and pages 15 to 20 of this Annual Report respectively. These review and analysis form part of this Report.

An analysis of the Group's performance for the year by business segments and by geographical segments is set out in note 5 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 67.

The Board of Directors had declared an interim dividend of 6 HK cents per share, totaling HK\$45,816,000, which was paid on 10 September 2020.

Following the disposal of the convenience stores business, the Board of Directors declared a special dividend of HK\$3.85 per share, totaling HK\$2,988,543,000, which was paid on 30 December 2020.

The Board of Directors did not recommend payment of final dividend.

It is a policy of the Company that, on an annual basis, the Company will distribute, as normal dividend, not less than 50% of the Group's net profit to the shareholders. The actual distribution percentage will be considered and determined by the Board based on the operating results, cash flow, financial position, business prospects, statutory and regulatory restrictions relating to dividend distributions and other factors the Board considers appropriate.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 27 and note 33 to the consolidated financial statements.

Donations

Charitable donations made by the Group during the year amounted to HK\$1,063,000.

Fixed Assets

Details of the movements in fixed assets of the Group during the year are set out in note 13 to the consolidated financial statements.

Share Capital and Shares Issued

Details of the movements in share capital of the Company together with the shares issued during the year are set out in note 26 to the consolidated financial statements.

Distributable Reserves

Distributable reserves of the Company at 31 December 2020 calculated under the Companies Law of the Cayman Islands amounted to HK\$491,462,000 (2019: HK\$486,377,000).

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association and there is no restriction against such rights under the laws of the Cayman Islands.

Subsidiaries

Details of the Company's principal subsidiaries as at 31 December 2020 are set out in note 34 to the consolidated financial statements.

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 136.

Purchase, Sale or Redemption of Listed Securities

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

Share Options

1. 2010 Share Option Scheme

On 10 May 2010, the 2010 Share Option Scheme was approved and adopted by the shareholders at the annual general meeting of the Company for the purpose of providing incentives and/or rewards to eligible persons as defined in the scheme. On 29 April 2020, shareholders of the Company approved at the annual general meeting the termination of the 2010 Share Option Scheme, pursuant to which, no further options will be granted under the 2010 Share Option Scheme but in all other respects the provisions of the 2010 Share Option Scheme shall remain in full force and effect. All options granted prior to the termination of the 2010 Share Option Scheme and not then exercised shall remain valid.

2. 2020 Share Option Scheme

On 29 April 2020, the 2020 Share Option Scheme was approved and adopted by the shareholders at the annual general meeting of the Company in view of the termination of the 2010 Share Option Scheme. No share options under the 2020 Share Option Scheme were granted during the year.

A summary of the major terms of the 2010 Share Option Scheme and the 2020 Share Option Scheme (the "Share Option Schemes") are as follows:

(i) *Purpose of the Share Option Schemes*

The purpose of the Share Option Schemes is to attract and retain the best quality personnel for the development of the Company's businesses, to provide additional incentives or rewards to selected qualifying participants of the Share Option Schemes for their contribution to the creation of the Company's shareholders value and to promote the long term financial success of the Group by aligning the interest of grantees to the shareholders of the Company.

(ii) *Qualifying participants*

Any employee or officer (whether full time or part time employee including any executive or non-executive Directors of the Company or any Affiliate (the "Affiliate") as defined in the Schemes) or any consultant, agent, advisor, business alliance, joint venture partner of or supplier of goods or services to the Group or any Affiliate or any employee of the business alliance, joint venture partner of or supplier of goods or services to the Group or any Affiliate.

(iii) *Maximum number of shares*

The total number of shares which may be issued upon exercise of all options granted/to be granted under the 2010 Share Option Scheme or 2020 Share Option Scheme must not exceed 10% of the shares in issue as at the date of approval of the respective share option scheme.

The total number of shares available for issue under the 2020 Share Option Scheme is 76,259,897, representing approximately 9.82% of the issued shares of the Company as at the date of this Report.

Share Options (continued)

(iv) *Limit for each participant*

The total number of shares issued and to be issued upon exercise of the options (whether exercised or outstanding) in any 12-month period granted to each qualifying participant must not exceed 1% of the shares in issue, unless specially approved by the independent shareholders of the Company.

(v) *Option period*

In respect of any particular option, such period as the Board may in its absolute discretion determine, save that such period shall not exceed ten years from the commencement date (the "Commencement Date"). The Commencement Date is deemed to have taken effect from the date on which that option was offered to the qualifying participants.

(vi) *Amount payable on application or acceptance*

An offer of the grant of an option shall remain open for acceptance for a period of 28 days from the Commencement Date. An offer of the grant of the option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the relevant option duly signed by the grantee together with a remittance in favour of the Company of HK\$1 by way of consideration of the grant thereof is received by the Company.

(vii) *Subscription price*

The subscription price in respect of any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option but it shall not be less than whichever is the highest of (i) the closing price of the shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the Commencement Date; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Commencement Date on which there were dealings in shares on the Stock Exchange; and (iii) the nominal value of a share.

(viii) *The remaining life of the Share Option Schemes*

The 2010 Share Option Scheme was terminated on 29 April 2020.

In respect of the 2020 Share Option Scheme, the Board shall be entitled at any time within ten years commencing on 29 April 2020 to offer the grant of an option to any qualifying participants.

Directors' Report (continued)

Share Options (continued)

Details of the movements of share options under the 2010 Share Option Scheme during the year ended 31 December 2020 are as follows:

Grantees	Number of share options					As at 31/12/2020	Exercise price HK\$	Grant date	Exercisable period
	As at 1/1/2020	Transferred	Exercised (Note 1)	Lapsed (Note 2)	Expired (Note 3)				
Directors									
Richard Yeung Lap Bun	2,000,000	-	-	-	(2,000,000)	-	5.53	28/2/2014	1/4/2017- 31/3/2020
	2,000,000	-	(2,000,000)	-	-	-	4.19	29/3/2017	1/4/2020- 31/3/2023
Pak Chi Kin (<i>resigned on 21/12/2020</i>)	2,000,000	-	-	-	(2,000,000)	-	5.53	28/2/2014	1/4/2017- 31/3/2020
	1,222,000	-	(1,222,000)	-	-	-	4.19	29/3/2017	1/4/2020- 31/3/2023
	778,000	-	(778,000)	-	-	-	3.88	8/3/2018	1/4/2020- 31/3/2023
Continuous contract employees	9,020,000	-	-	-	(9,020,000)	-	5.53	28/2/2014	1/4/2017- 31/3/2020
	396,000	-	-	-	(396,000)	-	5.10	19/3/2015	1/4/2017- 31/3/2020
	34,000	-	(34,000)	-	-	-	2.86	16/3/2016	1/4/2017- 31/3/2020
	7,182,000	(410,000)	(6,272,000)	(100,000)	-	400,000	4.19	29/3/2017	1/4/2020- 31/3/2023
	3,542,000	(444,000)	(2,648,000)	(100,000)	-	350,000	3.88	8/3/2018	1/4/2020- 31/3/2023
	202,000	-	(132,000)	-	-	70,000	3.87	14/3/2019	1/4/2020- 31/3/2023
Other participants	1,494,000	-	-	-	(1,494,000)	-	5.53	28/2/2014	1/4/2017- 31/3/2020
	22,000	-	-	-	(22,000)	-	5.10	19/3/2015	1/4/2017- 31/3/2020
	-	410,000	(250,000)	-	-	160,000	4.19	29/3/2017	1/4/2020- 31/3/2023
	-	444,000	(344,000)	-	-	100,000	3.88	8/3/2018	1/4/2020- 31/3/2023
	29,892,000	-	(13,680,000)	(200,000)	(14,932,000)	1,080,000			

Share Options (continued)

Notes:

1. *Share options to subscribe for 2,000,000 shares, 2,000,000 shares and 9,680,000 shares were exercised by Mr Richard Yeung Lap Bun, Mr Pak Chi Kin, and continuous contract employees and other participants respectively during the year. The respective weighted average closing market price per share immediately before the date on which the said options were exercised was approximately HK\$4.60, HK\$4.39 and HK\$4.42.*
2. *Share options to subscribe for 200,000 shares lapsed during the year following the cessation of employment of certain grantees.*
3. *Share options to subscribe for 14,932,000 shares expired during the year following the expiry of the options.*
4. *No share options under the 2010 Share Option Scheme were granted during the year.*
5. *No share options under the 2010 Share Option Scheme were cancelled during the year.*

Save as disclosed above, as at 31 December 2020, none of the Directors, chief executives or substantial shareholders of the Company or their respective associates had been granted any other share options.

Directors

The Directors during the year and up to the date of this Report were:

Non-executive Directors

Victor FUNG Kwok King
William FUNG Kwok Lun
Anthony LO Kai Yiu*
ZHANG Hongyi*
Sarah Mary LIAO Sau Tung*
Godfrey Ernest SCOTCHBROOK
Benedict CHANG Yew Teck
Malcolm AU Man Chung* (retired on 29 April 2020)

Executive Directors

Richard YEUNG Lap Bun
PAK Chi Kin (resigned on 21 December 2020)

* *Independent Non-executive Directors*

Directors' Report (continued)

Directors (continued)

In accordance with Article 87 of the Company's Articles of Association, Dr Victor Fung Kwok King, Mr Anthony Lo Kai Yiu and Mr Benedict Chang Yew Teck will retire at the forthcoming annual general meeting. Mr Anthony Lo Kai Yiu and Mr Benedict Chang Yew Teck, being eligible, will offer themselves for re-election while Dr Victor Fung Kwok King has decided not to stand for re-election and will retire from the Board with effect from the conclusion of the forthcoming annual general meeting.

Non-executive Directors were appointed for an initial term of three years and will continue in office thereafter subject to termination by notice in writing by either party to the other. In addition, all Directors including the Non-executive Directors are required to retire from office by rotation and are subject to re-election by shareholders at annual general meeting at least once every three years pursuant to the Company's Articles of Association.

The Company has received from each Independent Non-executive Director an annual written confirmation of his/her independence in accordance with Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). After assessment by the Nomination Committee, the Board is of the view that they meet the independence guidelines set out in Rule 3.13 of the Listing Rules and considers that each Independent Non-executive Director is independent to the Company.

Directors' Service Contracts

Mr Richard Yeung Lap Bun has entered into a service contract with the Company for an initial term of three years commencing on 1 January 2001 and will continue in office thereafter subject at all times to termination by not less than three months' prior notice in writing by either party to the other.

Save as disclosed, none of the Directors (including those who are proposed for re-election at the forthcoming annual general meeting) has any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Transactions, Arrangements and Contracts

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a Director or an entity connected with such Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year except as disclosed under "Connected Transactions" stated below and note 30(f) and note 32 "Related Party Transactions" to the consolidated financial statements.

Permitted Indemnity Provisions

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year ended 31 December 2020. The Company has maintained liability insurance to provide appropriate cover for the Directors and directors of its subsidiaries.

Interests and Short Positions of Directors in Shares, Underlying Shares and Debentures

As at 31 December 2020, the Directors and chief executives of the Company and their associates had the following interests in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules and/or the Code for Securities Transactions by Directors and Relevant Employees adopted by the Company:

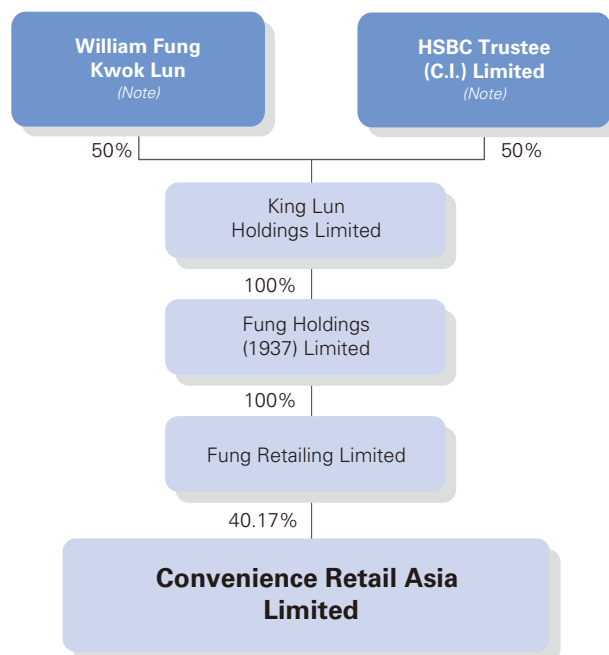
Long positions in shares and underlying shares of the Company

Name of Directors	Number of shares		Total interests	Approximate percentage of interests
	Personal interests	Corporate/ Trust interests		
Victor Fung Kwok King	–	311,792,000 <i>(Note)</i>	311,792,000	40.17%
William Fung Kwok Lun	–	311,792,000 <i>(Note)</i>	311,792,000	40.17%
Richard Yeung Lap Bun	24,396,000	–	24,396,000	3.14%

Directors' Report (continued)

Interests and Short Positions of Directors in Shares, Underlying Shares and Debentures (continued)

As at 31 December 2020, the interests of Dr Victor Fung Kwok King and Dr William Fung Kwok Lun in the shares of the Company are summarised in the following chart:



Note:

King Lun Holdings Limited ("King Lun") through its indirect wholly-owned subsidiary, Fung Retailing Limited ("FRL") (a wholly-owned subsidiary of Fung Holdings (1937) Limited ("FH 1937")) held 311,792,000 shares in the Company. 50% of the issued share capital of King Lun is owned by HSBC Trustee (C.I.) Limited, the trustee of a trust established for the benefit of the family members of Dr Victor Fung Kwok King, the remaining 50% is owned by Dr William Fung Kwok Lun. Therefore, Dr Victor Fung Kwok King and Dr William Fung Kwok Lun, by virtue of their interests in King Lun, are deemed to have interests in 311,792,000 shares of the Company.

Save as disclosed above, as at 31 December 2020, none of the Directors, chief executives of the Company and their associates had any other interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations. Besides, at no time during the year, the Directors and chief executives of the Company (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company or its associated corporations required to be disclosed pursuant to the SFO.

Interests and Short Positions of Shareholders in Shares and Underlying Shares

At 31 December 2020, other than the interests of the Directors or chief executives of the Company as disclosed above, the following persons had notified the Company of their interests in shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Interests in shares of the Company

Name of shareholders	Number of shares	Nature of interests/ Holding capacity	Approximate percentage of interests
HSBC Trustee (C.I.) Limited	311,792,000	Trustee (Note 1)	40.17%
King Lun Holdings Limited	311,792,000	Interest of controlled corporation (Note 1)	40.17%
FIL Limited	71,204,000	Interest of controlled corporation (Note 2)	9.17%
Pandanus Partners L.P.	71,204,000	Interest of controlled corporation (Note 2)	9.17%
Pandanus Associates Inc.	71,204,000	Interest of controlled corporation (Note 2)	9.17%
Aggregate of Standard Life Aberdeen plc affiliated investment management entities (together "SL & Aberdeen plc")	68,942,000	Investment manager (Note 3)	8.88%
The Capital Group Companies, Inc.	51,330,000	Interest of controlled corporation	6.61%
Fidelity China Special Situations plc	39,120,000	Beneficial owner	5.04%

Directors' Report (continued)

Interests and Short Positions of Shareholders in Shares and Underlying Shares (continued)

Interests in shares of the Company (continued)

Notes:

1. *These shares were held by FRL. King Lun indirectly owns 100% interests in FRL through its wholly-owned subsidiary, FH 1937. All of HSBC Trustee (C.I.) Limited, King Lun, FH 1937 and FRL are deemed to have interests in these shares pursuant to the SFO. Please refer to Note in the above section headed "Interests and Short Positions of Directors in Shares, Underlying Shares and Debentures".*
2. *Pandanus Associates Inc. is a general partner of Pandanus Partners L.P., who owns or control one-third or more of voting rights in FIL Limited.*
3. *SL & Aberdeen plc held the shares on behalf of accounts (under discretionary or segregated mandates) managed by SL & Aberdeen plc.*

Save as disclosed above, as at 31 December 2020, the Company had not been notified of any other interests or short positions in shares or underlying shares of the Company being held by any other shareholders as recorded in the register required to be kept under section 336 of the SFO.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this Report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

Major Customers and Suppliers

The percentage of purchases for the year attributable to the Group's major suppliers is as follows:

– the largest supplier	27%
– five largest suppliers combined	52%

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors own more than 5% of the issued share capital of the Company) had an interest in the five largest suppliers noted above.

During the year, the Group sold less than 30% of its goods and services to its five largest customers.

Connected Transactions

Continuing Connected Transactions

During the year, the Group had various transactions with related parties (details are set out in note 30(f) and note 32 to the consolidated financial statements on pages 129 and 131 to 132), such as certain reimbursement of office and administrative expenses between the Group and FH 1937 (the controlling shareholder of the Company) and its associates, also constituted connected transactions of the Company which are fully exempted under Rule 14A.98 of the Listing Rules. In addition, the following transactions constituted continuing connected transactions (exempt from independent shareholders' approval requirements) of the Company:

	HK\$'000
Properties leasing and/or licensing arrangements with FH 1937 and its associates (<i>Note</i>)	13,072

Note:

This refers to the leasing of properties and/or granting of licence for the right to use properties (or any part thereof) by FH 1937 and its associates to the Group under a master agreement signed on 9 November 2018 for a term of three years from 1 January 2019 to 31 December 2021 (details of which were disclosed in the announcement dated 9 November 2018).

The pricing and the terms of the above underlying transactions have been determined in accordance with the pricing policies and guidelines as set out in the announcement. Dr Victor Fung Kwok King and Dr William Fung Kwok Lun are considered to have material interest in the abovementioned continuing connected transactions by virtue of their deemed interests in FH 1937.

The Independent Non-executive Directors reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) on normal commercial terms or better; and
- (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In addition, all the disclosure requirements in connection with the transactions pursuant to Chapter 14A of the Listing Rules have been duly complied with by the Company.

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 his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Directors' Report (continued)

Contracts with Controlling Shareholders

Save as disclosed under "Connected Transactions" above and note 30(f) and note 32 "Related Party Transactions" to the consolidated financial statements, no other contracts of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries were entered into or existed during the year.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation of the financial statements for each financial period which gives a true and fair view of the financial position of the Group and of the financial performance and cash flows for that period. In preparing these financial statements for the year ended 31 December 2020, the Directors have selected suitable and relevant accounting policies and applied them consistently as stated in note 2 to the consolidated financial statements; made judgments and estimates that are prudent and reasonable; and have prepared the financial statements on the going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

Auditor

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Victor FUNG Kwok King

Chairman

Hong Kong, 23 March 2021

Independent Auditor's Report



羅兵咸永道

Independent Auditor's Report
To the Shareholders of Convenience Retail Asia Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Convenience Retail Asia Limited (the "Company") and its subsidiaries (the "Group") set out on pages 67 to 135, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated profit and loss account for the year then ended;
- the consolidated statement of 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 as 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 disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
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Independent Auditor's Report (continued)

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.

Key audit matter identified in our audit is related to the impairment of goodwill and trademarks with indefinite lives.

Key Audit Matter

Impairment assessment of goodwill and trademarks with indefinite lives

Refer to note 4b, 4c and note 17 to the consolidated financial statements.

The Group carried goodwill and trademarks balances of HK\$247 million and HK\$110 million, respectively, as of 31 December 2020, which relate to the acquisition of the Saint Honore bakery business.

The Group is required to, at least annually, perform impairment assessment of the goodwill and trademarks. Goodwill has been allocated to one of the Group's cash generating units ("CGUs") within the bakery segment for the purpose of performing impairment assessment. The recoverable amount of the underlying CGU is determined by fair value less cost to sell calculations which are based on future discounted cash flows. The recoverable amount of the trademarks is determined using the royalty relief valuation method which is based on the present value of the hypothetical royalty income from licensing out the trademarks.

Based on management's assessment, which considered the sufficiency of headroom, they have concluded that no impairment charge in relation to goodwill or trademarks is required in the current financial year.

We focused on this area as management's assessment involved significant estimates and judgements, including the sales growth rate, gross profit margin, net profit margin, perpetual growth rate, royalty rate and discount rates applied in the calculation.

How our audit addressed the Key Audit Matter

We evaluated the methodologies (fair value less cost to sell calculations and royalty relief valuation method) adopted by management and tested the accuracy of the underlying calculations using internal valuation experts to assist us.

We evaluated management's future cash flow forecasts by comparing the historical actual results of management's past budgets to assess the quality of management's forecasting.

We also evaluated the key assumptions used in the calculations, including sales growth rates, gross profit margin, net profit margin, perpetual growth rate, royalty rate and discount rates. When evaluating these key assumptions, we discussed with management and compared the assumptions used in the calculations to their future business plans. We also assessed the reasonableness of the assumptions based on external market data, industry outlook reports and economic growth forecasts from a number of sources.

We assessed management's sensitivity analysis around the key assumptions, to ascertain the extent to which adverse changes, both individually and in aggregate, would result in the goodwill and trademarks being impaired.

We found the Group's judgements and assumptions used in the impairment assessments to be supported by available evidence.

Independent Auditor's Report (continued)

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 the Audit Committee 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 disclosure requirements of 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.

The Audit Committee is 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, 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.

Independent Auditor's Report (continued)

We communicate with the Audit Committee 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 the Audit Committee 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 the Audit Committee, 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 Ms. Wan Sau Mei.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 23 March 2021

Consolidated Profit and Loss Account

For the year ended 31 December 2020

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000 (Restated)
Continuing Operations			
Revenue	5	1,191,701	1,197,453
Cost of sales	6	(553,236)	(565,518)
Gross profit		638,465	631,935
Other income	5	24,531	15,111
Store expenses	6	(453,073)	(442,848)
Distribution costs	6	(59,422)	(62,055)
Administrative expenses	6	(83,045)	(97,358)
Core operating profit		67,456	44,785
Interest expenses, net	7	(4,532)	(2,876)
Profit before income tax		62,924	41,909
Income tax expenses	8	(1,774)	(8,696)
Profit for the year from Continuing Operations		61,150	33,213
Discontinued Operations			
Profit for the period/year from Discontinued Operations	30a	3,079,296	174,361
Profit attributable to shareholders of the Company		3,140,446	207,574
Earnings per share (HK cents)			
Basic/diluted earnings per share	9		
Continuing Operations		8.0	4.4
Included Discontinued Operations		410.7	27.2

The notes on pages 73 to 135 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	2020	2019
	HK\$'000	HK\$'000
Profit attributable to shareholders of the Company	3,140,446	207,574
Other comprehensive income/(loss):		
Item that will not be reclassified subsequently to profit or loss		
Actuarial losses on post employment benefit obligation, net of tax	(7,097)	–
Item that may be reclassified subsequently to profit or loss		
Exchange differences	2,229	(601)
Total comprehensive income attributable to shareholders of the Company	3,135,578	206,973
Total comprehensive income attributable to shareholders of the Company arises from:		
Continuing Operations	60,181	32,612
Discontinued Operations	3,075,397	174,361
	3,135,578	206,973

The notes on pages 73 to 135 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2020

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
Assets			
Non-current assets			
Fixed assets	13	158,356	246,181
Right-of-use assets	14	189,698	704,655
Investment properties	15	29,866	24,289
Lease premium for land	16	63,962	123,153
Intangible assets	17	357,465	357,465
Financial asset at fair value through other comprehensive income	18	–	1,895
Rental and other long-term deposits		27,752	88,713
Deferred tax assets	19	15,628	13,733
		842,727	1,560,084

Current assets			
Inventories	20	32,776	212,644
Rental deposits		18,492	68,945
Trade receivables	21	16,395	75,954
Other receivables, deposits and prepayments		38,138	87,030
Restricted bank deposit	22	239	223
Cash and cash equivalents	22	373,143	642,639
		479,183	1,087,435

Non-current assets classified as assets held for sale	23	22,256	–
		501,439	1,087,435

Total assets		1,344,166	2,647,519

Consolidated Balance Sheet (continued)

As at 31 December 2020

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
Equity			
Share capital	26	77,624	76,256
Reserves	27	501,230	649,538
Total equity		578,854	725,794
Liabilities			
Non-current liabilities			
Lease liabilities	25	92,832	306,983
Long service payment liabilities	28	5,729	14,599
Deferred tax liabilities	19	9,264	10,519
		107,825	332,101
Current liabilities			
Trade payables	24	67,276	700,157
Other payables and accruals		308,836	272,560
Lease liabilities	25	112,204	406,064
Taxation payable		5,236	41,561
Cake coupons		163,935	169,282
		657,487	1,589,624
Total equity and liabilities		1,344,166	2,647,519

On behalf of the Board

Victor FUNG Kwok King
Director

Richard YEUNG Lap Bun
Director

The notes on pages 73 to 135 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to shareholders of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserves HK\$'000	Employee share-based compensation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
At 1 January 2019	76,253	200,650	177,087	20,002	18,103	(1,530)	200,245	690,810
Profit attributable to shareholders of the Company	-	-	-	-	-	-	207,574	207,574
Exchange differences	-	-	-	-	-	(601)	-	(601)
Total comprehensive income for the year	-	-	-	-	-	(601)	207,574	206,973
Issue of new shares	3	94	-	-	-	-	-	97
Employee share option benefit	-	12	-	-	2,070	-	1,222	3,304
Dividends paid	-	-	-	-	-	-	(175,390)	(175,390)
	3	106	-	-	2,070	-	(174,168)	(171,989)
At 31 December 2019	76,256	200,756	177,087	20,002	20,173	(2,131)	233,651	725,794
At 1 January 2020	76,256	200,756	177,087	20,002	20,173	(2,131)	233,651	725,794
Profit attributable to shareholders of the Company	-	-	-	-	-	-	3,140,446	3,140,446
Exchange differences	-	-	-	-	-	2,229	-	2,229
Actuarial losses on post employment benefit obligation	-	-	-	-	-	-	(8,460)	(8,460)
Gross	-	-	-	-	-	-	(8,460)	(8,460)
Tax	-	-	-	-	-	-	1,363	1,363
Total comprehensive income for the year	-	-	-	-	-	2,229	3,133,349	3,135,578
Issue of new shares	1,368	54,695	-	-	-	-	-	56,063
Employee share option benefit	-	8,169	-	-	(19,567)	-	12,214	816
Transfer to retained earnings	-	-	(177,087)	-	-	-	177,087	-
Dividends paid	-	(263,620)	-	-	-	-	(3,075,777)	(3,339,397)
	1,368	(200,756)	(177,087)	-	(19,567)	-	(2,886,476)	(3,282,518)
At 31 December 2020	77,624	-	-	20,002	606	98	480,524	578,854

The notes on pages 73 to 135 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2020

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000 (Restated)
Continuing Operations			
Cash flows from operating activities			
Cash generated from operations	29	364,901	229,464
Hong Kong profits tax paid		(2,196)	–
Overseas income tax paid		(5,912)	(6,629)
Net cash generated from operating activities		356,793	222,835
Cash flows from investing activities			
Purchase of fixed assets		(28,417)	(36,937)
Proceeds from disposal of fixed assets		150	666
Net proceeds from disposal of Discontinued Operations	30e	2,697,992	–
Fund transfer from Discontinued Operations		468,272	122,833
Increase in restricted bank deposit		–	(223)
Interest received		1,078	2,771
Net cash generated from investing activities		3,139,075	89,110
Cash flows from financing activities			
Proceeds from issuance of shares		56,063	97
Payment of lease liabilities		(135,830)	(122,108)
Decrease/(Increase) in rental deposits		553	(3,375)
Dividends paid		(3,339,397)	(175,390)
Net cash used in financing activities		(3,418,611)	(300,776)
Increase in cash and cash equivalents			
from Continuing Operations		77,257	11,169
(Decrease)/Increase in cash and cash equivalents			
from Discontinued Operations	30c	(348,661)	124,150
(Decrease)/Increase in cash and cash equivalents		(271,404)	135,319
Cash and cash equivalents at 1 January		642,639	507,694
Effect of foreign exchange rate changes		1,908	(374)
Cash and cash equivalents at 31 December	22	373,143	642,639

The notes on pages 73 to 135 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

Convenience Retail Asia Limited (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in the operation of (i) a chain of bakeries under the brand name of Saint Honore in Hong Kong, Macau and on the Chinese Mainland; (ii) premium pâtisserie under the brand name of Mon cher in Hong Kong – one of Japan’s most popular pâtisserie and cake brands; and (iii) developing businesses mainly included a chain of fast-fashion eyewear stores under the brand name of Zoff in Hong Kong.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands and its principal place of business is 15th Floor, LiFung Centre, 2 On Ping Street, Siu Lek Yuen, Shatin, New Territories, Hong Kong.

The Company’s shares are currently listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 23 March 2021.

On 21 December 2020, the Group has disposed of certain subsidiaries which are principally engaged in the operation of a chain of convenience stores in Hong Kong under the brand name of Circle K and the operation is presented as Discontinued Operations. The comparatives of the financial results for the year ended 31 December 2019 have been restated accordingly. Details of the Discontinued Operations are set out in note 30 to the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) and under historical cost convention as modified by the revaluation of financial assets at fair value through other comprehensive income.

As at 31 December 2020, the Group had net current liabilities of HK\$156,048,000 (2019: HK\$502,189,000). In preparing these financial statements, the Group’s management has taken into account all information that could reasonably be expected to be available and has ascertained that the Group has obtained adequate financial resources to support the Group to continue in operational existence for the foreseeable future. Based on the Group’s history of its operating performance, availability of banking facilities and its expected future working capital requirements, the Group’s management is of the opinion that the Group will be able to meet its liabilities as and when they fall due within the next twelve months and therefore have prepared the financial statements on a going concern basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

The Group has adopted the following new and amended standards of HKFRS which are mandatory for accounting periods beginning on or after 1 January 2020 and relevant to its operations:

HKAS 1 and HKAS 8 Amendment	Definition of material
HKAS 39, HKFRS 7 and HKFRS 9 Amendment	Hedge accounting
HKFRS 3 Amendment	Definition of a business
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting

The adoption of new and amended standards of HKFRS does not have material impact on the consolidated financial statements and does not result in substantial changes to the Group's accounting policies, except the impacts of the early adoption of HKFRS 16 Amendment: COVID-19 Related Rent Concessions is disclosed in note 2b.

The Group has not early adopted the following new and amended standards of HKFRS that have been issued and are mandatory for the Group's accounting periods beginning on or after 1 January 2021.

HKAS 1 Amendment	Classification of Liabilities as Current or Non-current
HKAS 16 Amendment	Property, Plant and Equipment – Proceeds before Intended Use
HKAS 37 Amendment	Onerous Contracts – Cost of Fulfilling a Contract
HKFRS 3 Amendment	Reference to the Conceptual Framework
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 17	Insurance Contracts
Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020 Cycle

None of the above is expected to have a significant effect on the consolidated financial statements of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Change in accounting policy

The Group has early adopted HKFRS 16 Amendment: COVID-19 Related Rent Concessions, which is effective for annual reporting period on or after 1 June 2020, for the Group's reporting period commencing 1 January 2020. The amendment allows lessee to elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. Such practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- the revised lease payments are substantially the same as, or less than the consideration for the lease immediately preceding the change;
- reduction in lease payments relates to payment due on or before 30 June 2021; and
- there is no substantive change to the other terms and conditions of the lease.

Rent concessions fulfilling the above conditions are recognised in the consolidated profit and loss account over the period in which they cover.

(c) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December.

(i) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, 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.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Consolidation (continued)

(i) Subsidiaries (continued)

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Goodwill (*note 2h*) is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated profit and loss account.

Inter-company transactions, balances, income and expenses on transactions between the group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from the investments if the dividends exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(ii) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Consolidation (continued)

(iii) Discontinued Operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated profit and loss account, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each 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 the Group's presentation currency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated profit and loss account.

Translation differences on non-monetary items, such as equities classified as financial assets at fair value through other comprehensive income, are included in other comprehensive income.

(iii) Group companies

The results and financial position of all of the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each profit and loss account are translated at average exchange rates; and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to consolidated profit or loss. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Fixed assets and lease premium for land

Fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Freehold land is stated at cost without amortisation. Lease premium for land are classified as leases and depreciated in the consolidated profit and loss account on a straight-line basis over the unexpired term of the leases of 24 years to 43 years. Leasehold improvements are depreciated on a straight-line basis over the leases of 3 years to 10 years. Other fixed assets are depreciated at rates sufficient to write off their costs over their expected useful lives on a straight-line basis. The principal annual rates are as follows:

Equipment, furniture and fixtures	10% to 33 ¹ / ₃ %
Motor vehicles	15% to 25%

No depreciation is provided for construction in progress until it is completed and ready for use.

Major costs incurred in restoring fixed assets to their normal working conditions are charged to the consolidated profit and loss account.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (*note 2i*).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated profit and loss account.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investment properties

Property that is held for rental yields and not occupied by the Group is classified as investment property. The Group applies the cost model of accounting as permitted by HKAS 40. Land are classified and accounted for as finance lease in the consolidated financial statements.

After initial recognition, investment property is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the property.

Investment properties are depreciated on a straight-line basis over the unexpired term of the leases of 25 years to 40 years.

Major costs incurred in restoring properties to its normal working conditions are charged to the consolidated profit and loss account.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (*note 2i*).

Gain and loss on disposal is determined by comparing the proceed with the carrying amount and is recognised in the consolidated profit and loss account.

(h) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of fair value of the net identifiable assets of the acquired subsidiaries at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Intangible assets (continued)

(i) Goodwill (continued)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to the operating segment.

(ii) Trademarks

Acquired trademarks have an infinite useful life and are carried at historical cost without amortisation. Trademarks are tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses.

(i) Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Financial assets

The Group classifies its financial assets as loans and receivables and financial assets at fair value through other comprehensive income. The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial assets (continued)

Classification

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than twelve months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, certain bank deposits and cash and cash equivalents in the consolidated balance sheet.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Further information about the Group's impairment policies and accounting for trade and other receivable, refers to note 3a(ii). Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(ii) Financial asset at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date. The Group reclassifies its assets when and only when its business model for managing those assets changes.

Recognition and measurement

Purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial asset at fair value through other comprehensive income are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial assets (continued)

Recognition and measurement (continued)

Dividend income from equity instruments of financial asset at fair value through other comprehensive income is recognised in the consolidated profit and loss account in other income when the Group's right to receive payments is established.

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. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with that a financial asset or a group of financial assets at each balance sheet date. The impairment apply depends on whether there has been a significant increase in credit risk. For loans and receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(k) Inventories

Inventories comprising merchandises and bakery products are stated at the lower of cost and net realisable value. The cost of inventories is calculated on the weighted average basis including all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Non-current assets classified as assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. Investment properties classified as assets held for sale are stated at the lower of their carrying amounts and fair value at the end of reporting period.

(m) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

(n) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method.

(o) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Current and deferred income tax (continued)

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(p) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) Profit sharing and bonus plans

Provisions for profit sharing and bonus plans due wholly within twelve months after balance sheet date are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Employee benefits (continued)

(iii) Pension obligations

The Group pays contributions to an independently administered fund on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are expensed as incurred and are not reduced by contributions forfeited by those employees who leave the fund prior to vesting fully in the contributions. Contributions to the fund by the Group and employees are calculated as a percentage of employees' salaries.

The assets of the fund are held separately from those of the Group in the independently administered fund.

(iv) Long service payment liabilities

The Group's net obligation in respect of long service amounts payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

The long service payment liabilities are assessed by using the projected unit credit method. The cost of providing the long service payment liabilities is charged to the consolidated profit and loss account so as to spread the costs over the service lives of employees.

The long service payment liabilities are discounted to determine the present value and reduced by entitlements accrued under the Group's defined contribution retirement scheme that is attributable to contributions made by the Group. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Past service costs are recognised as an expense on a straight-line basis over the average period until the benefit become vested.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Employee benefits (continued)

(v) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the consolidated profit and loss account, and a corresponding adjustment to equity employee share-based compensation reserve.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

(r) Core operating profit (included interest expenses on lease liabilities)

Core operating profit (included interest expenses on lease liabilities) is the result generated from the Group's bakery and developing businesses including eyewear business excluding interest income, income tax expenses and corporate exchange gain or loss and gain or loss on disposal of property which are of capital nature or non-operating related.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's business. The Group derives revenue from the transfer of goods at a point in time. Revenue is shown net of discounts and after eliminating sales within the Group. Revenue is recognised as follows:

- (i) Sales of goods are recognised when a product is sold to the customer. Payments that are related to cake coupons not yet redeemed by the customers are deferred and shown as contract liability under the current liability "cake coupons" in the consolidated balance sheet. Cake coupons surrendered in exchange for products or upon expiry during the period are recognised as revenue in the consolidated profit and loss account using the weighted average cake coupon sale value.
- (ii) Sales of services are recognised in the accounting period in which the services are rendered.
- (iii) Interest income is recognised on a time proportion basis using the effective interest method.

(t) Leases

Leases with a remaining lease term of less than 12 months were classified as operating leases in note 31b. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities are measured at the net present value of the remaining fixed lease payments. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liabilities. The lease payments are discounted using the Group's incremental borrowing rate at lease commencement date.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and lease interest expense. The lease interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Leases (continued)

Lease liabilities are classified as non-current liabilities unless payments are payable within 12 months from the balance sheet date.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- restoration costs.

Right-of-use assets are depreciated over the lease terms on a straight-line basis. Payments associated with short-term leases with lease terms of 12 months or less are expensed on a straight-line basis in the consolidated profit and loss account.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the consolidated balance sheet based on their nature.

(u) Government grant

Grants from government are recognised at their fair values where there is reasonable assurance that the grants will be received, and the Group will comply with the conditions associated with the grants.

(v) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's and Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and interest rate risk.

(i) *Foreign exchange risk*

The Group is exposed to foreign currency risk primarily through sales and purchases or recognised assets and liabilities that are denominated in a currency other than the functional currency of the operations to which they relate. The Group has some exposure to foreign exchange risk on the purchase that are denominated in renminbi.

(ii) *Credit risk*

The credit risk of the Group mainly arises from cash and cash equivalents, bank deposits, trade receivables, rental deposits and other receivables. The carrying amounts of these balances represent the maximum exposure to credit risk in relation to financial assets and the Group regularly monitored the level of these balances.

The majority of the Group's trade receivables are supplier rebates and promotion fees receivables. The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group mitigates its exposure to risk relating to the trade receivables by performing regular reviews of the aging profile and the corresponding historical credit losses experience of trade receivables. The Group has no significant concentrations of credit risk, with exposure spread over a large number of debtors.

Retail sales are usually paid in cash. The Group mitigates its exposure to risk relating to cash at bank and bank deposits by placing them with renowned financial institutions registered in Hong Kong and on the Chinese Mainland. All bank deposits and majority of cash and cash equivalents are placed in banks with high credit rankings. Rental deposits are also placed with various landlords in Hong Kong and on the Chinese Mainland and are due upon the expiry of the tenancy agreements and handover of the leased premises. The Group did not experience any default by the landlords and there is no material concentration of credit risk for rental deposits due to a large number of landlords.

3. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(iii) Liquidity risk

The Group is exposed to liquidity risk of being unable to raise sufficient funds to meet its financial obligations when they fall due. To manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents, bank deposits and banking facilities considered to be adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. All of the Group's financial liabilities, including trade payables of HK\$67,276,000 (2019: HK\$700,157,000) and other payables and accruals of HK\$308,836,000 (2019: HK\$272,560,000) are contractually maturing within one year.

(iv) Interest rate risk

The Group has no significant interest-bearing assets, except the cash at bank and bank deposits, which are exposed to changes in market interest rates. It is the Group's policy to maintain surplus cash with an appropriate portfolio of short-term and long-term deposits.

If the interest rates had been increased/decreased by 0.5% with all other variables held constant, the Group's net profit would have been increased/decreased by HK\$1,252,000 (2019: HK\$1,345,000) for the year ended 31 December 2020.

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the total shareholders' equity as shown in the consolidated balance sheet. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. The Group's strategy is to maintain a solid capital base to support the operations and development of its business in the long-term.

3. FINANCIAL RISK MANAGEMENT (continued)

(c) Fair value estimation

Financial instruments are measured in the consolidated balance sheet at fair value by level of the following fair value measurement hierarchy:

- (i) Quoted prices in active markets for identical assets or liabilities (level 1)
- (ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2)
- (iii) Inputs for the asset or liability that are not based on observable market data (level 3)

The Group's financial asset that is measured at fair value is as follows:

	2020	2019
	HK\$'000	HK\$'000
Financial asset at fair value through other comprehensive income (level 3)	–	1,895

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. For financial assets where the significant inputs are not based on observable market data, the asset is included in level 3. The balance of financial asset at fair value through other comprehensive income was disposed with the Discontinued Operations.

(d) Group's valuation processes

The Group's finance department performs the valuations of financial assets required for financial reporting purposes, including level 3 fair values. Discussions of valuation processes and results are held at least twice every year, which is in line with the Group's reporting periods.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of fixed assets and right-of-use assets

The Group conducts impairment reviews of fixed assets and right-of-use assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Determining whether an asset is impaired requires an estimation of the higher of the amount of value-in-use or fair value less costs to sell. These calculations require the use of judgements and estimates.

(b) Estimated impairment of intangible assets

The Group tests annually whether goodwill and trademarks have suffered any impairment, in accordance with the accounting policy stated in note 2h. The recoverable amounts of goodwill and trademarks are determined based on fair value less costs to sell calculations and royalty relief valuation method. These calculations require the use of estimates (*note 17*).

(c) Estimated useful lives of trademarks

Trademarks represent the power of Saint Honore brand which the Group's management considers to have indefinite useful lives due to the enduring nature of the brand. These estimates are based on the historical experience of the actual useful lives of trademarks of similar nature and functions. Periodic review could result in a change in useful lives and consequently amortisation expenses in future periods.

(d) Determination of the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(d) Determination of the lease term (continued)

For leases of retail stores, warehouses, factories and office, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in retail stores, warehouses, factories and office leases have not been included in the lease liabilities, because the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed if any option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the year, there is no financial impacts of revising lease terms to reflect the effect of exercising extension and termination options in recognised lease liabilities and right-of-use assets.

(e) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgements are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination is made.

Deferred tax assets relating to temporary differences and tax losses are recognised when management expects it is probable that future taxable profits will be available to utilise against the temporary differences or tax losses. Where the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets in the periods in which such estimates have been changed.

5. REVENUE, OTHER INCOME AND SEGMENT INFORMATION

The Group is principally engaged in the operation of chains of bakeries and developing businesses mainly included eyewear business. Revenues recognised during the year are as follows:

	2020	2019
	HK\$'000	HK\$'000 (Restated)
Revenue		
Bakery sales revenue	1,077,163	1,092,474
Developing businesses revenue	114,538	104,979
	1,191,701	1,197,453
Other income		
Service and miscellaneous income	16,451	15,111
Government subsidies (<i>note</i>)	8,080	–
	24,531	15,111

Note:

The Government subsidies were granted under the Anti-epidemic Fund for helping the retail industry stay afloat during the challenge of COVID-19.

Segment information

Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions.

The management considers the business principally from the perspective of product/service and geographic. From a product/service perspective, management assesses the performance of bakery and developing businesses. For bakery segment, revenues are mainly comprised of sale of bakery and festival products. For developing businesses segment, revenues are mainly derived from the sale of eyewear products. Geographically, the management considers the performance of retailing business in Hong Kong and others, and on the Chinese Mainland.

Notes to the Consolidated Financial Statements (continued)

5. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (continued)

Segment information (continued)

The segment information provided to the management for the reportable segments for the years ended 31 December 2020 and 2019 are as follows:

Continuing Operations	2020			
	Bakery		Developing Businesses	
	HK & Others HK\$'000	Chinese Mainland HK\$'000	HK HK\$'000	Group HK\$'000
Total segment revenue	1,018,608	86,916	114,538	1,220,062
Inter-segment revenue	(28,361)	–	–	(28,361)
Revenue from external customers	990,247	86,916	114,538	1,191,701
Other income	20,822	2,667	1,042	24,531
	1,011,069	89,583	115,580	1,216,232
Core operating profit				
Continuing Operations	62,400	1,902	3,154	67,456
Discontinued Operations				226,037
				293,493
Core operating profit (included interest expenses on lease liabilities)				
Continuing Operations	58,927	584	2,348	61,859
Discontinued Operations				214,119
				275,978
Continuing Operations				
Depreciation	(123,616)	(29,470)	(27,812)	(180,898)
Depreciation (excluded depreciation on right-of-use assets)	(36,184)	(3,731)	(5,564)	(45,479)

5. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (continued)**Segment information** (continued)

	2019			
	Bakery		Developing Businesses	
Continuing Operations	HK & Others HK\$'000 (Restated)	Chinese Mainland HK\$'000 (Restated)	HK HK\$'000 (Restated)	Group HK\$'000 (Restated)
Total segment revenue	1,028,029	98,549	104,979	1,231,557
Inter-segment revenue	(34,104)	–	–	(34,104)
Revenue from external customers	993,925	98,549	104,979	1,197,453
Other income	12,799	2,266	46	15,111
	1,006,724	100,815	105,025	1,212,564
Core operating profit/(loss)				
Continuing Operations	42,247	(388)	2,926	44,785
Discontinued Operations				211,112
				255,897
Core operating profit/(loss) (included interest expenses on lease liabilities)				
Continuing Operations	38,801	(2,063)	2,086	38,824
Discontinued Operations				199,475
				238,299
Continuing Operations				
Depreciation	(129,152)	(21,212)	(20,904)	(171,268)
Depreciation (excluded depreciation on right-of-use assets)	(40,117)	(5,217)	(4,100)	(49,434)

The revenue from external parties is derived from numerous external customers and the revenue reported to the management is measured in a manner consistent with that of the consolidated profit and loss account. The management assesses the performance of the operating segments based on a measure of core operating profit (included interest expenses on lease liabilities).

The reconciliation of the total reportable segments' core operating profit (included interest expenses on lease liabilities) to the profit before income tax can be referred to the consolidated profit and loss account and interest expenses, net in note 7, as the reconciliation items are not included in the measure of the segments' performance by the management.

The inter-segment revenue represents inter-geographic segment revenue.

Notes to the Consolidated Financial Statements (continued)

5. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (continued)

Segment information (continued)

The segment assets and liabilities as at 31 December 2020 and 2019 are as follows:

	2020			
	Bakery		Developing	Group
	HK & Others	Chinese	Businesses	
		Mainland	HK	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Total segment assets	924,248	102,891	64,659	1,091,798
Total segment assets include:				
Additions to segment non-current assets	117,456	27,011	11,135	155,602
Total segment liabilities	678,133	30,379	42,300	750,812

	2019				
	Convenience	Bakery		Developing	Group
	Store	HK &	Chinese	Businesses	
	HK	Others	Mainland	HK	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Total segment assets	1,228,148	866,340	86,322	78,083	2,258,893
Total segment assets include:					
Additions to segment non-current assets	401,193	128,894	6,385	31,834	568,306
Total segment liabilities	1,339,350	451,741	26,800	51,754	1,869,645

The amounts provided to the management with respect to total assets and total liabilities are measured in a manner consistent with that of the consolidated balance sheet. These assets and liabilities are allocated based on the operations of the segment.

5. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (continued)**Segment information** (continued)

Reportable segment assets are reconciled to total assets as follows:

	2020	2019
	HK\$'000	HK\$'000
Segment assets for reportable segments	1,091,798	2,258,893
Unallocated:		
Deferred tax assets	15,628	13,733
Corporate bank deposits	236,740	374,893
Total assets per consolidated balance sheet	1,344,166	2,647,519

Reportable segment liabilities are reconciled to total liabilities as follows:

	2020	2019
	HK\$'000	HK\$'000
Segment liabilities for reportable segments	750,812	1,869,645
Unallocated:		
Deferred tax liabilities	9,264	10,519
Taxation payable	5,236	41,561
Total liabilities per consolidated balance sheet	765,312	1,921,725

The Group is domiciled in Hong Kong. The result of its revenue of Continuing Operations from external customers in Hong Kong is HK\$955,769,000 (2019 Restated: HK\$944,425,000), and the total of revenue of Continuing Operations from external customers from other countries is HK\$235,932,000 (2019 Restated: HK\$253,028,000) for the year ended 31 December 2020.

The total of non-current assets other than financial asset at fair value through other comprehensive income and deferred tax assets located in Hong Kong is HK\$715,430,000 (2019: HK\$1,418,702,000), and the total of these non-current assets located in other countries is HK\$111,669,000 (2019: HK\$125,754,000) as at 31 December 2020.

As of 31 December 2020, cake coupons related to contracts with customers is HK\$163,935,000 (2019: HK\$169,282,000). During the year, revenue recognised in the consolidated profit and loss account related to carried-forward cake coupons is HK\$34,138,000 (2019: HK\$30,814,000).

6. EXPENSES BY NATURE FROM CONTINUING OPERATIONS

	2020	2019
	HK\$'000	HK\$'000
		(Restated)
Auditor's remuneration		
Audit services	1,278	1,296
Non-audit services	545	560
Cost of inventories sold	341,873	347,725
Delivery charges	27,621	31,580
Depreciation of fixed assets (note 13)	41,403	45,390
Depreciation of right-of-use assets (note 14)	135,419	121,834
Depreciation of investment properties (note 15)	963	966
Depreciation of lease premium for land (note 16)	3,113	3,078
Impairment of fixed assets (note 13)	2,533	–
Impairment of right-of-use assets (note 14)	12,487	–
Employee benefit expense (note 11)	432,939	450,034
Losses on disposal of fixed assets/right-of-use assets	2,356	232
Short-term and variable lease payments (note)	8,935	27,512
Utilities	29,055	33,582
Foreign exchange (gains)/losses	(1,991)	1,370
Other expenses	110,247	102,620
Total cost of sales, store expenses, distribution costs and administrative expenses	1,148,776	1,167,779

Note:

Rent concessions related to the COVID-19 pandemic has been credited to store expenses of HK\$5,902,000 (2019: nil) for the year ended 31 December 2020.

7. INTEREST EXPENSES, NET FROM CONTINUING OPERATIONS

	2020	2019
	HK\$'000	HK\$'000
		(Restated)
Interest income on bank deposits	1,065	3,085
Interest expenses on lease liabilities	(5,597)	(5,961)
	(4,532)	(2,876)

8. INCOME TAX EXPENSES FROM CONTINUING OPERATIONS

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for 2020 and 2019. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates prevailing in the countries in which the Group operates.

The amount of income tax expenses charged to the consolidated profit and loss account represents:

	2020 HK\$'000	2019 HK\$'000 (Restated)
Current income tax		
Hong Kong profits tax	1,494	797
Overseas profits tax	5,218	6,402
Deferred income tax (credit)/charge (<i>note 19</i>)	(4,938)	1,497
	1,774	8,696

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of the home country of the Group as follows:

	2020 HK\$'000	2019 HK\$'000 (Restated)
Profit before income tax	62,924	41,909
Calculated at a taxation rate of 16.5%	10,383	6,915
Effect of different taxation rates in other jurisdictions	(1,306)	(1,222)
Income not subject to taxation	(10,654)	(243)
Expenses not deductible for tax purposes	3,012	3,082
Tax losses not recognised	921	1,184
Reversal of previously recognised tax losses	375	558
Utilisation of tax losses previously not recognised	(620)	(1,411)
Over provision in prior year	(337)	(167)
	1,774	8,696

Notes to the Consolidated Financial Statements (continued)

9. EARNINGS PER SHARE

The calculation of the Group's basic and diluted earnings per share is based on the profit attributable to shareholders of the Company for the corresponding year.

The basic earnings per share is based on the weighted average number of ordinary shares in issue during the corresponding year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options as dilutive potential ordinary shares. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2020	2019
	HK\$'000	HK\$'000
Profit attributable to shareholders of the Company		
Continuing Operations	61,150	33,213
Discontinued Operations	3,079,296	174,361
	3,140,446	207,574
	Number of	Number of
	shares	shares
Weighted average number of ordinary shares in issue	764,670,385	762,557,802
Adjustment for:		
Share options	–	9,603
Weighted average number of ordinary shares for diluted earnings per share	764,670,385	762,567,405

10. DIVIDENDS

	2020	2019
	HK\$'000	HK\$'000
Interim dividend, proposed of 6 HK cents (2019: 6 HK cents) per share	45,816	45,754
Final dividend, proposed of nil HK cents (2019: 19 HK cents) per share	–	144,887
Special dividend, proposed of 385 HK cents (2019: 21 HK cents) per share	2,988,543	160,139
	3,034,359	350,780

11. EMPLOYEE BENEFIT EXPENSE FROM CONTINUING OPERATIONS

	2020	2019
	HK\$'000	HK\$'000
		(Restated)
Wages and salaries (<i>note d</i>)	479,165	435,419
Government subsidies (<i>note d</i>)	(60,407)	–
Annual leave benefit	(284)	290
Employee share option benefit	376	1,525
Pension costs – defined contribution plan (<i>note b & c</i>)	13,867	12,627
Long service payment costs (<i>note 28</i>)	222	173
	432,939	450,034

Notes:

- (a) The employee benefit expense includes directors' and senior management's emoluments (*note 12*).
- (b) Forfeited contributions totalling HK\$2,726,000 (2019 Restated: HK\$2,728,000) were utilised during the year leaving no balance at the year-end to reduce future contributions (2019: nil).
- (c) Contributions totalling HK\$2,673,000 (2019 Restated: HK\$2,478,000) were payable to the independently administered fund at the year-end.
- (d) The Government has launched the Employment Support Scheme (ESS) under the Anti-epidemic Fund to provide time-limited financial support to employers for paying wages of employees. The Group has received subsidies of HK\$60,407,000 from the ESS for the period of June to November 2020. The net wages and salaries after offsetting by ESS subsidies was HK\$418,758,000 for the year ended 31 December 2020.

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS**(a) Directors' emoluments**

The remuneration of every Director for the year ended 31 December 2020 is set out below:

Name of Director	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Estimated	Employer's	Total HK\$'000
				money value of other benefits (note i) HK\$'000	contribution to a retirement benefit scheme HK\$'000	
Victor Fung Kwok King	310	-	-	-	-	310
William Fung Kwok Lun	250	-	-	-	-	250
Richard Yeung Lap Bun (note ii)	200	3,960	53,008	63	18	57,249
Pak Chi Kin (note iii)	195	2,885	10,582	71	18	13,751
Malcolm Au Man Chung (note iv)	125	-	-	-	-	125
Godfrey Ernest Scotchbrook	270	-	-	-	-	270
Anthony Lo Kai Yiu	390	-	-	-	-	390
Benedict Chang Yew Teck	270	-	-	-	-	270
Zhang Hongyi	370	-	-	-	-	370
Sarah Mary Liao Sau Tung	337	-	-	-	-	337
	2,717	6,845	63,590	134	36	73,322

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)**(a) Directors' emoluments** (continued)

The remuneration of every Director for the year ended 31 December 2019 is set out below:

Name of Director	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Estimated money value of other benefits (note i) HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
Victor Fung Kwok King	310	–	–	–	–	310
William Fung Kwok Lun	250	–	–	–	–	250
Richard Yeung Lap Bun (note ii)	200	3,960	10,019	480	18	14,677
Pak Chi Kin (note iii)	200	2,760	2,004	508	18	5,490
Malcolm Au Man Chung (note iv)	380	–	–	–	–	380
Godfrey Ernest Scotchbrook	270	–	–	–	–	270
Anthony Lo Kai Yiu	390	–	–	–	–	390
Benedict Chang Yew Teck	270	–	–	–	–	270
Zhang Hongyi	370	–	–	–	–	370
Sarah Mary Liao Sau Tung	250	–	–	–	–	250
	2,890	6,720	12,023	988	36	22,657

Notes:

- (i) Other benefits include leave pay, share options and insurance premium.
- (ii) Mr Richard Yeung Lap Bun is the Chief Executive Officer of the Company.
- (iii) Mr Pak Chi Kin has resigned as Executive Director and Chief Operating Officer of the Company on 21 December 2020.
- (iv) Mr Malcolm Au Man Chung retired as Independent Non-executive Director of the Company on 29 April 2020.
- (v) No Director waived or agreed to waive any of their emoluments in respect of the years ended 31 December 2020 and 2019.
- (vi) During the year, no emoluments have been paid by the Group to the Directors as remuneration to accept office as director, or as remuneration in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2019: nil).
- (vii) No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2019: nil).
- (viii) At the recommendation of the Remuneration Committee and approved by the Board, Mr Richard Yeung Lap Bun and Mr Pak Chi Kin were granted bonus for about HK\$50 million and HK\$10 million respectively in relation to their performance and services to the Group for 2020 and the amounts are included in the transaction costs on the Disposal of Discontinued Operations as set out in note 30e and are expected to be paid in 2021.

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)**(b) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year included two Directors whose emoluments are analysed in note 12a. The emoluments payable to the remaining three individuals during the year are as follows:

	2020	2019
	HK\$'000	HK\$'000
Salaries, housing allowances, share options, other allowances and benefit in kind	5,551	5,674
Discretionary bonuses	6,494	1,707
Pension costs – defined contribution plan	54	54
	12,099	7,435

The emoluments of the above individuals fell within the following bands:

	Number of individuals	
	2020	2019
HK\$1,000,001-HK\$2,000,000	–	1
HK\$2,000,001-HK\$3,000,000	1	2
HK\$3,000,001-HK\$4,000,000	1	–
HK\$6,000,001-HK\$7,000,000	1	–

During the year, no emoluments have been paid by the Group to the five highest paid individuals as an inducement to join the Group, or as a compensation for loss of office.

(c) Senior management's emoluments

The emoluments of the senior management included two Directors whose emoluments are analysed in note 12a. The emoluments payable to the remaining two senior executives fell within the band between HK\$3,000,001 and HK\$7,000,000 during 2020 and between HK\$2,000,001 and HK\$3,000,000 during 2019.

13. FIXED ASSETS

	Land and properties HK\$'000	Leasehold improvements HK\$'000	Equipment, furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1 January 2019					
Cost	203,776	313,455	612,243	15,816	1,145,290
Accumulated depreciation	(57,684)	(250,058)	(476,534)	(11,049)	(795,325)
Net book amount	146,092	63,397	135,709	4,767	349,965
Year ended 31 December 2019					
Opening net book amount	146,092	63,397	135,709	4,767	349,965
Continuing Operations					
Transfer to right-of-use assets as at 1 January 2019	–	(2,519)	–	–	(2,519)
Transfer to lease premium for land	(54,762)	–	–	–	(54,762)
Additions	–	11,966	20,528	4,443	36,937
Disposals	–	(152)	(597)	(27)	(776)
Depreciation (note 6)	(1,430)	(18,047)	(24,195)	(1,718)	(45,390)
Exchange differences	(60)	(30)	(63)	3	(150)
Discontinued Operations					
Transfer to lease premium for land	(41,251)	–	–	–	(41,251)
Additions	–	7,791	20,786	–	28,577
Disposals	–	(56)	(669)	–	(725)
Depreciation (note 30a)	(59)	(5,747)	(17,919)	–	(23,725)
Closing net book amount	48,530	56,603	133,580	7,468	246,181
At 31 December 2019					
Cost	74,226	321,975	632,896	16,260	1,045,357
Accumulated depreciation	(25,696)	(265,372)	(499,316)	(8,792)	(799,176)
Net book amount	48,530	56,603	133,580	7,468	246,181

Notes to the Consolidated Financial Statements (continued)

13. FIXED ASSETS (continued)

	Land and properties HK\$'000	Leasehold improvements HK\$'000	Equipment, furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Year ended 31 December 2020					
Opening net book amount	48,530	56,603	133,580	7,468	246,181
Continuing Operations					
Transfer to non-current assets classified as assets held for sale	(3,031)	-	-	-	(3,031)
Transfer to investment properties	(6,194)	-	-	-	(6,194)
Additions	-	8,470	16,123	3,824	28,417
Disposals	-	(447)	(2,254)	-	(2,701)
Depreciation (note 6)	(1,388)	(15,470)	(22,606)	(1,939)	(41,403)
Impairment (note 6)	-	(655)	(1,878)	-	(2,533)
Exchange differences	200	114	143	-	457
Discontinued Operations					
Additions	-	19,498	42,466	-	61,964
Disposals	-	(27)	(447)	-	(474)
Depreciation (note 30a)	(58)	(4,662)	(16,880)	-	(21,600)
Impairment (note 30a)	-	(458)	-	-	(458)
Disposal of Discontinued Operations (note 30d)	(1,288)	(29,105)	(69,876)	-	(100,269)
Closing net book amount	36,771	33,861	78,371	9,353	158,356
At 31 December 2020					
Cost	58,939	222,722	312,065	17,109	610,835
Accumulated depreciation	(22,168)	(188,861)	(233,694)	(7,756)	(452,479)
Net book amount	36,771	33,861	78,371	9,353	158,356

As at 31 December 2020 and 2019, freehold land of HK\$11,561,000 included in land and properties is located outside Hong Kong.

Depreciation and impairment of Continuing Operations of HK\$14,589,000 (2019 Restated: HK\$15,768,000) has been charged in cost of sales, HK\$23,674,000 (2019 Restated: HK\$22,649,000) in store expenses, HK\$1,921,000 (2019 Restated: HK\$1,610,000) in distribution costs and HK\$3,752,000 (2019 Restated: HK\$5,363,000) in administrative expenses.

14. RIGHT-OF-USE ASSETS

	2020	2019
	HK\$'000	HK\$'000
Opening net book amount	704,655	649,349
Continuing Operations		
Additions	125,774	131,827
Disposals	(2,530)	(303)
Remeasurement	(6,691)	51
Depreciation (<i>note 6</i>)	(135,419)	(121,834)
Impairment (<i>note 6</i>)	(12,487)	–
Exchange differences	1,870	(1,922)
Discontinued Operations		
Additions	374,045	370,581
Disposals	–	(2,845)
Remeasurement	(572)	(12,897)
Depreciation (<i>note 30a</i>)	(345,836)	(307,352)
Impairment (<i>note 30a</i>)	(9,521)	–
Disposal of Discontinued Operations (<i>note 30d</i>)	(503,590)	–
Closing net book amount	189,698	704,655

Depreciation and impairment of Continuing Operations of HK\$2,504,000 (2019 Restated: HK\$2,603,000) has been charged in cost of sales, HK\$135,526,000 (2019 Restated: HK\$109,271,000) in store expenses, HK\$486,000 (2019 Restated: HK\$468,000) in distribution costs and HK\$9,390,000 (2019 Restated: HK\$9,492,000) in administrative expenses.

The Group leases various retail stores, warehouses, factories and office. Rental contracts are typically made for fixed periods of 2 to 10 years, but may have extension options. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by lessor. Leased assets may not be used as security for borrowing purposes.

Some property leases contain variable payment terms that are linked to sales generated from a store. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurred.

15. INVESTMENT PROPERTIES

	2020	2019
	HK\$'000	HK\$'000
At 1 January	24,289	25,363
Transfer from fixed assets	6,194	–
Depreciation (<i>note 6</i>)	(963)	(966)
Exchange differences	346	(108)
Net book amount	29,866	24,289
At 31 December		
Cost	46,482	36,173
Accumulated depreciation	(16,616)	(11,884)
Net book amount	29,866	24,289

Depreciation expense of HK\$963,000 (2019: HK\$966,000) has been charged in administrative expenses.

The fair value of investment properties reflects rental income from current leases and assumptions about rental income from future leases in light of the current market conditions. The fair value of the properties is approximately HK\$238,000,000 (2019: HK\$177,000,000) as at 31 December 2020 based on management's estimation with reference to the latest market transaction. The fair value measurement at 31 December 2020 is using significant other observable inputs, which is categorised within level 2 of the fair value measurement hierarchy.

The investment properties mainly comprise of two retail shops held on long term lease and located in Hong Kong at Shop No. 2 of Unit 2 on Level (Site 1) 26 of Commercial Development Sceneway Garden, No. 8 Sceneway Road and No. 112 Castle Peak Road, Yuen Long respectively.

16. LEASE PREMIUM FOR LAND

The Group's interests in leasehold land represent prepaid lease payments and their movements and net book value are analysed as follows:

	2020	2019
	HK\$'000	HK\$'000
At 1 January	123,153	32,216
Continuing Operations		
Transfer to non-current assets classified as assets held for sale	(19,225)	–
Transfer from fixed assets	–	54,762
Depreciation (<i>note 6</i>)	(3,113)	(3,078)
Exchange differences	1,260	(386)
Discontinued Operations		
Transfer from fixed assets	–	41,251
Depreciation (<i>note 30a</i>)	(1,570)	(1,612)
Disposal of Discontinued Operations (<i>note 30d</i>)	(36,543)	–
At 31 December	63,962	123,153
Located in:		
Hong Kong	43,714	83,517
Macau	8,690	8,962
Chinese Mainland	11,558	30,674
	63,962	123,153

17. INTANGIBLE ASSETS

	Goodwill	Trademarks	Group
	HK\$'000	HK\$'000	HK\$'000
At 31 December 2020 and 2019			
Cost and net book amount	247,465	110,000	357,465

17. INTANGIBLE ASSETS (continued)

(a) Impairment test for trademarks

Trademarks represent the power of Saint Honore brand which delivers an earning stream and generates value for the Group. The Group's management considers the brand has indefinite useful life due to the enduring nature of the brand.

The recoverable amount of the trademarks is determined by reference to a valuation performed using the royalty relief valuation method. Under this method, the value of the trademarks represents the present value of the hypothetical royalty income from licensing out the trademarks.

Key assumptions used in the valuation of trademarks are as follows:

Revenue growth rate (<i>note i</i>)	6%-17%
Long-term growth rate (<i>note ii</i>)	2%
Discount rate (<i>note iii</i>)	10%

Notes:

- (i) Management determined budgeted revenue growth rate over a five-year budget period by reference to the past performance and its expectations for the market development.
- (ii) The long-term growth rate used does not exceed the long-term growth rate for the bakery business in which it operates and is used to extrapolate cash flow beyond the budget period.
- (iii) The discount rate used is pre-tax discount rate applied to the cash flow projections which reflects specific risks relating to the relevant segment.

The Group does not have to recognise any impairment loss as at 31 December 2020 based on the impairment assessment performed.

If the annual revenue had no growth over the five-year budget period or the discount rate applied in the valuation increased by 1%, the trademarks' recoverable amount would still be greater than its carrying value and no impairment would be noted.

17. INTANGIBLE ASSETS (continued)**(b) Impairment test for goodwill**

Goodwill is allocated to the Group's cash-generating units (CGUs) within the operating segment, Hong Kong and others bakery segment.

The recoverable amount of a CGU is determined based on fair value less costs to sell calculation, which is calculated by using pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year budget period are extrapolated using the estimated long-term growth rate stated below.

Key assumptions used in the fair value less costs to sell calculation of goodwill are as follows:

Revenue growth rate (note i)	6%-14%
Gross margin (note ii)	51%-53%
Long-term growth rate (note iii)	2%
Discount rate (note iv)	10%

Notes:

- (i) Management determined budgeted revenue growth rate over a five-year budget period by reference to the past performance and its expectations for the market development.
- (ii) The budgeted gross margin over the five-year budget period is approximately 50% and is estimated by management with reference to the past performance and its expectations for the market development.
- (iii) The long-term growth rate used does not exceed the long-term growth rate for the bakery business in which it operates and is used to extrapolate cash flow beyond the budget period.
- (iv) The discount rate used is pre-tax discount rate applied to the cash flow projections which reflects specific risks relating to the relevant operating segment.

The Group does not have to recognise any impairment loss as at 31 December 2020 based on the impairment assessment performed.

If the gross margin decreased by 1% during the five-year budget period or the discount rate applied in the fair value less costs to sell calculation increased by 1%, the goodwill's recoverable amount would still be greater than its carrying value and no impairment would be noted.

18. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	2019
	HK\$'000	HK\$'000
Unlisted investment in Macau	–	1,895

Financial asset at fair value through other comprehensive income is long-term strategic investment that is not expected to be sold in the short to medium term. The financial asset represents 19.5% equity interest in Circle K Armazens Retalhistas Macau, Limitada and the contribution of a shareholders' loan of MOP1,931,000 (approximately HK\$1,876,000). The shareholders' loan is unsecured, interest free and not repayable within twelve months of the balance sheet date. The balance of financial asset at fair value through other comprehensive income was disposed with the Discontinued Operations.

Notes to the Consolidated Financial Statements (continued)

19. DEFERRED TAXATION

Movements on the net deferred tax assets are as follows:

	2020 HK\$'000	2019 HK\$'000
At 1 January	(3,214)	(3,954)
Continuing Operations		
(Credited)/charged to the consolidated profit and loss account (<i>note 8</i>)	(4,938)	1,497
Credited directly to other comprehensive income	(593)	–
Exchange differences	(115)	46
Discontinued Operations		
Charged/(credited) to the consolidated profit and loss account	18	(803)
Disposal of Discontinued Operations (<i>note 30d</i>)	2,478	–
At 31 December	(6,364)	(3,214)

Movements in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

Deferred tax assets	Tax losses		Accelerated tax depreciation		Others		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January	(11,567)	(13,148)	(1,318)	(1,462)	(2,846)	(1,156)	(15,731)	(15,766)
Continued Operations								
Charged/(credited) to the consolidated profit and loss account	(2,263)	1,524	(296)	–	(1,094)	(609)	(3,653)	915
Exchange differences	(112)	46	–	–	(3)	–	(115)	46
Credited directly to other comprehensive income	(593)	–	–	–	–	–	(593)	–
Discontinued Operations								
Charged/(credited) to the consolidated profit and loss account	(3,555)	11	1,289	144	(755)	(1,081)	(3,021)	(926)
Disposal of Discontinued Operations	3,944	–	29	–	2,826	–	6,799	–
At 31 December	(14,146)	(11,567)	(296)	(1,318)	(1,872)	(2,846)	(16,314)	(15,731)
Deferred tax liabilities	Decelerated tax depreciation		Fair value gain		Others		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January	6,595	5,654	5,910	6,158	12	–	12,517	11,812
Continued Operations								
Charged/(credited) to the consolidated profit and loss account	(1,024)	818	(249)	(248)	(12)	12	(1,285)	582
Discontinued Operations								
Charged to the consolidated profit and loss account	3,039	123	–	–	–	–	3,039	123
Disposal of Discontinued Operations	(4,321)	–	–	–	–	–	(4,321)	–
At 31 December	4,289	6,595	5,661	5,910	–	12	9,950	12,517

19. DEFERRED TAXATION (continued)

	2020	2019
	HK\$'000	HK\$'000
Deferred tax assets		
Deferred tax assets to be recovered after 12 months	(10,881)	(13,318)
Deferred tax assets to be recovered within 12 months	(5,433)	(2,413)
	(16,314)	(15,731)
Deferred tax liabilities		
Deferred tax liabilities to be settled after 12 months	9,415	12,170
Deferred tax liabilities to be settled within 12 months	535	347
	9,950	12,517

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2020	2019
	HK\$'000	HK\$'000
Deferred tax assets	(15,628)	(13,733)
Deferred tax liabilities	9,264	10,519

The Group did not recognise deferred income tax assets amounting to HK\$10,644,000 (2019: HK\$11,743,000) in respect of tax losses amounting to HK\$54,078,000 (2019: HK\$57,645,000) that can be carried forward against future taxable income. These unrecognised tax losses have no expiry dates except for the unrecognised tax losses as below:

	2020	2019
	HK\$'000	HK\$'000
Within 1 year	7,252	10,115
Over 1 year but within 5 years	12,995	16,136
	20,247	26,251

Deferred income tax liabilities of HK\$298,000 (2019: HK\$334,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of a subsidiary. Such unremitted earnings are to be reinvested and amounted to HK\$5,954,000 (2019: HK\$6,680,000) at 31 December 2020.

Notes to the Consolidated Financial Statements (continued)

20. INVENTORIES

	2020	2019
	HK\$'000	HK\$'000
Raw materials and packing materials	19,015	19,794
Finished goods	13,761	192,850
	32,776	212,644

The cost of sales of the Continuing Operations for the year ended 31 December 2020 amounted to HK\$553,236,000 (2019 Restated: HK\$565,518,000), which included inventories written off of HK\$577,000 (2019 Restated: HK\$826,000).

21. TRADE RECEIVABLES

Majority of the Group's revenue are retail cash sales. The Group's credit terms on trade receivables on income from suppliers/customers mainly range from 30 days to 60 days. Trade receivables are non-interest bearing. The carrying amounts of trade receivables approximate their fair values. At 31 December 2020, the aging analysis by invoice date of trade receivables is as follows:

	2020	2019
	HK\$'000	HK\$'000
0-30 days	12,686	61,705
31-60 days	1,899	8,237
61-90 days	1,002	2,781
Over 90 days	808	3,231
	16,395	75,954

The amount of the provision was HK\$74,000 (2019: HK\$607,000) as of 31 December 2020. The individually impaired receivables are mainly due from suppliers/customers, which are in financial difficulties. It was assessed that a portion of the receivables is expected to be recovered.

21. TRADE RECEIVABLES (continued)

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2020	2019
	HK\$'000	HK\$'000
HK dollar (HK\$)	13,610	73,038
Renminbi (RMB)	807	2,038
Patacas (MOP)	1,978	878
	16,395	75,954

Movements on the provision for impairment of trade receivables are as follows:

	2020	2019
	HK\$'000	HK\$'000
At 1 January	607	891
Disposal of Discontinued Operations	(533)	–
Provision for receivable impairment	–	27
Receivables written off	–	(311)
At 31 December	74	607

The maximum exposure to credit risk is the carrying value of the trade receivables mentioned above. The Group does not hold any collateral as security.

22. CASH AND CASH EQUIVALENTS

	2020	2019
	HK\$'000	HK\$'000
Cash at bank and in hand	136,642	267,970
Bank deposits	236,501	374,669
Cash and cash equivalents	373,143	642,639
Restricted bank deposit	239	223
Total cash and bank balances	373,382	642,862

Notes to the Consolidated Financial Statements (continued)

22. CASH AND CASH EQUIVALENTS (continued)

The maximum exposure to credit risk relates to the cash at bank and bank deposits held at financial institutions of HK\$369,516,000 (2019: HK\$550,697,000).

As at 31 December 2020, bank and restricted bank deposits of HK\$236,740,000 (2019: HK\$374,892,000) bear effective interest rate of approximately 0.9% (2019: 1.4%) per annum. These deposits have an average maturity of 36 days (2019: 28 days).

As at 31 December 2020, certain cash and bank balances of HK\$34,454,000 (2019: HK\$29,546,000) are kept on the Chinese Mainland. The remittance of funds out of the Chinese Mainland is subject to rules and regulations of foreign exchange control promulgated by the Chinese Mainland government.

At 31 December 2020, the Group's total bank balances and cash are denominated in the following currencies:

	2020	2019
	HK\$'000	HK\$'000
HK dollar (HK\$)	329,371	600,193
Renminbi (RMB)	34,605	29,952
Patacas (MOP)	9,406	12,717
	373,382	642,862

23. NON-CURRENT ASSETS CLASSIFIED AS ASSETS HELD FOR SALE

	2020	2019
	HK\$'000	HK\$'000
Property classified as assets held for sale		
Transfer from fixed assets	3,031	–
Transfer from lease premium for land	19,225	–
	22,256	–

In December 2020, the Group decided to sell its office in Guangzhou, the Chinese Mainland and the transaction is expected to be completed in April 2021.

24. TRADE PAYABLES

At 31 December 2020, the aging analysis by invoice date of the trade payables is as follows:

	2020	2019
	HK\$'000	HK\$'000
0-30 days	35,964	438,642
31-60 days	25,173	152,094
61-90 days	1,408	73,922
Over 90 days	4,731	35,499
	67,276	700,157

The trade payable balances are mainly denominated in Hong Kong dollars.

25. LEASE LIABILITIES

	2020	2019
	HK\$'000	HK\$'000
At 1 January	713,047	647,966
Continuing Operations		
Additions	124,824	131,077
Disposals	(2,729)	(307)
Remeasurement	(6,691)	51
Payments	(135,830)	(122,108)
Interest expenses	5,597	5,961
Exchange differences	1,998	(1,962)
Rent concessions	(4,199)	–
Discontinued Operations		
Additions	373,286	369,599
Disposals	–	(2,895)
Remeasurement	(572)	(12,897)
Payments	(335,350)	(313,075)
Interest expenses	11,918	11,637
Rent concessions	(20,366)	–
Disposal of Discontinued Operations (<i>note 30d</i>)	(519,897)	–
At 31 December	205,036	713,047
Current lease liabilities	112,204	406,064
Non-current lease liabilities	92,832	306,983
	205,036	713,047

Notes to the Consolidated Financial Statements (continued)

25. LEASE LIABILITIES (continued)

At 31 December 2020, the maturities of non-current lease liabilities are as follows:

	2020	2019
	HK\$'000	HK\$'000
Over 1 year but within 2 years	64,688	295,351
Over 2 years but within 5 years	27,107	10,005
Over 5 years	1,037	1,627
	92,832	306,983

26. SHARE CAPITAL

	2020		2019	
	No. of shares	Shares of HK\$0.10 each HK\$'000	No. of shares	Shares of HK\$0.10 each HK\$'000
Authorised:				
At 31 December	2,000,000,000	200,000	2,000,000,000	200,000
Issued and fully paid:				
At 1 January	762,564,974	76,256	762,530,974	76,253
Issue of shares on exercise of share options	13,680,000	1,368	34,000	3
At 31 December	776,244,974	77,624	762,564,974	76,256

Share options

(i) *2010 Share Option Scheme*

Share options were granted under the 2010 Share Option Scheme which was approved and adopted by the shareholders at the annual general meeting of the Company.

Summary of the major terms of the abovementioned 2010 Share Option Scheme is set out in the "Share Options" section of the Directors' Report.

26. SHARE CAPITAL (continued)**Share options** (continued)

(ii) *Movements in the number of share options granted, outstanding and their related weighted average exercise prices are as follows:*

	2020		2019	
	Number of options	Weighted average exercise price HK\$	Number of options	Weighted average exercise price HK\$
At 1 January	29,892,000	4.80	31,656,000	4.82
Granted	–	–	202,000	3.87
Lapsed	(200,000)	4.04	(1,932,000)	5.02
Exercised	(13,680,000)	4.10	(34,000)	2.86
Expired	(14,932,000)	5.52	–	–
At 31 December	1,080,000	4.04	29,892,000	4.80
Exercisable	1,080,000	4.04	14,966,000	5.51

For the year ended 31 December 2020, the weighted average share price at the date of share options exercised was HK\$4.5 (2019: HK\$3.9). The options outstanding at 31 December 2020 and 2019 had a weighted average remaining contractual life of 2.3 years and 1.8 years respectively.

(iii) *Share options outstanding at the year-end have the following expiry dates and exercise prices:*

Expiry date	Exercise price HK\$	2020 Number of options	2019 Number of options
1 April 2023	4.19	560,000	10,404,000
1 April 2023	3.88	450,000	4,320,000
1 April 2023	3.87	70,000	202,000
		1,080,000	14,926,000

The fair value of options granted are determined by using the Black-Scholes valuation model. During the year ended 31 December 2019, the weighted average fair value of options granted was HK\$0.34 per option.

Notes to the Consolidated Financial Statements (continued)

27. RESERVES

	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserves HK\$'000	Employee share-based compensation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2019	200,650	177,087	20,002	18,103	(1,530)	200,245	614,557
Profit attributable to shareholders of the Company	-	-	-	-	-	207,574	207,574
Exchange differences	-	-	-	-	(601)	-	(601)
Issue of new shares	94	-	-	-	-	-	94
Employee share option benefit	12	-	-	2,070	-	1,222	3,304
Dividends paid	-	-	-	-	-	(175,390)	(175,390)
At 31 December 2019	200,756	177,087	20,002	20,173	(2,131)	233,651	649,538
At 1 January 2020	200,756	177,087	20,002	20,173	(2,131)	233,651	649,538
Profit attributable to shareholders of the Company	-	-	-	-	-	3,140,446	3,140,446
Exchange differences	-	-	-	-	2,229	-	2,229
Actuarial losses on post employment benefit obligation							
Gross	-	-	-	-	-	(8,460)	(8,460)
Tax	-	-	-	-	-	1,363	1,363
Issue of new shares	54,695	-	-	-	-	-	54,695
Employee share option benefit	8,169	-	-	(19,567)	-	12,214	816
Transfer to retained earnings	-	(177,087)	-	-	-	177,087	-
Dividends paid	(263,620)	-	-	-	-	(3,075,777)	(3,339,397)
At 31 December 2020	-	-	20,002	606	98	480,524	501,230

28. LONG SERVICE PAYMENT LIABILITIES

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employee's final salary and years of service, and is reduced by entitlements accrued under the Group's defined contribution retirement scheme that is attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations.

The liability recognised in the consolidated balance sheet is the present value of unfunded obligations and its movements are as follows:

	2020 HK\$'000	2019 HK\$'000
At 1 January	14,599	14,949
Continuing Operations		
Expenses recognised in the consolidated profit and loss account – as shown below	222	173
Benefit paid	(1,186)	(1,025)
Actuarial losses recognised in other comprehensive income	3,790	–
Discontinued Operations		
Expenses recognised in the consolidated profit and loss Account	146	154
Benefit (paid)/refund	(2,190)	348
Actuarial losses recognised in other comprehensive income	4,670	–
Disposal of Discontinued Operations (<i>note 30d</i>)	(14,322)	–
At 31 December	5,729	14,599

The amounts recognised in the consolidated profit and loss account are as follows:

	2020 HK\$'000	2019 HK\$'000 (Restated)
Service cost	135	73
Interest cost	87	100
Total, included in employee benefit expense (<i>note 11</i>)	222	173

Of the total charge, HK\$53,000 (2019: HK\$38,000), HK\$140,000 (2019 Restated: HK\$106,000), HK\$10,000 (2019 Restated: HK\$10,000) and HK\$19,000 (2019 Restated: HK\$19,000) were included in cost of sales, store expenses, distribution costs and administrative expenses respectively.

Notes to the Consolidated Financial Statements (continued)

28. LONG SERVICE PAYMENT LIABILITIES (continued)

The principal actuarial assumptions used as at 31 December are as follows:

	2020	2019
Discount rate	0.3%	1.6%
Long-term rate of salary increases		
Full time staff	2.5%	2.5%
Part time staff	2.5%	2.5%
Long-term rate of increase of maximum amount of long service payment/ wages and minimum mandatory provident fund relevant income	2.5%	2.5%

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Cash generated from Continuing Operations

	2020 HK\$'000	2019 HK\$'000 (Restated)
Profit for the year	61,150	33,213
Adjustments for:		
Income tax expenses	1,774	8,696
Interest income	(1,065)	(3,085)
Lease interest expenses	5,597	5,961
Depreciation of fixed assets	41,403	45,390
Depreciation of right-of-use assets	135,419	121,834
Depreciation of investment properties	963	966
Depreciation of lease premium for land	3,113	3,078
Impairment of fixed assets	2,533	–
Impairment of right-of-use assets	12,487	–
Employee share option benefit	376	1,525
Losses on disposal of fixed assets/right-of-use assets	2,356	232
Rent concessions	(4,199)	–
Long service payment costs	222	173
Foreign exchange (gains)/losses	(1,540)	449
	260,589	218,432
Changes in working capital		
Inventories	452	(1,082)
Trade receivables, other receivables, deposits and prepayments	25,771	8,369
Trade payables, other payables and accruals	84,622	4,661
Long service payment liabilities	(1,186)	(1,025)
Cake coupons	(5,347)	109
	364,901	229,464

30. DISCONTINUED OPERATIONS

On 21 December 2020, the Group completed its disposal of the entire interests of the wholly-owned subsidiary, Convenience Retail Asia (BVI) Limited (the “Discontinued Operations”) to Alimentation Couche-Tard Inc. at an initial cash consideration of HK\$2.79 billion. The Discontinued Operations was principally engaged in the operation of the convenience store business in Hong Kong. Accordingly, the results of convenience store business together with the related gain on disposal have been presented as Discontinued Operations in the consolidated financial statements for the year ended 31 December 2020.

The consolidated results of Discontinued Operations are presented in the consolidated profit and loss account and consolidated cash flow statement in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”. Comparative figures have been restated.

(a) Results of the Discontinued Operations included in the Consolidated Profit and Loss Account

	For the period ended 21 December 2020 HK\$'000	For the year ended 31 December 2019 HK\$'000
Revenue	4,717,057	4,523,772
Cost of sales	(3,413,478)	(3,136,540)
Gross profit	1,303,579	1,387,232
Other income	117,086	114,113
Store expenses	(939,153)	(1,056,157)
Distribution costs	(115,062)	(111,166)
Administrative expenses	(140,413)	(122,910)
Core operating profit	226,037	211,112
Interest expenses, net	(10,349)	(9,852)
Profit before income tax and gain on disposal	215,688	201,260
Income tax expenses	(15,364)	(26,899)
Profit before gain on disposal	200,324	174,361
Gain on disposal of Discontinued Operations (<i>note 30e</i>)	2,878,972	–
Profit for the period/year from Discontinued Operations	3,079,296	174,361

Notes:

- (i) Transactions of purchases, other income, store expenses and administrative expenses with Continuing Operations amounted to HK\$137,571,000 (2019: HK\$140,889,000) were not yet eliminated for the period/year ended 31 December 2020.
- (ii) The Government subsidies amounted to HK\$10,120,000 were granted under the Anti-epidemic Fund for helping the retail industry stay afloat during the challenge of COVID-19.

30. DISCONTINUED OPERATIONS (continued)**(a) Results of the Discontinued Operations included in the Consolidated Profit and Loss Account** (continued)

Core operating profit is stated after crediting and charging the following:

	For the period ended 21 December 2020 HK\$'000	For the year ended 31 December 2019 HK\$'000
Auditor's remuneration		
Audit services	802	784
Non-audit services	307	410
Cost of inventories sold	3,376,774	3,112,712
Delivery charges	60,171	63,801
Depreciation of fixed assets (note 13)	21,600	23,725
Depreciation of right-of-use assets (note 14)	345,836	307,352
Depreciation of lease premium for land (note 16)	1,570	1,612
Impairment of fixed assets (note 13)	458	–
Impairment of right-of-use assets (note 14)	9,521	–
Employee benefit expense (note i)	550,705	506,831
Government subsidies (note i)	(116,399)	–
Foreign exchange gains	(62)	(318)
Losses on disposal of fixed assets	474	544
Short-term and variable lease payment (note ii)	38,907	125,060
Utilities	40,412	55,317
Other expenses	277,030	228,943
Total cost of sales, store expenses, distribution costs and administrative expenses	4,608,106	4,426,773

Notes:

- (i) The Government has launched the Employment Support Scheme (ESS) under the Anti-epidemic Fund to provide time-limited financial support to employers for paying wages of employees. The Discontinued Operations has received subsidies of HK\$116,399,000 from the ESS for the period of June to November 2020. The net employee benefit expense after offsetting by ESS subsidies was HK\$434,306,000 for the year ended 31 December 2020.
- (ii) Rent concessions related to the COVID-19 pandemic has been credited to store expenses of HK\$32,123,000 for the period ended 21 December 2020.

30. DISCONTINUED OPERATIONS (continued)**(b) Loss recognised in Other Comprehensive Income relating to the Discontinued Operations**

	For the period ended 21 December 2020 HK\$'000
Item that will not be reclassified subsequently to profit or loss	
Actuarial loss on post employment benefit obligation	
Gross	(4,669)
Tax	770
	(3,899)

(c) An analysis of the cash flows of the Discontinued Operations is as follows:

	For the period ended 21 December 2020 HK\$'000	For the year ended 31 December 2019 HK\$'000
Net cash generated from operating activities	512,008	588,251
Net cash used in investing activities	(60,058)	(26,619)
Net cash used in financing activities	(800,611)	(437,482)
(Decrease)/Increase in cash and cash equivalents	(348,661)	124,150

30. DISCONTINUED OPERATIONS (continued)**(d) Disposal of Discontinued Operations**

Analysis of assets and liabilities over which control was lost:

	HK\$'000
Fixed assets (note 13)	100,269
Right-of-use assets (note 14)	503,590
Lease premium for land (note 16)	36,543
Financial asset at fair value through other comprehensive income (note 18)	1,895
Deferred tax assets (note 19)	2,478
Inventories	184,478
Trade receivables, rental deposits, other receivables, deposits and prepayments	237,867
Cash and cash equivalents	173,737
Trade payables, other payables and accruals	(819,309)
Taxation payable	(1,821)
Amounts due to group companies, net	(20,234)
Lease liabilities (note 25)	(519,897)
Long service payment liabilities (note 28)	(14,322)
Net liabilities disposed	(134,726)

(e) An analysis of gain on disposal of the Discontinued Operations is as follows:

	HK\$'000
Initial consideration received	2,790,000
Cash and cash equivalents adjustment for the consideration	173,737
Transaction costs, employee benefit expenses directly attributable to the transaction and other closing adjustments (note)	(219,491)
Net liabilities disposed	134,726
	2,878,972
Initial consideration received	2,790,000
Transaction costs, employee benefit expenses directly attributable to the transaction and other closing adjustments paid	(92,008)
Net proceeds received	2,697,992

Note:

Transaction costs included auditor's remuneration for non-audit services amounting to HK\$1,341,000.

30. DISCONTINUED OPERATIONS (continued)**(f) Related Party Transactions**

The Discontinued Operations has the following related party transactions during the period/year:

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
Income			
Service income and reimbursement of office and administrative expenses	<i>(i)</i>		
Fellow subsidiary of a substantial shareholder		–	331
Expenses			
Reimbursement of office and administrative expenses	<i>(ii)</i>		
Subsidiaries/fellow subsidiaries of a substantial shareholder		906	7
Associate of a substantial shareholder		269	311
Rental payable	<i>(iii)</i>		
Fellow subsidiaries of a substantial shareholder		2,550	2,743
Associate of a substantial shareholder		385	381

Notes:

- (i) Service income and reimbursements receivable from fellow subsidiary of a substantial shareholder in respect of office and administrative expenses incurred are charged on an actual cost recovery basis and in accordance with the terms of agreements.
- (ii) Reimbursements payable to subsidiaries/fellow subsidiaries/associate of a substantial shareholder in respect of office and administrative expenses incurred, are charged on an actual cost recovery basis.
- (iii) Rentals are payable to fellow subsidiaries/associate of a substantial shareholder in accordance with the terms of agreements.

31. COMMITMENTS

(a) Capital commitments

The Group had commitments to make payments in respect of the acquisition of fixed assets. Capital expenditure contracted but not yet provided as at 31 December 2020 is HK\$3,053,000 (2019: HK\$1,303,000).

(b) Operating leases commitments

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2020	2019
	HK\$'000	HK\$'000
Within 1 year	3,207	473

Payment obligations in respect of operating lease on properties with rentals vary with gross revenues apart from base rental are not included as future minimum lease payments.

The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	2020	2019
	HK\$'000	HK\$'000
Within 1 year	1,450	2,446
Over 1 year but within 5 years	191	908
	1,641	3,354

32. RELATED PARTY TRANSACTIONS FOR CONTINUING OPERATIONS

Fung Retailing Limited (“FRL”) is a substantial shareholder of the Company, which owns 40.17% of the Company’s shares. All of the related party transactions of the Group are entered into with Fung Holdings (1937) Limited (the holding company of FRL and a substantial shareholder of the Company) and its subsidiaries and associates.

(a) Related party transactions

The following is a summary of the significant related party transactions carried out in the normal course of the Group’s business during the year:

	Note	2020 HK\$'000	2019 HK\$'000 (Restated)
Income			
Service income and reimbursement of office and administrative expenses	(i)		
Subsidiaries/fellow subsidiary of a substantial shareholder		183	656
Associate of a substantial shareholder		36	36
Rental and service income	(ii)		
Fellow subsidiaries of a substantial shareholder		–	767
Sales of food products	(iii)		
Subsidiaries of a substantial shareholder		457	496
Expenses			
Reimbursement of office and administrative expenses	(iv)		
Subsidiaries of a substantial shareholder		14,396	3,575
Associate of a substantial shareholder		1,243	1,191
Rental payable	(v)		
Associate of a substantial shareholder		10,137	10,051

32. RELATED PARTY TRANSACTIONS (continued)**(b) Key management personnel compensation**

	2020	2019
	HK\$'000	HK\$'000
Fees	2,717	2,890
Bonuses	69,040	13,344
Salaries and other allowances	10,946	10,572
Employee share option benefit	–	1,272
Pension costs – defined contribution plan	72	72
	82,775	28,150

(c) Year-end balances with related parties

	2020	2019
	HK\$'000	HK\$'000
Amounts due from:		
Subsidiaries of a substantial shareholder	46	742
Associate of a substantial shareholder	8	9
Amounts due to:		
Subsidiaries/fellow subsidiary of a substantial shareholder	(11,336)	(393)
Associate of a substantial shareholder	(271)	(346)

The balances with the related parties included in other receivables and other payables are unsecured, interest free and repayable on demand.

Notes:

- (i) Service income and reimbursements receivable from subsidiaries/fellow subsidiary/associate of a substantial shareholder in respect of office and administrative expenses incurred are charged on an actual cost recovery basis and in accordance with the terms of agreements.
- (ii) Rentals and service income from fellow subsidiaries of a substantial shareholder were carried out in ordinary course of business and on terms mutually agreed between the Group and the fellow subsidiaries.
- (iii) Sales of food products to subsidiaries of a substantial shareholder were carried out in ordinary course of business and terms mutually agreed between the Group and the subsidiaries.
- (iv) Reimbursements payable to subsidiaries/associate of a substantial shareholder in respect of office and administrative expenses incurred, are charged on an actual cost recovery basis.
- (v) Rentals are payable to associate of a substantial shareholder in accordance with the terms of agreements.

33. BALANCE SHEET AND MOVEMENT OF RESERVES OF THE COMPANY**(a) Balance sheet of the Company**

	2020 HK\$'000	2019 HK\$'000
Assets		
Non-current assets		
Investment in subsidiaries	647,769	885,293
Fixed assets	5,670	5,990
Right-of-use assets	12,867	7,582
Rental deposit	295	–
Deferred tax assets	296	–
	666,897	898,865
Current assets		
Amounts due from subsidiaries	91,325	67,477
Rental deposits	2,513	2,547
Other receivables, deposits and prepayments	15,294	1,443
Cash and cash equivalents	44,466	2,768
	153,598	74,235
Total assets	820,495	973,100
Equity		
Share capital	77,624	76,256
Reserves	491,462	486,377
Total equity	569,086	562,633
Liabilities		
Non-current liabilities		
Lease liability	7,178	33
Long service payment liabilities	433	347
	7,611	380
Current liabilities		
Amounts due to subsidiaries	58,044	385,260
Other payables and accruals	180,116	17,190
Lease liability	5,638	7,637
	243,798	410,087
Total equity and liabilities	820,495	973,100

On behalf of the Board

Victor FUNG Kwok King
Director

Richard YEUNG Lap Bun
Director

33. BALANCE SHEET AND MOVEMENT OF RESERVES OF THE COMPANY (continued)**(b) Movement of reserves of the Company**

	Share premium HK\$'000	Capital reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2019	200,650	12,792	18,103	255,571	487,116
Profit attributable to shareholders of the Company	-	-	-	171,583	171,583
Issue of new shares	94	-	-	-	94
Employee share option benefit	12	-	2,070	892	2,974
Dividends paid	-	-	-	(175,390)	(175,390)
At 31 December 2019	200,756	12,792	20,173	252,656	486,377
At 1 January 2020	200,756	12,792	20,173	252,656	486,377
Profit attributable to shareholders of the Company	-	-	-	3,297,674	3,297,674
Actuarial losses on post employment benefit obligation					
Gross	-	-	-	(89)	(89)
Tax	-	-	-	15	15
Issue of new shares	54,695	-	-	-	54,695
Employee share option benefit	8,169	-	(19,567)	3,585	(7,813)
Dividends paid	(263,620)	-	-	(3,075,777)	(3,339,397)
At 31 December 2020	-	12,792	606	478,064	491,462

34. PRINCIPAL SUBSIDIARIES

As at 31 December 2020, the Company has interests in the following principal subsidiaries:

Name	Place of incorporation/ operation	Principal activities	Particulars of issued share capital/ registered capital	Interest held
<i>Indirectly held:</i>				
Omni Beauty Retailing Limited	Hong Kong	Eyewear chain operator and lease-holder	HK\$10,000,000	100%
Patisserie Mon cher Company Limited	Hong Kong	Bakery chain operator and lease-holder	HK\$2	100%
Saint Honore Cake Shop Limited	Hong Kong	Bakery chain operator and lease-holder	HK\$3,450,100	100%
Saint Anna Cake Shop (Macau) Limited Pastelarias Santa Ana (Macau), Limitada [#]	Macau	Bakery chain operator and lease-holder	MOP100,000	100%
Saint Honore Cake Shop Guangzhou Limited 廣州市聖安娜餅屋有限公司*	PRC (note)	Bakery chain operator and lease-holder	RMB38,345,674	100%
Saint Honore Cake Shop (Shenzhen) Limited 聖安娜餅屋(深圳)有限公司*	PRC (note)	Food factory operator	HK\$18,610,000	100%

* The legal name of the company is in Chinese.

The legal name of the company is in Portuguese.

Note:

Registered as a wholly foreign-owned enterprise under the law of the People's Republic of China ("PRC").

Five-Year Financial Summary

The following table summarises the results, assets and liabilities of the Group for the five years ended 31 December 2020.

	2020	2019	2018	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)	(Restated)	(Restated)	(Restated)
Revenue <i>(note)</i>	1,191,701	1,197,453	1,102,140	1,021,204	1,013,855
Core operating profit (included interest expenses on lease liabilities) <i>(note)</i>	61,859	38,824	39,388	29,184	21,461
Profit attributable to shareholders of the Company					
Continuing Operations	61,150	33,213	32,985	21,745	18,462
Discontinued Operations	3,079,296	174,361	150,218	128,566	121,165
	3,140,446	207,574	183,203	150,311	139,627
Total assets	1,344,166	2,647,519	1,808,351	1,756,791	1,839,412
Total liabilities	(765,312)	(1,921,725)	(1,117,541)	(1,106,116)	(1,029,690)
Total equity	578,854	725,794	690,810	650,675	809,722

Note:

The comparatives of revenue and core operating profit (included interest expenses on lease liabilities) for prior years have been restated by excluding the financial results of the Discontinued Operations accordingly.

