



HENDERSON INVESTMENT LIMITED
恒基兆業發展有限公司
STOCK CODE: 97



Annual Report 2022



Corporate Profile

Listed in Hong Kong since 1972, Henderson Investment Limited is a subsidiary of Henderson Land Development Company Limited, a leading property development group in Hong Kong. The Company is currently engaged in the business operation of department stores, household specialty stores and supermarkets in Hong Kong.

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FORWARD-LOOKING STATEMENTS

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

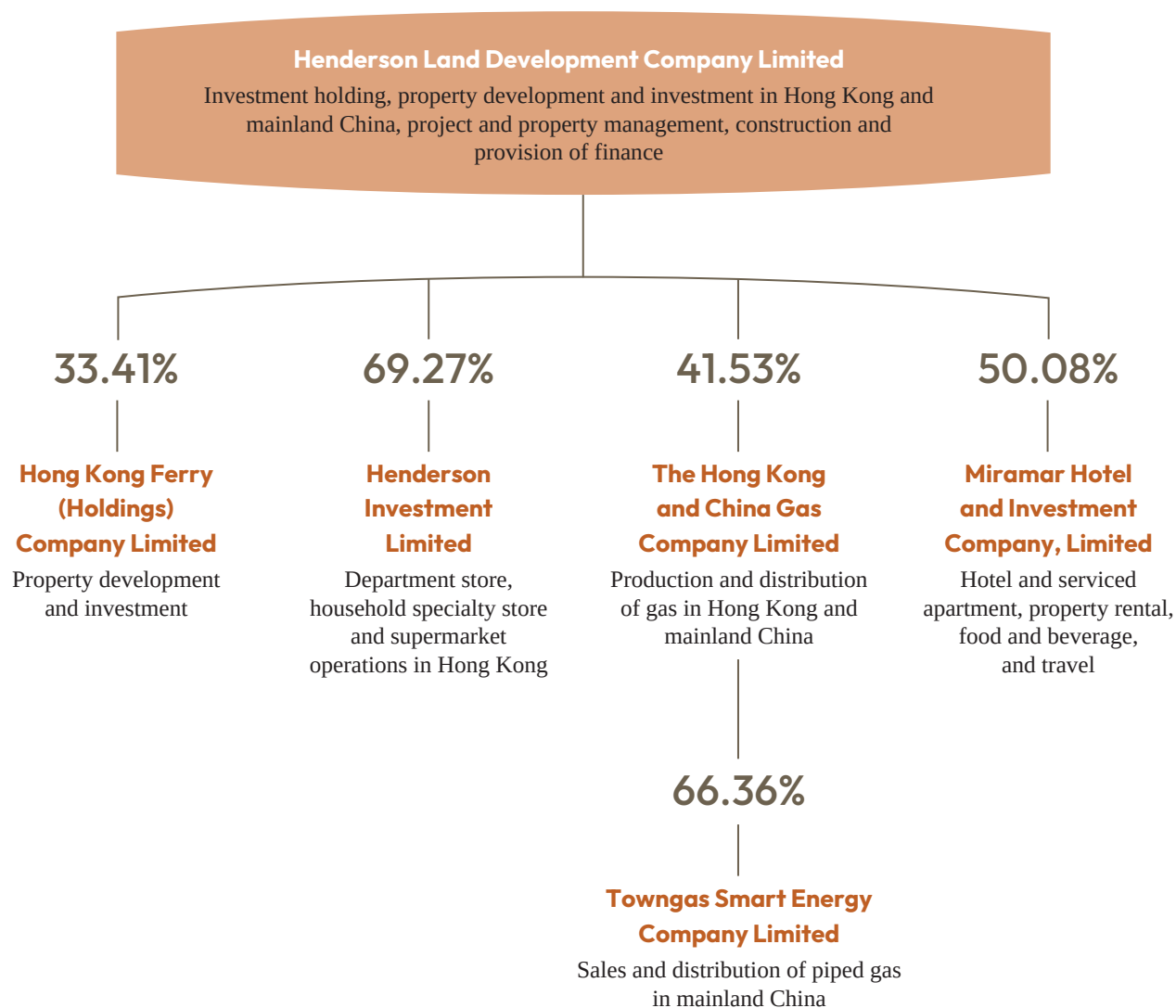
Group Structure

Henderson Land Group Structure

Market capitalisation as at 31 December 2022

Henderson Land Development Company Limited: HK\$132 billion

Six listed companies of Henderson Land Group: HK\$295 billion



Note: All attributable interests shown above were figures as of 31 December 2022.

Chairman's Statement

Profit and Net Asset Value Attributable to Shareholders

The Group's profit attributable to equity shareholders for the year ended 31 December 2022 amounted to HK\$5 million, representing a decrease of HK\$29 million, or 85% from that of HK\$34 million in the previous year. Earnings per share were HK 0.2 cents (2021: HK 1.1 cents).

The decrease in profit was mainly attributable to (i) the adverse effect of the COVID-19 pandemic on the Group's operations; (ii) the lower sales from APITA at Taikoo Shing due to its phased renovations; and (iii) the operating loss of UNY Tseung Kwan O opened in November 2021 due to the re-alignment of sales mix in its first year of operations.

At 31 December 2022, the net asset value attributable to equity shareholders amounted to HK\$1,270 million or HK\$0.42 per share (2021: HK\$1,324 million or HK\$0.43 per share).

Dividends

The Board recommends the payment of a final dividend of HK 1.0 cent per share to shareholders whose names appear on the Register of Members of the Company on Tuesday, 13 June 2023, and such final dividend will not be subject to any withholding tax in Hong Kong. Including the interim dividend of HK 1.0 cent per share already paid, the total dividend for the year ended 31 December 2022 will amount to HK 2.0 cents per share (2021: HK 2.0 cents per share).

The proposed final dividend is expected to be distributed to shareholders on Monday, 19 June 2023.

Dr Lee Ka Shing
GBS, JP, DSSc (Hon)
*Chairman and
Managing Director*



Chairman's Statement

Business Review

In early 2022, Hong Kong's retail market was hard-hit by the local fifth wave of the COVID-19 pandemic. With the receding local epidemic, as well as the Government's launch of a new round of Consumption Voucher Scheme, local consumption sentiment has improved since the second quarter of 2022. However, the stalled inbound tourism, uncertain economic outlook and financial market turmoil continued to weigh on the local retail sector. For 2022 as a whole, the value of total retail sales in Hong Kong decreased by 0.9% compared with a year earlier.

The Group's business activities are principally carried out by two wholly-owned subsidiaries: (i) Citistore (Hong Kong) Limited, which operates five department stores under the name of "Citistore" and four household specialty stores under the name of "Citilife" (hereinafter collectively referred to as "Citistore"); and (ii) Unicorn Stores (HK) Limited, which operates two department stores-cum-supermarkets under the name of "APITA" or "UNY" and two supermarkets under the name of "UNY" (hereinafter collectively referred to as "Unicorn").

(I) Citistore

During the year, Citistore adjusted its store network and closed down a Citilife store in Shatin, whilst a new counter of Citilife was opened in UNY Lok Fu store. In addition, an array of new food counters and kids' amusement zones was brought in at certain stores so as to meet customers' diverse needs. Citistore also enriched its product portfolio by adding new proprietary brands to its merchandise mix. "Alfeld", a house-brand of exquisite cookware, has been well received as it satisfied the needs of style-savvy customers.

During the year, Citistore continued to roll out various promotional initiatives amid the pandemic, including extending its "Anniversary Sales" to a 25-day long event to seize the business opportunity brought by the Government's Consumption Voucher Scheme. A new online shop was launched and in order to attract repeated patronage, its "Citi-Fun" customer loyalty programme was also migrated to a new integrated membership programme (namely, "CU APP"). Shoppers can now earn bonus points for their spending at all of the Group's retail brands, both online and offline, and redeem fabulous rewards. Customer response to this initiative has been positive, with CU APP membership numbers surpassing 440,000 to date.



Citilife, Cheung Sha Wan, Kowloon



Citistore, Ma On Shan, New Territories

Currently, there are five department stores under the Citistore name and four household specialty stores under the Citilife name, all located in populous residential districts as follows:

	Location	Total lettable area (square feet)
<i>Department store*</i>		
Citistore's Tsuen Wan store	KOLOUR • Tsuen Wan II, New Territories	138,860
Citistore's Tuen Mun store	The Trend Plaza, New Territories	17,683
Citistore's Yuen Long store	KOLOUR • Yuen Long, New Territories	54,809
Citistore's Ma On Shan store	MOSTown, New Territories	65,700
Citistore's Tseung Kwan O store	MCP Central, New Territories	71,668
<i>Household speciality store</i>		
Citilife's Wong Tai Sin store	Temple Mall, Kowloon	1,629
Citilife's Tuen Mun store	Leung King Plaza, New Territories	1,284
Citilife's Cheung Sha Wan store	The Addition, Kowloon	1,386
Citilife's Tin Shui Wai store	T Town South, New Territories	3,660
Total:		356,679

* A Citilife counter was also set up in each store, in addition to a Citilife counter in UNY Lok Fu store.

Affected by the above-mentioned unfavourable market conditions, Citistore recorded a year-on-year decrease of 5% in the aggregate sales proceeds derived from the sales of own goods, consignment sales and concessionaire sales for the year ended 31 December 2022. The breakdown is as follows:

	For the year ended 31 December		Change
	2022 HK\$ million	2021 HK\$ million	
Proceeds from sales of own goods	359	394	-9%
Proceeds from consignment sales	820	853	-4%
Proceeds from concessionaire sales	363	369	-2%
Total:	1,542	1,616	-5%

Sales of Own Goods

During the year, Citistore's sales of own goods decreased by 9% to HK\$359 million and its gross margin remained steady at 31%.

	For the year ended 31 December	
	2022 HK\$ million	2021 HK\$ million
Sales of own goods	359	394
Gross profit (after netting the cost of inventories sold)	113	122
Gross margin	31%	31%

Chairman's Statement

Consignment and Concessionaire Sales

Citistore's consignment sales comprise the sales of consignors' products on consignment basis in designated shelves or areas, whilst concessionaire sales are conducted by concessionaires operating from their own shop spaces within Citistore's stores under licence agreements. Citistore charges these consignment and concessionaire counters on the basis of revenue sharing or basic commission (if any), whichever is higher, as its commission income. During the year, the total commission income derived from these consignment and concessionaire counters decreased by 3% year-on-year to HK\$340 million, the breakdown of which is shown below and which reflects the decrease in the sales proceeds generated by both counters as shown above:

	For the year ended 31 December		Change
	2022 HK\$ million	2021 HK\$ million	
Commission income:			
– derived from consignment counters	242	250	-3%
– derived from concessionaire counters	98	100	-2%
Total:	340	350	-3%

Citistore's Profit Contribution

With the decrease in gross profit of HK\$9 million from the sales of own goods, as well as the decrease in commission income from consignment and concessionaire counters in the aggregate amount of HK\$10 million, Citistore's profit after taxation for the year under review still increased by HK\$8 million or 11% year-on-year to HK\$81 million. The main reasons are Citistore's receipt of wage subsidies of HK\$12 million during the year from the Government's "Employment Support Scheme", as well as the net decrease in its total operating expenses of HK\$15 million (which included the rent concessions of HK\$4 million granted by certain landlords).

(II) Unicorn

Unicorn is striving to make changes to adapt to the ever-changing market environment. Following the renovation of its Lok Fu store, as well as an addition of two Japanese supermarkets in Yuen Long and Tseung Kwan O, APITA at Taikoo Shing also commenced its phased renovations during the year. Renovation of its ground floor was completed in June 2022, whilst a new cosy and Japanese-style basement food court (namely, "APITA Eatery") was launched in November 2022, offering a wide range of Japanese culinary delicacies. Together with two restaurants (namely, "Shiawase Yakitori" and "Sensu") newly introduced in mid-2022, APITA brought an enriched dining experience to the residents and office workers of the neighbourhood.



Unicorn, Tseung Kwan O, New Territories

Currently, there are two department stores-cum-supermarkets and two supermarkets in the populous residential districts as follows:

Location		Total lettable area (square feet)
<u>Department store-cum-supermarket</u>		
APITA	Cityplaza, Taikoo Shing, Hong Kong Island	118,691
UNY Lok Fu	Lok Fu Place, Lok Fu, Kowloon	70,045
<u>Supermarket</u>		
UNY Yuen Long	KOLOUR • Yuen Long, New Territories	19,795
UNY Tseung Kwan O	MCP Central, New Territories	43,038
Total:		251,569

During the year, Unicorn's department store business was hard-hit by the local fifth wave of the pandemic, whilst the operation of APITA was further affected by its phased renovations. As such, the same store sales of APITA and UNY Lok Fu recorded a year-on-year decrease of 10% and 6% respectively. Including the additional contributions from UNY Tseung Kwan O and the online store, which were both opened in November 2021, Unicorn recorded a year-on-year increase of 4% in total proceeds derived from the sales of own goods and consignment sales for the year ended 31 December 2022. The breakdown is as follows:

	For the year ended 31 December		Change
	2022 HK\$ million	2021 HK\$ million	
Proceeds from sales of own goods	1,000	939	+6%
Proceeds from consignment sales	334	343	-3%
Total:	1,334	1,282	+4%
<u>Sales of Own Goods</u>			
Gross profit from sales of own goods (after netting the cost of inventories sold)	282	269	
Gross margin	28%	29%	
<u>Consignment Sales</u>			
Commission income from consignment counters	75	74	

Chairman's Statement

Unicorn's Profit Contribution

Due to (i) the adverse effect of the COVID-19 pandemic; (ii) the lower sales from APITA at Taikoo Shing due to its phased renovations; and (iii) the operating loss of UNY Tseung Kwan O opened in November 2021 as a result of the re-alignment of sales mix in its first year of operations, Unicorn recorded a loss after taxation of HK\$63 million for the year ended 31 December 2022 (2021: HK\$34 million).

Consolidated Results

During the year, summarised below are:

	For the year ended 31 December					
	2022 HK\$ million			2021 HK\$ million		
	Citistore	Unicorn	Total	Citistore	Unicorn	Total
<u>The Group's major revenue:</u>						
Sales of own goods	359	1,000	1,359	394	939	1,333
Commission income from consignment sales	242	75	317	250	74	324
Commission income from concessionaire sales	98	–	98	100	–	100
<u>Sales proceeds from consignment and concessionaire counters:</u>						
Sales proceeds from consignment counters	820	334	1,154	853	343	1,196
Sales proceeds from concessionaire counters	363	–	363	369	–	369

The after-tax profit contribution from Citistore and Unicorn amounted to HK\$18 million in aggregate for the year ended 31 December 2022. After taking into account the other incomes and losses, as well as overhead expenses of its head office and centralised distribution centre, the Group's profit attributable to equity shareholders during the year amounted to HK\$5 million, representing a decrease of HK\$29 million or 85% from that of HK\$34 million in the previous year.

Corporate Finance

Given its strong financial position, the Group had no bank borrowings (2021: HK\$Nil) and its cash and bank balances amounted to HK\$260 million (2021: HK\$360 million) at 31 December 2022.

Prospects

With almost all social distancing measures and travel restrictions being removed, the Group will seize business opportunities and roll out various initiatives to offer a better shopping experience to customers. Citistore will launch a new “mobile POS” system so as to further streamline customers’ payment process, whilst Unicorn will continue the phased renovations for APITA and revamp its supermarket.

Over the years, efforts have been made to integrate the businesses of Citistore and Unicorn. The centralised distribution centre has become fully operational, expanding the operational capabilities of the Group’s supply chain. The Group will continue to pursue centralised procurement to save costs and increase the proportion of proprietary brands, as well as fresh food products from Japan, so as to achieve brand differentiation. In addition, leveraging the strengths of the integrated membership programme (namely, “CU APP”), the Group will strengthen the cross promotions between Citistore and Unicorn and upgrade their online shopping platforms, with the goal of achieving full integration of both online and offline operations.



Unicorn, Taikoo Shing, Hong Kong Island

Appreciation

I would like to take this opportunity to extend my appreciation to my fellow directors for their wise counsel, and to thank all our staff for their commitment and hard work amid the pandemic.

Dr Lee Ka Shing

Chairman

Hong Kong, 21 March 2023

Corporate Culture, Business Model and Strategic Direction

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

Corporate Culture

As a staunch advocate and steward of stringent ethical and governance standards, the Board strives to instill in the Group a corporate culture that fosters accountability, collaboration and employee well-being across all levels of operations. Overseen by the Board and underpinned by the Group’s “Customer First” attitude, the desired culture adheres and conforms to the Group’s broader core values, business model and strategic direction. The wide-ranging policies, procedures and mechanisms established by the Board and the Group’s various committees, particularly those regarding audit, remuneration, risk management and whistleblowing, support and lay the foundation for such culture, helping to sustain and advance it to greater effect.

Business Model

Strong brand

The retailing operation comprises five department stores operating under the name of “Citistore”; two stores-cum-supermarkets operating under the names of “APITA” and “UNY”; and two supermarkets operating under the name of “UNY” (collectively, “Unicorn Stores”). “Citistore”, “APITA” and “UNY” are established brands with two of them being more than 30 years of operating track record, which are strong brands that are trusted among the consuming public in Hong Kong. The Group also have four household specialty stores under the name of “Citilife” in Kowloon and New Territories.

Stable income and profitability

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

Strategic Direction

Strategic location

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

Effective merchandising strategy

One of the Group's merchandising strategies is to source and purchase quality products which are not commonly offered by its competitors, the procurement team pays regular visits to mainland China, Japan and other countries with a view to discovering new suppliers and new products which are attractive to its consumers. Though the procurement team could not travel abroad due to the COVID-19 pandemic, the procurement team, with our long established relationship, works closely with the overseas suppliers in order to obtain the information of new products. In addition, the contractual merchandising arrangement with UNY Japan as supplier has broadened the range of Japanese products offered by the Group.

Diversified products and competitive prices

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

Financial Review

The following discussions should be read in conjunction with the Company's audited consolidated financial statements for the year ended 31 December 2022.

Material acquisitions and disposals

The Group did not undertake any significant acquisition or disposal of assets or subsidiaries during the year ended 31 December 2022.

Results of operations

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

Citistore (Hong Kong) Limited ("Citistore")

The Group recognised the following financial performance of Citistore for the year ended 31 December 2022 as compared with the corresponding year ended 31 December 2021:

	Note	Year ended 31 December		Increase/ (Decrease) HK\$ million	Increase/ (Decrease) %
		2022 HK\$ million	2021 HK\$ million		
Revenue					
– Sales of goods		359	394	(35)	-9%
– Commission income derived from consignment and concessionaire counters		340	350	(10)	-3%
– Promotion income		7	7	–	–
	(i)	706	751	(45)	-6%
Direct costs					
– Cost of inventories sold		(246)	(272)	26	-10%
– Rental and related expenses	(ii)	(52)	(59)	7	-12%
– Depreciation charge on right-of-use assets	(ii)	(98)	(105)	7	-7%
– Others		(158)	(156)	(2)	+1%
		(554)	(592)	38	-6%
Other income	(iii)	17	7	10	+143%
Other expenses	(ii)	(67)	(63)	(4)	+6%
Profit from operations		102	103	(1)	-1%
Finance costs on lease liabilities	(ii)	(8)	(15)	7	-47%
Profit before taxation		94	88	6	+7%
Income tax charge		(13)	(15)	2	-13%
Profit after taxation attributable to equity shareholders of the Company		81	73	8	+11%

Notes:

- (i) The year-on-year decrease in revenue of HK\$45 million, or 6%, is mainly attributable to the decrease in revenue contribution from the sales of own goods and commission income from consignment counters and concessionaire counters, which in turn is mainly due to the year-on-year increase of an aggregate of 266 shortened operating business hours of the store outlets of Citistore and Citilife during the year ended 31 December 2022 mainly because of the Fifth Wave of the COVID-19 pandemic during the months of February 2022 and March 2022, despite the launch of the “Consumption Voucher Programme” by HKSAR Government in April 2022, August 2022 and October 2022 which had a boosting effect on Hong Kong’s retail market sentiment in general.
- (ii) Under HKFRS 16 “Leases”, the “practical expedient” is applicable to the short-term leases of a reporting entity whose expiry dates are within one year from the date of initial adoption of HKFRS 16 or lease commencement.

On the other hand, for each tenancy lease of Citistore (including Citilife) other than the short-term leases in relation to which the “practical expedient” under HKFRS 16 has been applied (as mentioned above), Citistore (including Citilife) has recognised the following:

- right-of-use assets in the statement of financial position measured at their carrying amounts (as if HKFRS 16 had been applied since the commencement date of the tenancy lease). Accordingly, Citistore (including Citilife) recognised the related depreciation charge on right-of-use assets in the aggregate amount of HK\$103 million (2021: HK\$111 million), which comprised amounts of HK\$98 million (2021: HK\$105 million) classified under “Direct costs” and HK\$5 million (2021: HK\$6 million) classified under “Other expenses”, in the statement of profit or loss for the year ended 31 December 2022; and
- lease liabilities in the statement of financial position, which are interest-bearing at Citistore’s estimated incremental borrowing rate. Accordingly, Citistore (including Citilife) recognised the related finance cost on lease liabilities in the amount of HK\$8 million (2021: HK\$15 million) in the statement of profit or loss for the year ended 31 December 2022.

Based on the above, for the purpose of comparison between the two financial years ended 31 December 2022 and 31 December 2021, the rental and related expenses of HK\$54 million (2021: HK\$61 million) which comprised HK\$52 million (2021: HK\$59 million) classified under “Direct costs” and HK\$2 million (2021: HK\$2 million) classified under “Other expenses”, the depreciation charge on right-of-use assets of HK\$103 million (2021: HK\$111 million) (see above) and the finance cost on lease liabilities of HK\$8 million (2021: HK\$15 million) (see above) are aggregated which amounted to HK\$165 million for the year ended 31 December 2022 (2021: HK\$187 million).

The abovementioned year-on-year decrease of HK\$22 million for the year ended 31 December 2022 is mainly attributable to the savings in rental and operating expenditures of Citistore’s Tai Kok Tsui store which was closed down on 30 June 2021 as well as the rent concessions granted to Citistore by the landlords of the store outlets in the aggregate amount of HK\$5 million (before tax) during the year ended 31 December 2022 (2021: Nil).

- (iii) Other income for the year ended 31 December 2022 included the approved government subsidies from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme promulgated by the HKSAR Government (“ESS Subsidy”) to Citistore in relation to the months of May 2022, June 2022 and July 2022 and in the aggregate amount of HK\$12 million (2021: Nil).

Financial Review

Unicorn Stores (HK) Limited (“Unicorn”)

The Group recognised the following financial performance of Unicorn for the year ended 31 December 2022 as compared with the corresponding year ended 31 December 2021:

	Note	Year ended 31 December		Increase/ (Decrease) HK\$ million	Increase/ (Decrease) %
		2022 HK\$ million	2021 HK\$ million		
Revenue					
– Sales of goods		1,000	939	61	+6%
– Commission income derived from consignment counters		75	74	1	+1%
– Administration fee income		5	6	(1)	-17%
	(iv)	1,080	1,019	61	+6%
Direct costs					
– Cost of inventories sold		(718)	(670)	(48)	+7%
– Rental and related expenses	(v)	(46)	(47)	1	-2%
– Depreciation charge on right-of-use assets	(v)	(113)	(105)	(8)	+8%
– Others		(196)	(168)	(28)	+17%
		(1,073)	(990)	(83)	+8%
Other income	(vi)	8	4	4	+100%
Other expenses	(v)	(60)	(63)	3	-5%
Loss from operations		(45)	(30)	(15)	+50%
Finance costs on lease liabilities	(v)	(31)	(11)	(20)	+182%
Loss before taxation		(76)	(41)	(35)	+85%
Income tax credit		13	7	6	+86%
Loss after taxation attributable to equity shareholders of the Company		(63)	(34)	(29)	+85%

Notes:

- (iv) The year-on-year increase in revenue of HK\$61 million, or 6%, is mainly attributable to the increase in revenue contribution from the sales of own goods due to the contribution from the UNY supermarket at Tseung Kwan O, the New Territories, which commenced business operation in November 2021.
- (v) Under HKFRS 16, the “practical expedient” is applicable to the short-term leases of a reporting entity whose expiry dates are within one year from the date of initial adoption of HKFRS 16 or lease commencement.

On the other hand, for each tenancy lease of Unicorn other than the short-term leases in relation to which the “practical expedient” under HKFRS 16 has been applied (as mentioned above), Unicorn has recognised the following:

- right-of-use assets in the statement of financial position measured at their carrying amounts (as if HKFRS 16 had been applied since the commencement date of the tenancy lease). Accordingly, Unicorn recognised the related depreciation charge on right-of-use assets in the aggregate amount of HK\$115 million (2021: HK\$107 million), which comprised amounts of HK\$113 million (2021: HK\$105 million) classified under “Direct costs” and HK\$2 million (2021: HK\$2 million) classified under “Other expenses”, in the statement of profit or loss for the year ended 31 December 2022; and
- lease liabilities in the statement of financial position, which are interest-bearing at Unicorn’s estimated incremental borrowing rate. Accordingly, Unicorn recognised the related finance cost on lease liabilities in the amount of HK\$31 million (2021: HK\$11 million) in the statement of profit or loss for the year ended 31 December 2022, and the significant increase of which is mainly attributable to the commencement of the tenancy lease on 1 March 2022 of the APITA supermarket-cum-store at Taikoo Shing, Hong Kong, which was renewed on 18 March 2022.

Based on the above, for the purpose of comparison between the two financial years ended 31 December 2022 and 31 December 2021, the rental and related expenses of HK\$46 million (2021: HK\$48 million) which comprised HK\$46 million (2021: HK\$47 million) classified under “Direct costs” and HK\$Nil million (2021: HK\$1 million) classified under “Other expenses”, the depreciation charge on right-of-use assets of HK\$115 million (2021: HK\$107 million) (see above) and the finance cost on lease liabilities of HK\$31 million (2021: HK\$11 million) (see above) are aggregated which amounted to HK\$192 million for the year ended 31 December 2022 (2021: HK\$166 million).

The abovementioned year-on-year increase of HK\$26 million for the year ended 31 December 2022 is mainly attributable to the increased contributions to depreciation charge on right-of-use assets and finance cost on lease liabilities from the UNY supermarket at Tseung Kwan O which commenced business operation in November 2021, and from the commencement of the tenancy lease on 1 March 2022 of the APITA supermarket-cum-store at Taikoo Shing which was renewed on 18 March 2022.

- (vi) Other income for the year ended 31 December 2022 included the approved ESS Subsidy to Unicorn in relation to the months of May 2022, June 2022 and July 2022 and in the aggregate amount of HK\$3 million (2021: Nil).

Financial Review

(b) Overall

Aggregating the abovementioned profits/losses after tax of the department stores and supermarket cum-stores operations in Hong Kong, and taking into consideration the net corporate expenditure and other income less losses of the Group, the Group recorded total profit after tax attributable to equity shareholders in the amount of HK\$5 million for the year ended 31 December 2022 (2021: HK\$34 million), representing a year-on-year decrease of HK\$29 million, or 85%.

Finance costs on bank borrowing

During the year ended 31 December 2022 and excluding the finance costs on the lease liabilities recognised by the Group under HKFRS 16, the Group did not recognise any finance costs (including other borrowing costs) on bank borrowing (2021: Nil).

Financial resources, liquidity and loan maturity profile

At 31 December 2022, the Group did not have any bank borrowing (2021: Nil) other than the Group's lease liabilities recognised under HKFRS 16 of HK\$745 million (2021: HK\$502 million), and had cash and bank balances of HK\$260 million (2021: HK\$360 million). The decrease in the Group's cash and bank balances of HK\$100 million (or 28%) during the year ended 31 December 2022 is mainly attributable to (i) net aggregate cash inflows from operating, investing and financing activities (other than (ii) and (iii) below) in the amount of HK\$44 million; (ii) cash outflow on the addition to fixed assets of HK\$84 million mainly due to the phased renovation of Unicorn's store outlet at Taikoo Shing during the year; and (iii) the Group's payment of the final dividend for the previous year ended 31 December 2021 and the interim dividend for the six months ended 30 June 2022 in the aggregate amount of HK\$60 million.

For the year ended 31 December 2022, the Group's profit from operations (including bank interest income but excluding finance costs) before taxation amounted to HK\$46 million (2021: HK\$67 million). Excluding the finance costs on lease liabilities recognised by the Group under HKFRS 16, as the Group did not recognise any finance costs (including other borrowing costs) on bank borrowing (2021: Nil), there was no interest cover for the Group for the year ended 31 December 2022 (2021: None).

Based on the Group's cash and bank balances of HK\$260 million at 31 December 2022, the Group has adequate financial resources in meeting the funding requirements for its ongoing operations as well as its future expansion.

Treasury and financial management

The Group's financing and treasury activities are centrally managed at the corporate level. At 31 December 2022 and 31 December 2021, the Group was not a contractual party to any arrangements in relation to any derivative financial instruments for speculative or hedging purposes. The Group monitors closely its interest rate exposure and foreign exchange rate exposure and will consider hedging these exposures should the need arise.

Apart from the foregoing, the Group did not have any material exposures to interest rates or foreign exchange rates at 31 December 2022 and 31 December 2021.

Charge on assets

Assets of the Group were not charged to any party at 31 December 2022 and 31 December 2021.

Capital commitments

At 31 December 2022, the Group had capital commitments in relation to fixed assets contracted but not provided for in the amount of HK\$13 million (2021: HK\$14 million), which includes the contracted capital expenditures for phase two renovation of Unicorn's store outlet at Taikoo Shing.

Contingent liabilities

At 31 December 2022 and 31 December 2021, the Group did not have any contingent liabilities.

Employees and remuneration policy

At 31 December 2022, the Group had 1,039 (2021: 1,134) full-time employees and 134 (2021: 103) part-time employees. Total staff costs for the year ended 31 December 2022 amounted to HK\$274 million (2021: HK\$272 million).

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

Five Year Financial Summary

	Note	Year ended 31 December				
		2018 HK\$ million	2019 HK\$ million	2020 HK\$ million	2021 HK\$ million	2022 HK\$ million
Profit for the year	1	97	62	127	34	5
		HK cents	HK cents	HK cents	HK cents	HK cents
Earnings per share	1	3.2	2.0	4.2	1.1	0.2
Dividends per share	1	4.0	3.0	2.0	2.0	2.0
		At 31 December				
	Note	2018 HK\$ million	2019 HK\$ million	2020 HK\$ million	2021 HK\$ million	2022 HK\$ million
Fixed assets		92	118	110	144	169
Right-of-use assets		–	699	552	413	681
Goodwill		1,072	1,072	1,072	1,072	1,072
Lease liabilities		–	830	674	502	745
Net asset value	1	1,401	1,288	1,347	1,324	1,270
		HK\$	HK\$	HK\$	HK\$	HK\$
Net asset value per share	1	0.46	0.42	0.44	0.43	0.42

Note:

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

Sustainability

1 About This Section

Reporting Period, Standard and Boundary

This Sustainability Report (the “Report”) provides an annual update of the Group’s initiatives, plans and performance in sustainability in 2022. It is prepared in accordance with the mandatory disclosure requirements and the “comply or explain” provisions set out in the Environmental, Social and Governance (“ESG”) Reporting Guide under Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“HKEX”). The report provides an overview of the Group’s ESG management approach, governance structure, sustainability initiatives, and performance taken across the Group’s core operations in Hong Kong for the period from 1 January 2022 to 31 December 2022 (the “reporting period”).

The Report provides descriptions and key statistics of the Group’s sustainability performance and progress for the reporting period.

2 Sustainability Governance

Board Statement

Our Board of Directors (the “Board”) oversees the management of the Group’s overall ESG strategies and performance through regular reporting and updates on the progress of the Group’s goals, initiatives and plans from the Sustainability Committee. The Sustainability Committee, meeting at least once a year, comprises executive director and senior management who provide strategic guidance on the Group’s ESG management approach, risk management and disclosures. In addition, our ESG working group consists of representatives from various departments who play an integral role in coordinating the daily execution of the Group’s ESG strategies and implementation of associated initiatives.

The Group has adopted a comprehensive risk management framework which consists of a top-down strategic view and a bottom-up process to effectively identify, evaluate and manage significant risks. While the Audit Committee is held accountable for the Group’s overall risk management and internal control systems, the Sustainability Committee specifically assesses ESG-related risks of strategic and financial significance. The prioritised risks together with proposed mitigation plans are discussed and endorsed at Board meetings.

For more details on our corporate governance, risk management and internal control systems, please refer to the Corporate Governance Report on pages 39 to 57 of the Annual Report.

Sustainability Policies

In addition to following the Group policies of our parent company, Henderson Land Development Company Limited, the Board has approved the following key policies and procedures which articulate and define important principles or values of the Group:





Sustainability

<i>Environmental</i>	<i>Social</i>	<i>Governance</i>
Climate Change Policy New	Anti-corruption and Bribery Policy New	Board Diversity Policy
Corporate Social Responsibility Policy New	Business Ethics and Code of Business Conduct Policy New	Dividend Policy
Environmental Policy	Customers Services Code of Conduct Policy New	Inside Information Policy
	Director and Employee Remuneration Policy New	Nomination Policy
	Health and Safety Policy New	Risk Management Policy
	Human Rights and Equal Opportunity Policy New	Shareholders Communication Policy

The Group has also recently introduced eight new policies to reflect our increasing commitment towards enhancing our ESG performance and to ensuring that we keep up-to-date with the latest industry trends and stakeholder expectations. For details, please refer to <https://www.hilhk.com/en/corporate/group-policies.shtml>.

3 Stakeholder Engagement and Materiality Assessment


The Group reaches out to our stakeholders regularly to understand their expectations of our ESG strategy and sustainability issues that are significant to them. By harnessing various communication channels, we proactively engage with our key stakeholder groups, including our employees, customers, shareholders, suppliers, regulators and the wider community, to review and update the topics of key materiality to our business operations. Below is a summary of the ways we engage with our stakeholders:

Key Stakeholders	Engagement Channel
 Employees	<ul style="list-style-type: none"> • Training • Performance appraisals • Recreational activities
 Customers	<ul style="list-style-type: none"> • Corporate websites, mobile apps and social media platforms • Customer service hotlines • Customer satisfaction survey
 Suppliers and Contractors	<ul style="list-style-type: none"> • Regular supplier reviews • Supplier management
 NGO Partners	<ul style="list-style-type: none"> • Volunteer activities • Donations • Community outreach

In preparation for this Report, the Group appointed an independent consultant to conduct a comprehensive stakeholder engagement and materiality assessment following the step-by-step materiality assessment approach detailed below to determine the most material ESG topics for disclosure. Through gathering views from a wide range of stakeholders regarding our sustainability efforts, performance and future strategies, we identified a number of risks and opportunities, and balanced different interests to make informed decisions.



The table below sets out 14 sustainability topics that were identified as material with the inputs from our internal and external stakeholders.

Aspects	Material Issues
 Environment	<ul style="list-style-type: none"> • Waste • Materials • Green Procurement • Energy Usage
 Labour Practices	<ul style="list-style-type: none"> • Anti-corruption • Occupational Health and Safety • Working Conditions • Staff Training and Career Development
 Operating Practices	<ul style="list-style-type: none"> • Protection of Customer Privacy • Quality Control • Product and Service Health and Safety • Supply Chain Management • Handling Product and Service Complaints
 Community	<ul style="list-style-type: none"> • Community Investment

4 Our COVID-19 Response

The safety of employees and customers is a priority of our business. During the year, we continued to carry out preventive measures to minimise infection risk within our premises. We implemented the following hygiene protocols across our stores.

Temperature checking: Body temperature monitors and disinfection equipment were set up at each store entrance. All store staff were required to check their temperature before work.

Maintaining proper hygiene and social distancing: Hand sanitisers were provided in stores and customers were required to wear surgical masks at all times during store visits. We encouraged the use of contactless payment methods to reduce the possible spread of COVID-19. In addition, we displayed visible notices and made public announcements to remind staff and customers on maintaining good personal hygiene and social distancing.

We provided surgical masks, face shields and protective clothing to our staff to help them maintain high levels of personal hygiene. Dining tables in the staff canteen were rearranged to ensure a distance of 1.5m between tables, and partitions were utilised to reduce the spread of infection.

Regular cleaning and disinfection: We created a quick response team to track and trace any potential cases of infection. All reported COVID-19 cases were cross-checked with our staff list. Once a case was identified, we performed thorough disinfection and cleaning of the relevant locations to ensure the health and safety of our customers.

Our Tsuen Wan store was certified by the Anti-Epidemic Hygiene Measures Certification Scheme organised by the Hong Kong Quality Assurance Agency (“HKQAA”). Deep cleaning of the stores and equipment was carried out more frequently during the fifth wave of the COVID-19 epidemic, and we regularly disinfected surfaces with frequent contact such as furniture, elevators and escalators with diluted bleach. Furthermore, we cleaned our air filters and ducting from time to time to maintain good ventilation with sufficient fresh air supply and ensure the proper functioning of air-conditioning systems.



Staff wearing protective equipment in stores



Anti-epidemic hygiene measures such as regular disinfection

5 Engaging Our Customers

We actively seek to achieve a high level of customer satisfaction. By regularly obtaining feedback from our customers, we endeavour to understand their needs and improve our products and services.

Customer First

The Group's "Customer First" approach highlights our commitment to provide high-quality goods and services, and our "Three Qs Missions" is designed to better embed this spirit in our daily operations:

Quality Services

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

Quality Merchandise

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

Quality Lifestyle

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

To create a comfortable and hygienic shopping environment, we conduct extensive cleaning at all our department stores and supermarkets before and after service hours, as well as constantly monitor the status of engine rooms and air-conditioners to regulate indoor temperature for ideal comfort. We value all feedback from customers as a means of maintaining customer satisfaction levels. Customers can share their feedback through dedicated hotlines, emails, store counters and social media platforms such as Instagram and Facebook.

Furthermore, we have implemented a robust internal feedback system to follow up on complaints received in order to strive for continuous improvement. During the reporting period, we received a total of 57 appreciation letters from customers, reinforcing our commitment to providing consistently high-quality service. There were also 390 customer complaints regarding our products or services, which we addressed through our follow-up procedures. By explaining to customers the investigation results and improvements made, all of the complaints were resolved in line with our internal procedures in a timely and effective manner.

Mystery Shopper Programme

Since 2020, we have been regularly using Mystery Shopper Programme to assess the performance of our employees. We are overjoyed to see our employees develop and maintain our department store's outstanding service level.

Product Responsibility

The Group is committed to fully adhering to relevant laws and regulations. We work closely with relevant Government departments as well as our suppliers and vendors. We safeguard our product quality by full compliance with all relevant regulations, including Consumer Goods Safety Regulation (Cap 456A), Toys and Children's Products Safety Ordinance (Cap.424), Trade Descriptions Ordinance (Cap. 362), Pharmacy and Poisons Ordinance (Cap.138), Food and Drugs (Composition and Labelling) Regulations (Cap.132W), Competition Ordinance (Cap 619), and Electrical Products (Safety) Regulation (Cap.406G), etc. In the event of a product quality issue, the inventory of the suspect product will be removed immediately from our shelves and storage rooms and returned to the supplier or vendor. We also follow the Government's instructions on product recalls as necessary. During the year, Citistore had approximately 0.0014% of its products recalled for health and safety reasons.

Sustainability

As well as complying with the mandatory legal requirements, we have a robust mechanism in place to ensure product quality which may identify potential environmental and social risks previously unperceived by us. This mechanism includes stringent evaluation of new vendors with reference to market information and reputation, laboratory testing reports of products reviewed and approved by department heads and quality checks conducted on products delivered to our stores.

We strive to create the best customer experience by putting a strong emphasis on shelf arrangement and inventory management, ensuring that all items are arranged in an organised and effective way. Important information such as the brand name, product description, maintenance details, expiry dates, and warnings are displayed on products and attached to price tags.

During the reporting period, there were no cases of non-compliance with the relevant laws and regulations relating to product health and safety, advertising and labelling.

Customer Privacy

To protect customer privacy, we collect only the minimum necessary personal information. All personal data collected via the Citistore website, Citistore Membership (Citi-fun), APITA/UNY website, CU APP Membership Programme, eShop and other channels are securely stored on a secured platform which is protected by up-to-date firewall and anti-virus software. In addition, personal, sensitive or confidential information is masked in the stores' CU APP Interface and can only be accessed by authorised personnel. The Group fully complied with the Personal Data (Privacy) Ordinance (Cap.486) during the reporting period. Our publicly available customer privacy policy regarding our rules for accessing, storage and disposal of personal data is available on the Citistore website¹ and APITA/UNY website².

During the reporting period, there were no cases of non-compliance with the relevant laws and regulations relating to breaches of customer privacy.

6 Supply Chain Management

Guided by our Environmental Policy, we encourage sustainable procurement and promote environmentally friendly practices through supplier engagement. We also strictly adhere to all laws and regulations related to product responsibility. For consignment and concessionaire counters, suppliers and vendors have to warrant all necessary licenses, permits and authorisation prescribed by law for them to carry on their business. For consumable goods including any foods (whether raw or prepared), suppliers and vendors undertake and warrant that such foods shall be clean, hygienically prepared and free from contamination. The Group works closely with supply chain partners to ensure the best quality merchandise is delivered to customers.

Notes:

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

The Group is also committed to protecting the Intellectual Property (IP) rights of third parties in our supply chain management. Unauthorised use of computer software, music and photographic images leading to the infringement of copyright is strictly prohibited. We also request suppliers to submit certificates and licenses of their merchandise as required under relevant regulations to confirm that authentic merchandise is being offered in our stores. To uphold IP rights, we pay extra attention to the products sold by our consignment and concessionaire counters to ensure that we avoid any counterfeit products. Furthermore, all of our suppliers and vendors are bound by the terms and conditions set out in signed agreements with the Group which stipulate that they are fully responsible for any infringement of patent, design, trademark, trade name, copyright, or other IP rights, as well as any defects or malfunction of their merchandise.

7 Conserving the Environment

We are dedicated to protecting the environment by minimising the potential negative environmental impacts arising from our operations. Guided by our Environmental Policy, we are committed to integrating environmental protection and conservation into our operations.

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

Climate Change

The impacts of climate change are apparent, with more frequent and intense extreme weather events being observed locally and worldwide. In light of the ever-increasing threat posed by climate change, we take actions to actively manage climate risks and mitigate the impacts. We are committed to minimising our carbon footprint by implementing effective strategies and initiatives throughout our operations. We have stepped up our efforts to improve energy and fuel efficiency throughout our operations and will continue to optimise resource efficiency.

Reduce carbon intensity



Reduce electricity use intensity



(* Compared to the 2016 baseline.)

Note:

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

Sustainability

The Group has implemented a series of measures to mitigate the risks posed by climate change. These include:

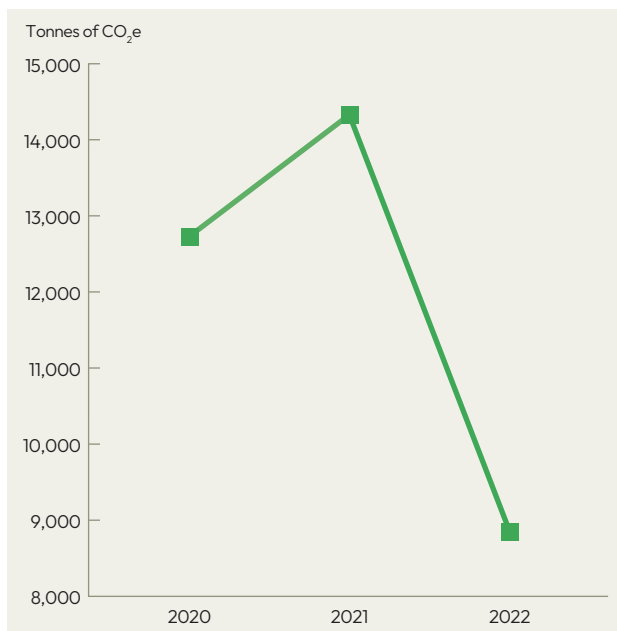
Climate-related Risk	Potential Impact	Mitigation Measures
Increase in average temperature	<ul style="list-style-type: none"> Higher electricity and maintenance costs incurred due to the increasing use of fan coils during the summer period. 	<ul style="list-style-type: none"> Closely monitor the indoor temperature and turn off some fan coils at nighttime. Place more fans in stores to circulate cooler air.
Increase in the occurrence of typhoons	<ul style="list-style-type: none"> Damage to outdoor lightboxes, threatening passers-by's safety and inducing additional repair costs. Closure of our stores. 	<ul style="list-style-type: none"> Review risk management plans on the effects of typhoons every year. Remove loose objects outside our stores during typhoons and work with the management office of shopping malls to enhance the protection of potentially damaged objects within our premises.
Increase in frequency of rainstorms	<ul style="list-style-type: none"> Slippery floors in the stores causing injuries to our employees and customers. Damage to inventories placed at lower levels due to flooding. Disruption to stores' operating hours. 	<ul style="list-style-type: none"> Review risk management plans for the effects of rainstorms every year. Liaise with the property management office to closely monitor the conditions of drainage and pipes to prevent flooding in our stores.

Energy Usage and Greenhouse Gas Emissions

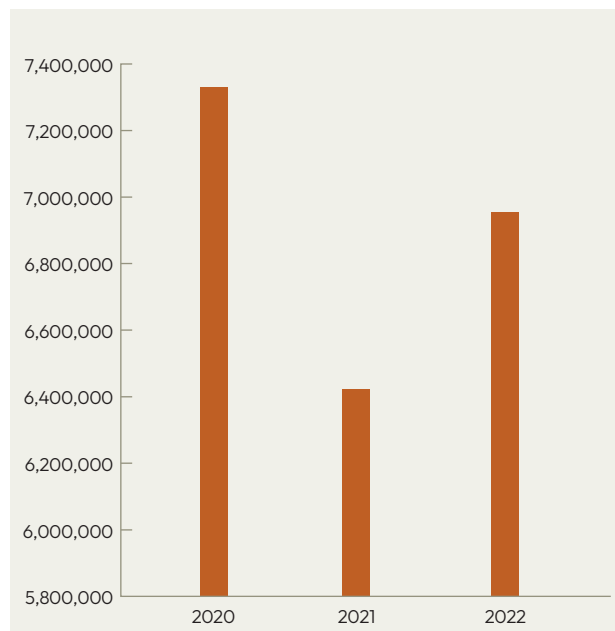
With the aim to enhance energy efficiency and reduce our energy consumption, we have set internal guidelines for our staff on the use of electric appliances. Our staff only switch on fan coils when needed, and other electrical appliances including computers, air conditioners and lights are switched off when not in use to save energy. The indoor temperature of our stores is closely monitored and set at 25 degrees Celsius to balance cooling needs and energy savings. We also display stickers to remind and encourage energy-saving behaviour. In addition, we only order appliances that are rated Grade One under the Energy Efficiency Labelling Scheme. All our newly opened stores are equipped with LED lighting and we aim to gradually upgrade our existing stores with LED lighting during renovation and maintenance.

In 2022, a significant drop in greenhouse gas emissions was recorded as compared to 2021, this was due to the closure of our staff canteen.

Scope 1 and 2 Greenhouse Gas Emissions



Plastic Shopping Bag Usage



Packaging Materials

Plastic shopping bag usage is a key area where we endeavour to reduce our negative impacts on the environment. Our “BYOB” (bring-your-own-bag) campaign and the sales of durable and reusable shopping bags have assisted customers to reduce plastic bag consumption. In addition, we promote more sustainable shopping habits. In 2015, Citistore became one of the first retailers to support the Plastic Shopping Bag Charge (“PSB Charge”) Collaborative Platform established by different green non-governmental organisations. The Collaborative Platform uses funds collected from the Government’s PSB Charge scheme to support waste reduction projects and other environmental education campaigns. During the reporting period, an increase in shopping bag usage was observed across our retailers as compared to 2021 levels, reflecting the gradual relaxation of pandemic restriction measures that prompted more customers and transaction volumes. On the other hand, despite the rise in transaction volumes and the number of shops in 2022, the usage decreased when compared to 2020 levels.

Waste Management

To promote waste reduction and recycling throughout our operations, we encourage and regularly remind our employees to follow the guidelines for paper recycling. We use Programme for the Endorsement of Forest Certification certified paper in our office and are further cutting down paper usage with the aim to go paperless in the long run. In addition to managing paper usage, we also recycle other resources including cardboard boxes and electronic equipment. Carton boxes are either reused or collected by property management for recycling purposes according to their condition, while electronic equipment is recycled and donated to those in need. We take action to reuse festive and generic decorations as well as event booths, and where possible, to extend the lifetime of the furniture and decorations.

Sustainability

234,723 kg
of cardboard
boxes recycled
from Citistore
in 2022



241 pcs of electronic
equipment recycled from
Citistore,
APITA and
UNY in 2022



The Group has continued its long-standing engagement with Greeners Action and participated in its annual Lai See Reuse and Recycle Programme over the Chinese New Year holiday. To remind our customers and staff to protect the environment while enjoying the Lunar New Year, everyone is encouraged to bring their used and unwanted red packets to one of the collection points at our stores. Red packets in good condition are repurposed as Reborn Lai See for redistribution, while the rest are recycled. In 2022, we collected and delivered a total of 591 kg of red packets to Greeners Action.



Red packet box at the collection point

Waste Reduction Target

Continue to help customers reduce the usage of plastic bags and enhance recycling capacity across the Group's retail network.

8 Nurturing Our People

Employee well-being has always been our top priority and we aspire to build a collaborative and harmonious workplace that is free from discrimination and embraces equal opportunity as stipulated in our policies and guidelines. We have also established fair and structured recruitment guidelines for talent acquisition.

Caring for Our Employees

The Group is committed to creating a friendly working environment which is free from any prejudice or discrimination. All employees are protected by our anti-discrimination policy which outlines fair recruitment and employment practices based on individual merits and qualifications, regardless of gender, race, age, religion, disability, or family status.

During the reporting period, there were no cases of non-compliance with the relevant laws and regulations⁴ relating to recruitment and employment practices, anti-discrimination and other benefits and welfare.

To recruit the best talent, we offer attractive remuneration packages and fringe benefits, including a staff purchase discount programme, marriage and compassionate leave, as well as medical insurance for spouses and children of Citistore's managerial employees. In addition, we support our staff to achieve work-life balance through a series of

Note:

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



Staff Appreciation Programme



Team building activities

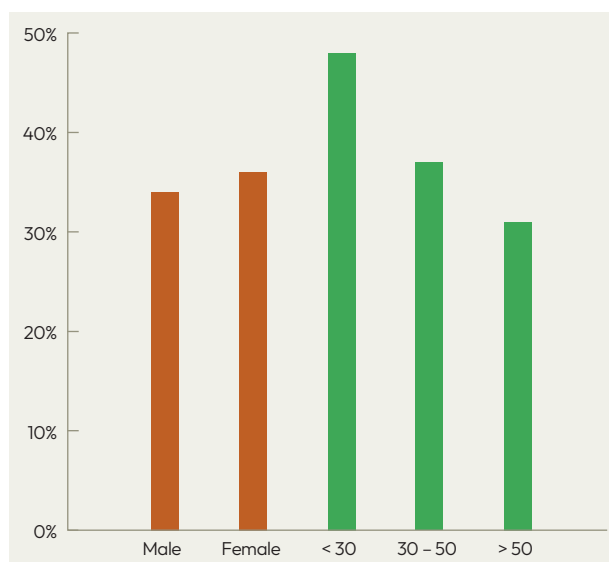
initiatives that foster workplace well-being. During the year, we set up a staff function room, with facilities including a table tennis table, massage chair, fitness bicycle and board games. Team building activities and monthly staff activity programmes were also organised, including annual and festive celebrations such as parties for Mid-Autumn Festival and Christmas, to enhance staff motivation and build rapport among employees. Team building activities were organised for management-level staff, which were designed to boost their perseverance amid business challenges and changing market conditions. We also organised a laughter yoga class to empower staff with positive energy and enhance social connectedness. Through these events, we aim to cultivate a caring spirit within the Group and facilitate deeper connections among our colleagues.

To show our gratitude and appreciation for our employees' contributions, we launched an Appreciation Programme in which management level employees can express their encouragement and gratitude to their staff via an appreciation card.

Occupational Health and Safety

The Group places great emphasis on maintaining workplace health and safety. To ensure a safe working environment, safety training materials are provided to new employees. In 2022, we also continued to partner with the Integrated Services Group (Occupational Health Service) Team of the Labour Department to conduct safety inspections at our stores. In order to instil the importance of workplace health and safety in our staff, we organised various types of safety training including the launch of a health and safety training video and stretching class. To further remind staff, notices and guidelines are also placed at various locations throughout our workplaces.

Employee Turnover Rate by Gender and Age



Sustainability

A rigorous reporting mechanism is in place to handle employee injury cases in the workplace. Should an injury occur, an incident report form must be filled out by the injured employee, a witness and the store manager, which is then submitted to the Human Resources Department. We will subsequently report the incident to the Labour Department for further action, if needed.

Development and Training

Equipping our employees with the practical skills and opportunities to advance in their careers is a priority for the Group and we provide comprehensive training programmes. For instance, during the year we rolled out a Service Ambassador Programme at Citistore which involved setting up a pioneer service team to promote service skills and a positive working environment. Ambassadors were assigned to different departments to act as role models and to exert a positive influence on other colleagues. We also organised coaching skill classes for different levels of supervisors to improve their coaching and communication skills. Training courses are also offered to employees to enhance their product knowledge, service and selling skills.

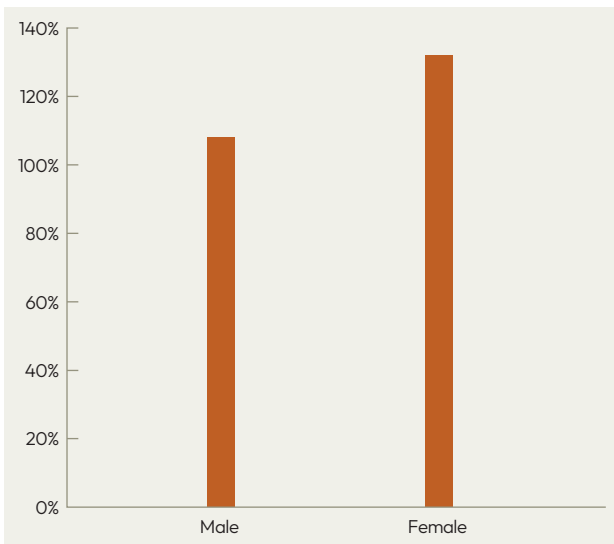


Service Ambassador Programme

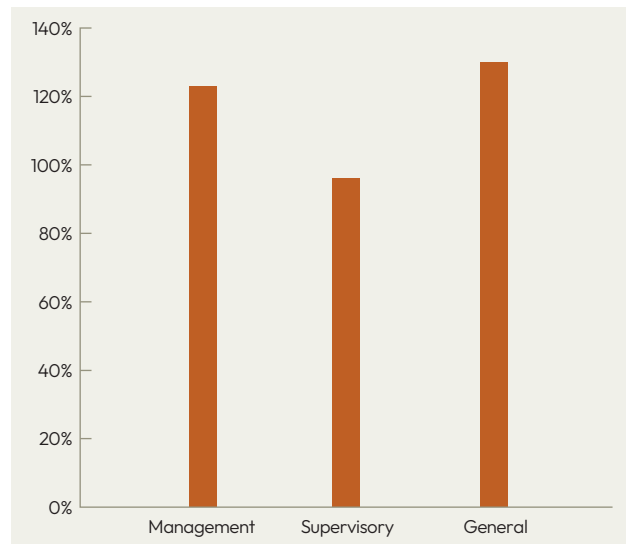
Ethics and Integrity

We adhere to the highest level of business ethics and integrity. All employees are required to abide by the Staff Handbook as well as our newly established Anti-Corruption and Bribery Policy to prevent any incidents of bribery, extortion, fraud or money laundering. In addition, our employees are strictly prohibited from accepting any gifts from suppliers. To raise staff awareness, we also collaborated with the Independent Commission Against Corruption and organised anti-corruption talks and training on the handling of ethical issues in the day-to-day business operations.

Percentage of Employees Trained by Gender*



Percentage of Employees Trained by Position Level*



* The percentages of trained employees exceeding 100% is mainly due to the turnover of employees.

A Whistleblowing Policy is in place to guide and encourage any parties, including employees to raise concerns about any improper behaviour. To protect whistle-blowers from reprisal or disadvantage, all cases are handled in strict confidence and submitted to designated personnel for a thorough investigation.

During the reporting period, there were no cases of non-compliance with relevant laws and regulations⁵ relating to corruption.

9 Caring for Our Community

As a prominent member of the community, the Group considers it our responsibility to give back to society. Other than financial donations to community organisations, we encourage our employees to participate in volunteering activities focused on poverty relief and environmental stewardship. Citistore and Unicorn were nominated as a Caring Company 2021/2022 and were awarded the Caring Company logo.

The table below sets out highlights of our community programmes and the resources contributed by the Group in 2022:

Organisations / Beneficiaries	Programmes	Contributions
Green Power	Plastic Shopping Bags Charge Collaborative Platform	Donated around HK\$70,000
Greeners Action	Lai See Reuse and Recycle Programme	<ul style="list-style-type: none"> Collected and delivered a total of 591 kg of red packets for reuse Donated HK\$63,000
Home Market	Technical support on the Point-Of-Sale (“POS”) system	Contributed 96 man-hours
The Hong Kong Network for the Promotion of Inclusive Society	Fearless Dragon Trail Run	Donated around 500 pieces of portable air sofa and towels to athletes
The Lok Sin Tong Benevolent Society, Kowloon	Rice donation at the Lok Sin Tong Transitional Housing Scheme	Donated 880kg of rice to the residents and HK\$66,000 worth of APITA coupons
The Lok Sin Tong Benevolent Society, Kowloon	Wide Flag Day 2022	Donated around HK\$9,000
The Salvation Army	Apparel donation	Donated around 50 pairs of rain boots for kids



Wide Flag Day 2022, organised by The Lok Sin Tong Benevolent Society, Kowloon



Apparel donation, organised by The Salvation Army

Note:

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

10 Sustainability Performance Data tables on:

Environmental performance

HKEX KPI	Unit	2022	2021
A. Environmental			
Greenhouse gas emissions⁶			
Scope 1	tCO ₂ e	67.2	2,564.2
Scope 2	tCO ₂ e	8,781.6	11,763.2
– Total	tCO ₂ e	8,848.8	14,327.4
– Intensity	tCO ₂ e / Sq. Ft of Shop Area	0.015	0.023
Total non-hazardous waste generated and recycled			
Cardboard boxes	Kg	234,723	319,017
Electronic items	Piece	241	39
Energy consumption			
Fuel for company fleet	1,000 kWh	261.9	302.4
Towngas ⁷	1,000 kWh	9.7	7,082.9
Electricity	1,000 kWh	19,550.0	16,355.2
– Total	1,000 kWh	19,821.6	23,740.5
– Intensity	1,000 kWh / Sq. Ft of Shop Area	0.033	0.039
Packaging material used			
Plastic shopping bags consumed	Piece	6,954,889	6,423,327

Social Performance

B. Social⁸			
Employment			
Total Workforce			
By gender			
Male	No. of people	259	261
Female	No. of people	914	976
By employment type			
Full-time	No. of people	1,039	1,134
Part-time	No. of people	134	103
By age group			
Aged below 30	No. of people	136	161
Aged 30-50	No. of people	547	607
Aged over 50	No. of people	490	469

Notes:

- We referred to Appendix 2: Reporting Guidance on Environmental KPIs under “How to Prepare an ESG Report” released by the Stock Exchange and “Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings in Hong Kong” released by The Government of the Hong Kong Special Administrative Region for the calculation of our Scope 1 and Scope 2 emissions.
- In 2022, a significant drop in greenhouse gas emissions was recorded as compared to 2021, which was due to the closure of our staff canteen.
- In 2022, we updated the presentation of social data by reporting the metrics at a group level. Adhering to the reporting principles of ‘consistency’, we restated our presentation for 2021 to align with that in 2022 and allow for meaningful comparison of data over time.

HKEX KPI	Unit	2022	2021
By position level⁹			
Management	No. of people	105	90
Supervisory	No. of people	80	167
General	No. of people	988	980
Turnover rate			
By gender			
Male	%	34%	46%
Female	%	36%	32%
By age group			
Aged below 30	%	48%	64%
Aged 30-50	%	37%	31%
Aged over 50	%	31%	31%
Health and Safety			
Number of work-related fatalities	No. of people	0	0
Rate of work-related fatalities	%	0	0
Lost days due to work injury	Days	712	442
Training and Development			
Average training hours			
By gender			
Male	Hours	3.2	5.7
Female	Hours	2.9	5.3
By position level⁹			
Management	Hours	6.6	6.2
Supervisory	Hours	1.7	4.9
General	Hours	2.7	5.2
Percentage of trained employees¹⁰			
By gender			
Male	%	108%	74%
Female	%	132%	78%
By position level⁹			
Management	%	123%	101%
Supervisory	%	96%	80%
General	%	130%	85%
Product Responsibility			
Number of products and service-related complaints	Numbers	390	107

Notes:

9. In 2022, we updated our classification of employee position level. Adhering to the reporting principles of 'consistency', we restated our classification for 2021 to align with that in 2022 and allow for meaningful comparison of data over time.

10. The percentage of trained employees exceeding 100% is mainly due to the turnover of employees.

11 ESG Reporting Guide Content Index

A. Environmental		Page Number	Remarks
A1 Emissions			
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	26-27	
A1.1	The types of emissions and respective emissions data.	/	Due to the business nature of the Group, this KPI is considered not material.
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	32	
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	/	Due to the business nature of the Group, this KPI is considered not material.
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	32	
A1.5	Description of emission target(s) set and steps taken to achieve them.	25-26	
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	27-28	
A2 Use of Resources			
General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	25-28	–
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	32	–
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	/	Due to the business nature of the Group, this KPI is considered not material.
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	25-26	–
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	/	Due to the business nature of the Group, this KPI is considered not material.

A. Environmental		Page Number	Remarks
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	32	–
A3 The Environment and Natural Resources			
General disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	25-28	–
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	25-28	–
A4 Climate Change			
General disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	25-26	–
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact the issuer, and the actions taken to manage them.	25-26	–
B. Social		Page Number	Remarks
B1 Employment			
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	28-29	–
B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	32-33	–
B1.2	Employee turnover rate by gender, age group and geographical region.	29, 33	–
B2 Health and Safety			
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	29-30	–
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	33	–

Sustainability

B. Social		Page Number	Remarks
B2.2	Lost days due to work injury.	33	–
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	29-30	–
B3 Development and Training			
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	30	–
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	33	–
B3.2	The average training hours completed per employee by gender and employee category.	30, 33	–
B4 Labour Standards			
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	/	The Group has set up rigorous recruitment procedures to strictly prohibit the employment of children and forced labour in accordance with the Employment Ordinance (Cap. 57). In 2022, no relevant cases of non-compliance were recorded.
B4.1	Description of measures to review employment practices to avoid child and forced labour.	/	The Group has set up rigorous recruitment procedures to strictly prohibit the employment of children and forced labour in accordance with the Employment Ordinance (Cap. 57). In 2022, no relevant cases of non-compliance were recorded.
B4.2	Description of steps taken to eliminate such practices when discovered.	/	The Group has set up rigorous recruitment procedures to strictly prohibit the employment of children and forced labour in accordance with the Employment Ordinance (Cap. 57). In 2022, no relevant cases of non-compliance were recorded.

B. Social		Page Number	Remarks
B5 Supply Chain Management			
General disclosure	Policies on managing environmental and social risks of the supply chain.	24	–
B5.1	Number of suppliers by geographical region.	/	Hong Kong: 2,242 China: 4 Japan: 64 Others: 5
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	24	–
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	24	–
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	24	–
B6 Product Responsibility			
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	23-24	–
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	23	–
B6.2	Number of products and service-related complaints received and how they are dealt with.	23-24, 33	–
B6.3	Description of practices relating to observing and protecting intellectual property rights.	24	–
B6.4	Description of quality assurance process and recall procedures.	23-24	–
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	24	–

Sustainability

B. Social		Page Number	Remarks
B7 Anti-corruption			
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	30-31	–
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	30-31	–
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	30-31	–
B7.3	Description of anti-corruption training provided to directors and staff.	30-31	–
B8 Community Investment			
General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	31	–
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	31	–
B8.2	Resources contributed (e.g. money or time) to the focus area.	31	–

Corporate Governance Report

The Board of Directors of the Company (the “Board”) is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2022.

1 Commitment to Corporate Governance

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

2 Corporate Governance Code

During the year ended 31 December 2022, the Company complied with the applicable code provisions set out in the Corporate Governance Code (the “CG Code”) as stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), with the exception that the roles of the chairman and the chief executive officer of the Company have not been segregated as required by the CG Code. The Company is of the view that it is in the best interest of the Company to let Dr Lee Ka Shing act in the dual capacity as the Chairman and Managing Director given Dr Lee’s in-depth expertise and knowledge in business and the Group. Although the roles of the chairman and the chief executive officer of the Company have not been segregated, powers and authorities have not been over-concentrated as all major decisions are made in consultation with Board members as well as appropriate Board committees and senior management, who possess the relevant knowledge and expertise. Hence, the current arrangements are subject to adequate checks and balances notwithstanding such deviation.

3 Board of Directors

(a) Responsibilities of and Support for Directors

The Board nourishes the Company’s culture and strives to promote the desired culture at the Company, and ensures it aligns with the Company’s purpose, values and strategy. The Board has the responsibility for managing the Company, which includes formulating a corporate strategy and a long term business model, directing and supervising the Company’s affairs, approving the Company’s financial reports and the relevant results announcements, considering dividend policy and approving the issue, allotment or disposal, or grant of options, in respect of securities or debentures of the Company. It is also responsible for performing the corporate governance duties and reviewing the effectiveness of the risk management and internal control systems which include reviewing the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company’s accounting, internal audit, financial reporting functions, as well as those relating to the Company’s environmental, social and governance (“ESG”) performance and reporting. The Board makes broad policy decisions and has delegated the responsibility for detailed considerations and implementation of the above matters to the Board’s standing committee (the “Standing Committee”) and, where appropriate, other specific committees.

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

Corporate Governance Report

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

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

(b) Board Composition

The Board currently comprises eight members, as detailed below:

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

The biographical details of the Directors are set out on pages 81 to 84 of this Annual Report. Dr Lee Ka Shing is the brother of Dr Lee Ka Kit and the brother-in-law of Mr Li Ning. Save as aforesaid, none of the members of the Board is related to one another. A List of Directors and their Role and Function is available on the Company's website.

The Board has a balanced composition of Executive and Independent Non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement. The Board considers that each of the Independent Non-executive Directors brings his own relevant expertise to the Board.

The Board has established mechanisms to ensure that independent views are available to the Board. The full text of the mechanisms is available on the Company's website and a summary of which is set out below:

(i) *Composition*

The Board ensures the appointment of at least three Independent Non-executive Directors and at least one-third of its members being Independent Non-executive Directors (or such higher threshold as may be required by the Listing Rules from time to time), with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. Further, Independent Non-executive Directors will be appointed to Board Committees as required under the Listing Rules and as far as practicable to ensure independent views are available.

(ii) *Independence Assessment*

The Nomination Committee strictly adheres to the Nomination Policy with regard to the nomination and appointment of Independent Non-executive Directors, and is mandated to assess annually the independence of Independent Non-executive Directors to ensure that they can continually exercise independent judgement.

(iii) *Compensation*

No equity-based remuneration with performance-related elements will be granted to Independent Non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence.

(iv) *Board Decision Making*

Directors (including Independent Non-executive Directors) are entitled to seek further information from the management on the matters to be discussed at Board meetings and, where necessary, independent advice from external professional advisers at the Company's expense.

A Director (including Independent Non-executive Director) who has a material interest in a contract, transaction or arrangement shall not vote or be counted in the quorum on any Board resolution approving the same.

During the year ended 31 December 2022, the Board at all times met the requirements of the Listing Rules relating to the appointment of Independent Non-executive Directors as mentioned in item (i) above.

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

Corporate Governance Report

(c) Appointment and Re-election of Directors

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

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

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

- (i) Mr Au is currently the chairman and a non-executive director of Henderson Sunlight Asset Management Limited ("HSAM"), a subsidiary of Henderson Land Development Company Limited ("HLD"), the holding company of the Company, and the manager of the publicly-listed Sunlight Real Estate Investment Trust ("Sunlight REIT"). Sunlight REIT is regarded as a core connected person of the Company for the purpose of the Listing Rules. As Mr Au plays a non-executive role in HSAM, and Sunlight REIT is not a subsidiary of either of the Company or HLD, the Company considers that such non-executive role in HSAM has no bearing on Mr Au's independence.
- (ii) Mr Au is currently also a non-executive director of Hong Kong Ferry (Holdings) Company Limited, an associated company of HLD. As a non-executive director, Mr Au has not taken part in the day-to-day management of and has had no executive role in such company. The Company considers that Mr Au's role in such company has no impact on his independence as an Independent Non-executive Director of the Company.

(d) **Board Meetings**

(i) *Number of Meetings and Directors' Attendance*

The Board meets from time to time and at least four times a year to discuss and exchange ideas on the affairs of the Company. During the year ended 31 December 2022, the Board held four meetings to approve interim/final results announcements and interim/annual reports, to determine the level of dividends, to discuss significant issues and the general operation of the Company, and to approve matters and transactions specifically reserved to the Board for its decision. The attendance of the Directors is set out in the table on page 49.

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

(ii) *Practices and Conduct of Meetings*

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

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

(e) **Conflict of Interest**

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

(f) **Director's and Officer's Liability Insurance**

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

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

Corporate Governance Report

(g) Directors' Time Commitment and Training

Each Director had ensured that he had given sufficient time and attention to the affairs of the Company for the year. Directors have disclosed to the Company the nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, with the identity of the public companies and organisations and an indication of the time involved. Directors are encouraged to participate in professional, public and community organisations. They are also reminded to notify the Company of any change of such information in a timely manner. Other details of Directors, including their directorships held in listed public companies in the past three years, are set out in the biographical details of Directors on pages 81 to 84 of this Annual Report.

During the year, a presentation for the Board on global political landscape, and presentations on various topics at monthly managers meetings where Executive Directors attended were arranged. Legal and regulatory updates are provided from time to time to the Directors for their reading. Directors are also encouraged to attend outside talks and seminars to enrich their knowledge in discharging their duties as a director. On a regular basis, information on seminars organised by professional bodies is provided to the Directors, and the seminar enrolments are handled by the company secretarial department.

The Group observes a strict code of ethics in all spheres and has no tolerance for any form of corruption or other misconduct. In order to reinforce awareness of our Directors on preventing corruption, we regularly provide anti-corruption training for the Directors which include legal and regulatory updates as well as anti-corruption training materials in the form of footages made by the Independent Commission Against Corruption.

According to the training records provided by the Directors to the Company, they participated in continuous professional development in 2022 which included attending seminars and talks, and reading legal and regulatory updates and other reference materials. The seminars, talks and other reference materials covered a wide range of topics on whistleblowing, market and regulatory updates, financial management, shareholders' protection, anti-corruption and global political landscape, etc. During the year, the training undertaken by each Director are summarised as follows:

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

4 Board Committees

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

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

(a) Audit Committee

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

Independent Non-executive Directors

Kwong Che Keung, Gordon (*Chairman*)

Professor Ko Ping Keung

Wu King Cheong

Au Siu Kee, Alexander

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

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

During the year, the Audit Committee held three meetings. Its responsibilities performed relate to the following areas:

(i) Financial Reporting

In respect of the financial year ended 31 December 2022, the Committee reviewed the interim and annual results announcements and reports, discussed the financial highlights, explanations and analysis on operational and financial performance given by the management. The Committee gave careful consideration to the accounting policies adopted, significant accounting judgements applied, compliance with applicable regulatory requirements and accounting standards, as well as adequacy of reporting disclosures. Significant accounting issues relating to the financial statements were discussed amongst the Committee, the management and the external auditor for a proper accounting treatment or disclosure. The Committee also discussed with the management to ensure that the Company is having adequate resources, qualified and experienced staff, training programmes and budget of the Company's accounting and financial reporting function, as well as those relating to the Company's ESG performance and reporting.

Corporate Governance Report

(ii) External Auditor

The Committee considered and approved the appointment of external auditor after having reviewed the terms of engagement, the level of remuneration and the confirmation of independence provided by the external auditor. The Committee assessed the effectiveness of the audit process, including the audit plan, the audit approach and scope, key audit matters identified and addressed, as well as the application of information technology audit.

The Committee also reviewed and approved the appointment of external auditor as reporting accountant for a project and considered the level of remuneration for such non-audit services.

(iii) Risk management and internal controls

The Committee reviewed the works and reports of the Group's Audit Department on audit of the internal controls function and the rectification procedures taken by the management in respect of any deficiencies. The Committee also assessed the effectiveness of the risk management (including ESG risk) and internal control systems as set out in the paragraph headed "Internal Audit, Risk Management and Internal Controls" below.

(b) Remuneration Committee

The Remuneration Committee which was established in January 2005 comprises:

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

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

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

During the year ended 31 December 2022, the Remuneration Committee held a meeting to review the salary structure of the employees of the Company and the level of salary increment for 2023 as well as the remuneration of senior management staff and the Directors with reference to the remuneration level of directors of comparable listed companies. The Company's policy serves a guide to the Remuneration Committee in considering the directors' remuneration and a summary thereof is set out in the paragraph headed "Board Policies" below.

Particulars of the Directors’ emoluments disclosed pursuant to the Companies Ordinance (Cap. 622) and Appendix 16 of the Listing Rules are set out in note 9 to the financial statements on pages 122 to 124 while the analysis of the senior management’s emoluments by band is set out in note 10 to the financial statements on page 124. The Director’s fees are fixed at the rate of HK\$50,000 per annum for each Executive Director/ Independent Non-executive Director. In the event that an Independent Non-executive Director acts as a member of the Audit Committee, he will be paid an additional fee of HK\$200,000 per annum. The above remuneration remains unchanged until the Company in general meetings otherwise determines. Other emoluments shall from time to time be determined with reference to the Directors’ duties and responsibilities.

(c) **Nomination Committee**

The Nomination Committee which was established in December 2011 comprises:

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

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

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

The Nomination Committee held two meetings during the year ended 31 December 2022. The major work performed by the Nomination Committee during the year included assessing the independence of Independent Non-executive Directors of the Company, making recommendation to the Board on the retiring Directors’ eligibility for re-election at the AGM, reviewing the structure and gender diversity of the Board and setting target to achieve gender diversity on the Board for its approval. It also reviewed the Board Diversity Policy and the Nomination Policy, and was satisfied that the said policies were appropriate and effective, and had been properly implemented.

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

Corporate Governance Report

(d) Corporate Governance Committee

The Corporate Governance Committee which was established in December 2021 comprises:

Independent Non-executive Directors

Kwong Che Keung, Gordon (*Chairman*)

Au Siu Kee, Alexander

Each member is sufficiently experienced and is appropriately skilled in the issues of corporate governance. The Company has provided the Corporate Governance Committee with sufficient resources to perform its duties.

The written terms of reference include the duties of developing and reviewing the Company's policies and practices on corporate governance and monitor such policies and practices on compliance with legal and regulatory requirements. The terms of reference of the Corporate Governance Committee are available on the Company's website.

During the year, the Corporate Governance Committee held a meeting to formulate the work plan for the 2022 Corporate Governance Report, and review the training and continuous professional development of the Directors and senior management, the Company's sustainability initiatives progress, the Shareholders' Communication Policy and the mechanisms for ensuring independent elements on the Board.

On the basis that the Company had strictly adhered to the principles set out in the Shareholders' Communication Policy, including timely dissemination of corporate information to shareholders via "Investor Information" platform on its website, arranging briefings to investors and analysts, and making available different channels for shareholders to communicate their views to the Company, the Committee was satisfied that the Shareholders' Communication Policy was appropriate and effective, and had been properly implemented.

Upon reviewing the existing mechanisms adopted by the Company for ensuring independent elements on the Board, the Committee was satisfied that the mechanisms, which was in conformity with the requirements of the Listing Rules, was appropriate and effective, and had been complied with.

(e) Whistleblowing Committee

The Whistleblowing Committee was established in March 2022 and reports to the Board. The members of the Whistleblowing Committee comprises:

Executive Director

Dr Lam Ko Yin, Colin (*Chairman*)

Independent Non-executive Directors

Professor Ko Ping Keung

Wu King Cheong

The Company has established systems for employees and those who deal with the Group to raise concerns about possible improprieties in any matters relating to the Group, in confidence and anonymity, to be dealt with by the Whistleblowing Committee. Each member is appropriately skilled in handling alleged improprieties reported by whistleblowers.

The written terms of reference include monitoring the effectiveness of the whistleblowing arrangements, ensuring proper procedures for fair and independent investigation of the reported improprieties as well as warranting the confidentiality of the information received and findings of the investigation. The whistleblowing policy has been duly incorporated in Business Ethics and Code of Business Conduct Policy which sets out the high ethical standard and whistleblowing framework.

(f) Attendance Record at Board Meetings, Committee Meetings and AGM

The attendance of the individual Director at the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Corporate Governance Committee and the AGM during the year ended 31 December 2022 is set out in the following table:

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

5 Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2022, which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the statutory requirements and applicable accounting standards.

The statement of the Auditor of the Company about their reporting responsibilities on the financial statements of the Company is set out in the Independent Auditor's Report on pages 86 to 89.

6 Auditor's Remuneration

For the year ended 31 December 2022, the Auditor(s) of the Company and its subsidiaries agreed to receive approximately HK\$2 million for audit and audit related services (2021: HK\$2 million) and approximately HK\$1 million for non-audit services (2021: HK\$1 million) relating to interim results review, corporate and advisory services and circular related services. The remuneration of the Auditor(s) in respect of audit and non-audit services (if any) was reviewed by the Audit Committee.

7 Model Code

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

8 Continuing Connected Transactions

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

9 Board Policies

The following as required by the Listing Rules or otherwise are the summaries of certain policies adopted by the Board:

(a) Inside Information Policy

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

(b) Board Diversity Policy

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

(c) Nomination Policy

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

(d) Dividend Policy

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

(e) Director and Employee Remuneration Policy

The Director and Employee Remuneration Policy sets out the general principles which guide the Group to deal with the remuneration matters. As a general principle, a fair market level of remuneration will be provided to retain and motivate high quality directors, senior management and employees, and attract experienced people of high calibre to oversee the business and development of the Group. Executive Directors' remuneration packages shall, as far as applicable, link to individual and the Group's performance and comparable to Hong Kong based companies. As for Non-executive Directors, only fixed remuneration/fee shall be paid and be set at an appropriate level by reference to the relevant time commitment and the size and complexity of the Group and benchmarked against a peer group.

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

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

10 ESG and Sustainable Development

(a) Sustainability

A Sustainability Committee was formed in August 2021 and chaired by Mr Li Ning with certain department managers as members to assist the Board in reviewing the policies and overseeing the issues with respect to corporate social responsibility and sustainable development including climate change, workplace quality, environmental protection, operating practices and community involvement.

During the year, the Sustainability Committee held a meeting to review the Group's overall sustainability performance, adopt certain new ESG policies and determine sustainability strategy and plan.

The written terms of reference of the Sustainability Committee and the ESG policies are available on the Company's website.

A Sustainability Report is set out on pages 19 to 38 of this Annual Report.

(b) Diversity

Diversity and inclusion are important elements to a company's sustainability efforts. The Company recognises the benefits of having a diverse Board and has adopted the Board Diversity Policy to achieve it. Having considered the Board structure and various factors, the Nomination Committee recommended the Board to appoint at least one female Director before 31 December 2024 to enhance gender diversity on the Board and the Board endorsed the Nomination Committee's recommendation. Save for the above, the Nomination Committee is satisfied that the Board has an appropriate structure with a diversity of members in terms of knowledge, skills and experience.

As regards succession planning, the Nomination Committee will deploy multiple channels to identify suitable director candidates, including referral from Directors, shareholders, management, advisors of the Company and external executive search firms as and when appropriate. The Board is committed to further enhancing gender diversity as and when suitable candidates are identified.

The Company places tremendous emphasis on gender diversity across all levels of the Group. As at 31 December 2022, the proportion of female representation at the workforce of the Group and at the senior management of the Company were approximately 78% and 0% respectively. The overall workforce gender of the Group has a higher female employee base driven by the department store operation. Currently, only two individuals constitute the senior management of the Company. The Company would consider appointing a female to join the senior management team when appropriate.

11 Internal Audit, Risk Management and Internal Controls

Internal Audit

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

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

Policies for Whistleblowing and Anti-corruption

The Company has established a system for employees and any person to report concerns about any suspected or actual improprieties relating to the Group and the relevant details are set out in the Business Ethics and Code of Business Conduct Policy. The Group will take appropriate actions against such improprieties and, where appropriate, report the cases to the relevant enforcement authorities.

Moreover, the Company has adopted the Anti-Corruption and Bribery Policy which provides guidance to our employees on how to recognise and deal with bribery and corruption. Every employee has a duty to report any potential violations of the policy to the Company through the channels set out therein.

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

The reported cases, where necessary, will be escalated to the Whistleblowing Committee which is established specifically to deal with alleged improprieties reported by whistleblowers.

Risk Management and Internal Controls

The successful management of risks is essential for the long-term growth and sustainability of the Group's business. The Board is responsible for setting strategies, business objectives and risk appetite as well as ensuring a review of effectiveness of the risk management and internal control systems, and overseeing the design, implementation and monitoring of the risk management and internal control systems.

Risk management is proactive to ensure that significant risks are:

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

Corporate Governance Report

(a) Approach to Risk Management

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

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

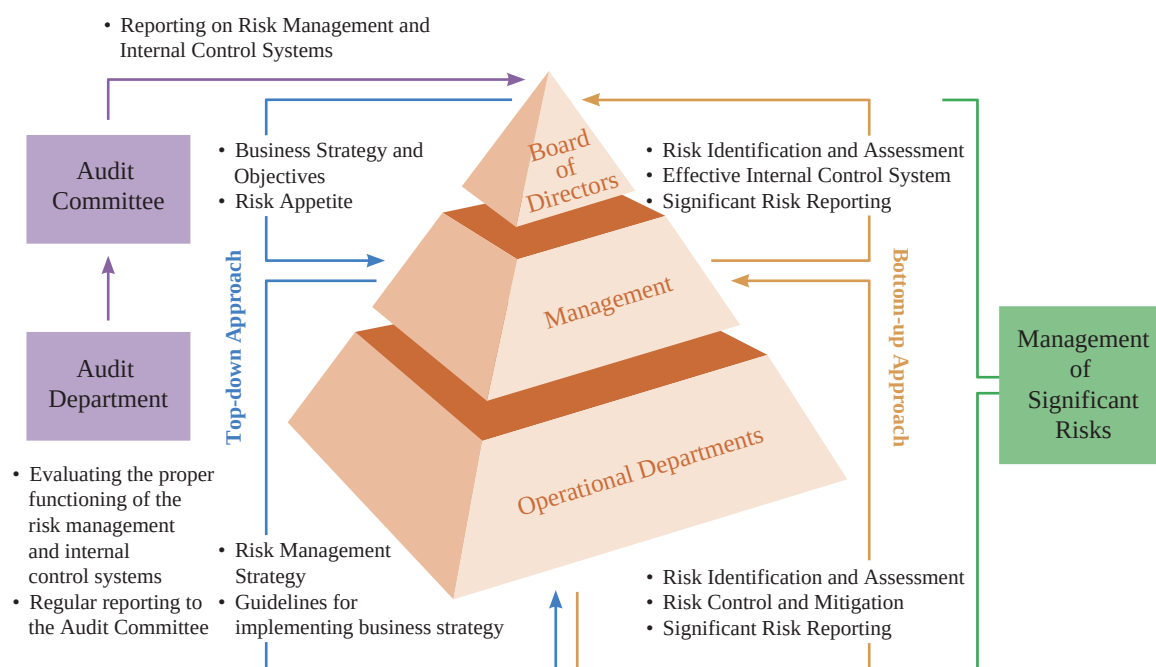
Each department of the Group is responsible for identifying its own risks and designing, implementing and monitoring the relevant risk management and internal control systems. The process involves the maintenance of the risk register setting out the particulars of the material risks together with the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

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

(b) Risk Management Reporting and Framework

The Audit Department performed audits to evaluate the proper functioning of the risk management and internal control systems for the financial year ended 31 December 2022. It is intended to carry out this evaluation process on an ongoing basis. The Audit Committee, after reviewing the findings submitted by the Audit Department, reported and confirmed to the Board that the risk management and internal control systems are effective and adequate.

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



(c) *Significant Risks and Control/Mitigation*

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

(i) *Regulatory and Compliance Risk*

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

The Group is committed to complying with the relevant policies, regulations and guidelines applicable to its operations through internal guidelines, staff training, review process, compliance monitoring by experienced and professional staff as well as by consultation with external experts.

(ii) *Overstocking and Stock Obsolescence*

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

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

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

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

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

(iv) *Image/Reputation Risk*

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

Corporate Governance Report

The Group is committed to employing, training, developing and retaining a diverse and talented workforce to cope with potential complaints, exercising due care in the sourcing of merchandises from reputable and trustworthy suppliers and ensuring proper product quality delivery by conducting proper quality control procedures.

(v) *Information Technology*

The smooth operations of the Group relies on a complex technical infrastructure. Any computer systems failure may have significant impact on the operations of “千色Citistore”, “Citilife”, “APITA” and “UNY” stores, causing financial loss, data loss, disruption or damage.

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

(vi) *COVID-19 Pandemic*

The COVID-19 pandemic causes potential risks to staff’s health and affects the group’s operation and profit.

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

(vii) *ESG Risk*

A Sustainability Committee led by senior management has established clear sustainability strategies and coverage as well as performs on-going monitoring of the Group’s ESG initiatives. The Group has engaged external ESG consultants to provide professional advices.

12 Company Secretary

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

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

13 Shareholder Rights and Investor Relations

The Board is committed to promoting effective communication with shareholders and providing timely disclosure of material information to shareholders and investors.

(a) **Shareholders’ Rights**

The AGM of the Company provides a forum for communication between the shareholders and the Board. The notice of AGM is despatched to all shareholders at least 21 days prior to the AGM. The Chairmen of all Board Committees are invited to attend the AGM. The Chairman of the Board and the Chairmen of all the Board Committees, or in their absence, other members of the respective Committees, are available to answer questions

at the AGM. The Auditor is also invited to attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor's independence. The Company's policy is to involve shareholders and to communicate with them in the Company's affairs at the AGM.

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

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

(b) Shareholders' Communication Policy

The Company has maintained a Shareholders' Communication Policy which aims at promoting effective communication with the Company's shareholders and enabling them to exercise their rights in an informed manner. In March 2022, the Shareholders' Communication Policy was updated to elaborate on the multiple channels available for shareholders to communicate with the Company and vice versa. It is the Company's general policy to maintain an on-going dialogue with shareholders and the investment community, including the Company's potential investors and analysts. Designated senior management maintains regular communication and dialogue with shareholders, investors and analysts. Enquiries from investors are dealt with in an informative and timely manner.

The Company also ensures effective and timely dissemination of information to shareholders and the investment community. As a channel to further promote effective communication, the Group maintains a website at www.hillhk.com where the Company's announcements and press releases, business developments and operations, financial information, corporate governance report and other information are posted.

The full text of the Shareholders' Communication Policy, which is available on the Company's website, included channels for shareholders to communicate their views on various matters affecting the Company. In particular, shareholders may make enquiries to the Board through the Company's Investor Relations on telephone number (852) 2908 8392 or by email at ir@hld.com or directly by raising questions at general meetings.

Report of the Directors

The Directors have pleasure in submitting to shareholders their annual report together with the audited financial statements for the year ended 31 December 2022.

Principal Activities

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

Business Review

A review of the business of the Group during the year and a discussion on the Group’s future business development are provided in the Chairman’s Statement on pages 3 to 9 of this Annual Report. Possible risks and uncertainties that the Group may be facing are set out in the Financial Review on pages 12 to 17 and the Corporate Governance Report on pages 39 to 57. Particulars of important events affecting the Group since the end of the financial year (if any) are provided in the Chairman’s Statement on pages 3 to 9 and note 35 to the financial statements on page 146. An analysis of the Group’s performance during the year using financial key performance indicators is provided in the Five Year Financial Summary on page 18 of this Annual Report. Environmental policy and climate change policy of the Group have been put in place to give due consideration to environmental issues and minimise the impact of business operations of the Group on environment. In addition, discussions on the aforesaid policies of the Group and the Group’s relationships with employees, customers, suppliers and other stakeholders are contained in the Sustainability Report and the Corporate Governance Report on pages 19 to 38 and pages 39 to 57 of this Annual Report respectively. The Chairman’s Statement, the Financial Review, the Sustainability Report and the Corporate Governance Report form part of this report.

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

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

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

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

Subsidiaries

Particulars of the principal subsidiaries of the Company as at 31 December 2022 are set out on page 147.

Group Profit

The profit of the Group for the year ended 31 December 2022 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 90 to 147.

Dividends

An interim dividend of HK 1.0 cent per share was paid on 15 September 2022. The Directors have recommended the payment of a final dividend of HK 1.0 cent per share to shareholders whose names appear on the Register of Members of the Company on Tuesday, 13 June 2023, and such dividend will not be subject to any withholding tax in Hong Kong.

The proposed final dividend is expected to be distributed to shareholders on Monday, 19 June 2023.

Charitable Donations

Charitable donations made by the Group during the year amounted to HK\$374,000 (2021: HK\$ 271,000).

Fixed Assets

Particulars of the movements in fixed assets during the year are set out in note 15 to the financial statements on page 127.

Bank Loans

As at 31 December 2022, the Group had no bank borrowings.

Report of the Directors

Reserves

Particulars of the movement in reserve of the Company during the year are set out in note 29(b) to the financial statements on page 142.

Share Capital

Details of the Company's share capital are set out in note 29(c) to the financial statements on page 142. There were no movements during the year.

Group Financial Summary

The results, assets and liabilities of the Group for the last five years ended 31 December 2022 are summarised on page 18.

Directors' Emoluments

Particulars of the Directors' emoluments disclosed pursuant to the Companies Ordinance (Cap. 622) and Appendix 16 of the Listing Rules are set out in note 9 to the financial statements on pages 122 to 124.

Directors

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

Executive Directors

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

Independent Non-executive Directors

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

Dr Lee Ka Shing, Dr Lee Ka Kit and Dr Lam Ko Yin, Colin shall retire by rotation at the forthcoming annual general meeting in accordance with Article 116 of the Company's Articles of Association and the Corporate Governance Code and, being eligible, have offered themselves for re-election.

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

Disclosure of Interests

Directors' Interests in Shares

As at 31 December 2022, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Ordinary Shares (unless otherwise specified)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Investment Limited	Lee Ka Kit	1				2,110,868,943	2,110,868,943	69.27
	Lee Ka Shing	1				2,110,868,943	2,110,868,943	69.27
	Li Ning	1		2,110,868,943			2,110,868,943	69.27
Henderson Land Development Company Limited	Lee Ka Kit	2				3,509,782,778	3,509,782,778	72.50
	Lee Ka Shing	2				3,509,782,778	3,509,782,778	72.50
	Li Ning	2		3,509,782,778			3,509,782,778	72.50
Miramar Hotel and Investment Company, Limited	Lee Ka Kit	3				345,999,980	345,999,980	50.08
	Lee Ka Shing	3				345,999,980	345,999,980	50.08
	Li Ning	3		345,999,980			345,999,980	50.08

Report of the Directors

Ordinary Shares (unless otherwise specified) (continued)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Development Limited	Lee Ka Kit	4				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Kit	4				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Kit	5				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Lee Ka Shing	4				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Shing	4				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Shing	5				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Li Ning	4		8,190 (Ordinary A Shares)			8,190 (Ordinary A Shares)	100.00
	Li Ning	4			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
	Li Ning	5			15,000,000 (Non-voting Deferred Shares)		15,000,000 (Non-voting Deferred Shares)	30.00

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

Substantial Shareholders' and Others' Interests

As at 31 December 2022, the interests and short positions of every person, other than Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long Positions

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

Notes:

- Of these shares, 843,249,284 shares, 602,398,418 shares, 363,328,900 shares, 217,250,000 shares and 84,642,341 shares were respectively owned by Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited, Gainwise Investment Limited and Darnman Investment Limited, all of which were wholly-owned subsidiaries of Kingslee S.A. which was 100% held by Henderson Land Development Company Limited ("HL") which in turn was 72.44% held by Henderson Development Limited ("HD"). Hopkins (Cayman) Limited ("Hopkins") as trustee of a unit trust (the "Unit Trust") owned all the issued ordinary shares of HD. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"), as trustees of respective discretionary trusts, held units in the Unit Trust. The entire issued share capital of Hopkins, Rimmer and Riddick were owned by Dr Lee Shau Kee. Dr Lee Shau Kee was taken to be interested in these shares by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Dr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As Director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in these shares by virtue of the SFO.
- Of these shares, (i) 1,450,788,868 shares were owned by HD; (ii) 475,801,899 shares were owned by Richbond Investment Limited which was a wholly-owned subsidiary of HD; (iii) 371,145,414 shares were owned by Cameron Enterprise Inc.; 797,887,933 shares were owned by Believegood Limited which was wholly-owned by South Base Limited; 152,897,653 shares were owned by Prosglass Investment Limited which was wholly-owned by Jayasia Investments Limited; 140,691,961 shares were owned by Fancy Eye Limited which was wholly-owned by Mei Yu Ltd.; 117,647,005 shares were owned by Spreadral Limited which was wholly-owned by World Crest Ltd.; and Cameron Enterprise Inc., South Base Limited, Jayasia Investments Limited, Mei Yu Ltd. and World Crest Ltd. were wholly-owned subsidiaries of Yamina Investment Limited which in turn was 100% held by HD; and (iv) 2,922,045 shares were owned by Fu Sang Company Limited ("Fu Sang"). Hopkins as trustee of the Unit Trust owned all the issued ordinary shares of HD as set out in Note 1 and Fu Sang. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Dr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As Director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in these shares by virtue of the SFO.
- Of these shares, 120,735,300 shares, 128,658,680 shares and 96,606,000 shares were respectively owned by Higgins Holdings Limited, Multiglade Holdings Limited and Threadwell Limited, all of which were wholly-owned subsidiaries of Aynbury Investments Limited which in turn was 100% held by HL. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Dr Lee Ka Shing were taken to be interested in HL as set out in Note 2 and these shares by virtue of the SFO. As Director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in HL as set out in Note 2 and these shares by virtue of the SFO.
- These shares were held by Hopkins as trustee of the Unit Trust.
- These shares were held by Fu Sang.

Share Schemes

The Company and its subsidiaries have no share schemes.

Arrangements to Purchase Shares or Debentures

At no time during the year ended 31 December 2022 was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Equity-linked Agreements

No equity-linked agreements entered into by the Company were subsisting as at 31 December 2022 and the Company did not enter into any equity-linked agreements during the year under review.

Interests in Transactions, Arrangements or Contracts and Continuing Connected Transactions

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

HLD Tenancy Agreements

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

- (i) office premises in KOLOUR • Tsuen Wan I at 68 Chung On Street, Tsuen Wan, New Territories, Hong Kong; and
- (ii) various shopping mall premises in the Tsuen Wan, Yuen Long, Ma On Shan, Tseung Kwan O, Tuen Mun, Shatin and Cheung Sha Wan districts of Hong Kong in respect of the Group’s department store, supermarket and household specialty store operations under the names of “Citistore”, “UNY” and “Citilife”.

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

Premises	Term ^{Note 1}			Turnover Rent Provisions and Miscellaneous Monthly Charges
	1st Part of the Fixed Term – Duration and Basic Rent per month	2nd Part of the Fixed Term – Duration and Basic Rent per month	3rd Part of the Fixed Term – Duration and Basic Rent per month	
(1) Tsuen Wan Branch of Citistore at KOLOUR • Tsuen Wan II, 67-95 Tsuen Wan Market Street, Tsuen Wan Town Lot No. 301				
Shop Nos. G9-G12, G/F	1 October 2014 – 30 September 2017	1 October 2017 – 30 September 2020	1 October 2020 – 30 September 2023	Turnover rent: 8% of annual turnover (on an aggregate basis for all shop premises of the Tsuen Wan Citistore)
Agreement Date: 15 October 2014	HK\$370,000	7% increase in basic rent from the basic rent of each preceding year	Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term	Turnover rent payable instead of basic rent if higher than the basic rent payable Miscellaneous charges (subject to review from time to time): (i) Management fee: HK\$5,315.6 (ii) Air-conditioning charges: HK\$9,409
First Deed of Variation Date: 10 March 2020	Not applicable	Monthly basic rent for the period from 1 October 2019 to 30 September 2023 having been adjusted from HK\$453,266 to HK\$350,000 ^{Notes 2 & 3}		
Second Deed of Variation Date: 11 June 2021	Not applicable	Not applicable	Monthly basic rent as adjusted by the above First Deed of Variation for the period from 1 April 2021 to 30 September 2023 having been further adjusted to HK\$280,000 ^{Notes 4 & 5}	
Lettable Area: 1,893 sq.ft.				
Shop Nos. G13-G16 and G24-G29, G/F; Whole of 1/F; Portion of 2/F; Remaining Portion of 2/F; and Shop Nos. 301-303 on 3/F	1 October 2014 – 30 September 2017	1 October 2017 – 30 September 2020	1 October 2020 – 30 September 2023	Turnover rent: 8% of annual turnover (on an aggregate basis for all shop premises of the Tsuen Wan Citistore)
Agreement Date: 15 October 2014	HK\$5,369,444	7% increase in basic rent from the basic rent of each preceding year	Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term	Turnover rent payable instead of basic rent if higher than the basic rent payable Miscellaneous charges (subject to review from time to time): (i) Management fee: HK\$393,749 (ii) Air-conditioning charges: HK\$577,174.3

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Premises	Term ^{Note 1}			Turnover Rent Provisions and Miscellaneous Monthly Charges
	1st Part of the Fixed Term – Duration and Basic Rent per month	2nd Part of the Fixed Term – Duration and Basic Rent per month	3rd Part of the Fixed Term – Duration and Basic Rent per month	
<p>First Deed of Variation Date: 10 March 2020</p> <p>Second Deed of Variation Date: 11 June 2021</p> <p>Lettable Area: 133,469 sq.ft.</p>	Not applicable	<p>Monthly basic rent for the period from 1 October 2019 to 30 September 2023 having been adjusted from HK\$6,577,800 to HK\$5,790,000 ^{Notes 2 & 3}</p> <p>Not applicable</p>	<p>Monthly basic rent as adjusted by the above First Deed of Variation for the period from 1 April 2021 to 30 September 2023 having been further adjusted to HK\$4,630,000 ^{Notes 4 & 5}</p>	
<p>Shop Nos. G18A, G18B, G19-G23, G/F ^{Notes 1 & 6}</p> <p>Agreement Date: 15 October 2014</p>	<p>1 May 2015 – 30 September 2017</p> <p>HK\$490,000</p>	<p>1 October 2017 – 30 September 2020</p> <p>7% increase in basic rent from the basic rent of each preceding year</p>	<p>1 October 2020 – 30 September 2023</p> <p>Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term</p>	<p><u>Turnover rent:</u> 8% of annual turnover (on an aggregate basis for all shop premises of the Tsuen Wan Citistore)</p> <p>Turnover rent payable instead of basic rent if higher than the basic rent payable</p> <p>Miscellaneous charges (subject to review from time to time): (i) Management fee: HK\$8,131.9 (ii) Air-conditioning charges: HK\$14,389.5</p>
<p>First Deed of Variation Date: 10 March 2020</p> <p>Second Deed of Variation Date: 11 June 2021</p> <p>Lettable Area: 2,951 sq.ft.</p>	Not applicable	<p>Monthly basic rent for the period from 1 October 2019 to 30 September 2023 having been adjusted from HK\$600,271 to HK\$560,000 ^{Notes 2 & 3}</p> <p>Not applicable</p>	<p>Monthly basic rent as adjusted by the above First Deed of Variation for the period from 1 April 2021 to 30 September 2023 having been further adjusted to HK\$450,000 ^{Notes 4 & 5}</p>	
<p>Shop No. G17, G/F ^{Notes 1 & 6}</p> <p>Agreement Date: 15 October 2014</p>	<p>1 October 2015 – 30 September 2017</p> <p>HK\$110,000</p>	<p>1 October 2017 – 30 September 2020</p> <p>7% increase in basic rent from the basic rent of each preceding year</p>	<p>1 October 2020 – 30 September 2023</p> <p>Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term</p>	<p><u>Turnover rent:</u> 8% of annual turnover (on an aggregate basis for all shop premises of the Tsuen Wan Citistore)</p> <p>Turnover rent payable instead of basic rent if higher than the basic rent payable</p> <p>Miscellaneous charges (subject to review from time to time): (i) Management fee: HK\$1,506.4 (ii) Air-conditioning charges: HK\$2,665.6</p>

Premises	Term ^{Note 1}			Turnover Rent Provisions and Miscellaneous Monthly Charges
	1st Part of the Fixed Term – Duration and Basic Rent per month	2nd Part of the Fixed Term – Duration and Basic Rent per month	3rd Part of the Fixed Term – Duration and Basic Rent per month	
First Deed of Variation Date: 10 March 2020	Not applicable	Monthly basic rent for the period from 1 October 2019 to 30 September 2023 having been adjusted from HK\$134,755 to HK\$100,000 ^{Notes 2 & 3}		
Second Deed of Variation Date: 11 June 2021	Not applicable	Not applicable	Monthly basic rent as adjusted by the above First Deed of Variation for the period from 1 April 2021 to 30 September 2023 having been further adjusted to HK\$80,000 ^{Notes 4 & 5}	
Lettable Area: 547 sq.ft.				
(2) Yuen Long Branch of Citistore and UNY at KOLOUR • Yuen Long, 1 Kau Yuk Road, Yuen Long, New Territories, Yuen Long Town Lot No. 464				
Shop Nos. 1-3, 35-39 and 48-49, 2/F (the “First Premises”)	1 October 2014 – 30 September 2017 HK\$305,000	1 October 2017 – 30 September 2020 <i>7% increase in basic rent from the basic rent of each preceding year</i> ^{Note 3}	1 October 2020 – 30 September 2023 <i>Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term</i>	<u>Turnover rent:</u> 8% of annual turnover (on an aggregate basis for all shop premises of the Yuen Long Citistore) Turnover rent payable instead of basic rent if higher than the basic rent payable <u>Miscellaneous charges (subject to review from time to time):</u> (i) Management fee: HK\$28,897 (ii) Air-conditioning charges: HK\$25,587
Agreement Date: 15 October 2014				
Deed of Variation Date: 4 March 2021	Not applicable	Not applicable	Monthly basic rent for the period from 1 January 2021 to 30 September 2023 having been adjusted to HK\$400,000 for both the First Premises and the Second Premises (as defined below) in aggregate ^{Notes 5 & 7}	
Lettable Area: 4,296 sq.ft.				
Whole of 3/F and 4/F	<u>Phase I:</u> 1 October 2014 – 30 June 2015 HK\$1,128,000 <u>Phase II:</u> 1 July 2015 – 30 September 2017 HK\$1,297,000	1 October 2017 – 30 September 2020 <i>7% increase in basic rent from the basic rent of each preceding year</i>	1 October 2020 – 30 September 2023 <i>Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term</i>	<u>Turnover rent:</u> 8% of annual turnover (on an aggregate basis for all shop premises of the Yuen Long Citistore) Turnover rent payable instead of basic rent if higher than the basic rent payable <u>Miscellaneous charges (subject to review from time to time):</u> (i) Management fee: HK\$273,585.6 (ii) Air-conditioning charges: HK\$236,004.84
Agreement Date: 15 October 2014				

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Premises	Term ^{Note 1}			Turnover Rent Provisions and Miscellaneous Monthly Charges
	1st Part of the Fixed Term – Duration and Basic Rent per month	2nd Part of the Fixed Term – Duration and Basic Rent per month	3rd Part of the Fixed Term – Duration and Basic Rent per month	
<p>Deed of Variation Date: 10 March 2020</p> <p>Lettable Area: 47,927 sq.ft.</p>	Not applicable	<p>Monthly basic rent for the period from 1 October 2019 to 30 September 2023 having been adjusted from HK\$1,588,881 to HK\$1,330,000 ^{Notes 2, 3 & 5}</p>		
<p>Shop Nos. 31-34, 40-42 and 45-47, 2/F (the “Second Premises”) ^{Notes 1 & 6}</p> <p>Agreement Date: 15 October 2014</p>	<p>13 November 2015 – 30 September 2017</p> <p>HK\$275,000</p>	<p>1 October 2017 – 30 September 2020</p> <p>7% increase in basic rent from the basic rent of each preceding year</p>	<p>1 October 2020 – 30 September 2023</p> <p>Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term</p>	<p><u>Turnover rent:</u> 8% of annual turnover (on an aggregate basis for all shop premises of the Yuen Long Citistore)</p> <p>Turnover rent payable instead of basic rent if higher than the basic rent payable</p> <p>Miscellaneous charges (subject to review from time to time): (i) Management fee: HK\$19,992.5 (ii) Air-conditioning charges: HK\$17,702.5</p>
<p>First Deed of Variation Date: 10 March 2020</p>	Not applicable	<p>Monthly basic rent for the period from 1 October 2019 to 30 September 2023 having been adjusted from HK\$336,887 to HK\$300,000 ^{Notes 2 & 3}</p>		
<p>Second Deed of Variation Date: 4 March 2021</p> <p>Lettable Area: 2,586 sq.ft.</p>	Not applicable	Not applicable	<p>Monthly basic rent as adjusted by the above First Deed of Variation for the period from 1 January 2021 to 30 September 2023 having been further adjusted to HK\$400,000 for both the First Premises and the Second Premises in aggregate ^{Notes 5 & 7}</p>	
<p>Whole of B1/F ^{Note 1}</p> <p>Agreement Date: 11 January 2021</p> <p>Lettable Area: 19,795 sq.ft.</p>	<p>6 April 2020 – 30 September 2023</p> <p>HK\$1,372,000</p>	Not applicable	Not applicable	<p><u>Turnover rent:</u> 7% of annual turnover of the Yuen Long UNY (turnover rent payable instead of basic rent if higher than the basic rent payable)</p> <p>Miscellaneous charges (subject to review from time to time): (i) Management fee: HK\$152,881.3 (ii) Air-conditioning charges: HK\$135,134.3</p>

Premises	Term ^{Note 1}			Turnover Rent Provisions and Miscellaneous Monthly Charges
	1st Part of the Fixed Term – Duration and Basic Rent per month	2nd Part of the Fixed Term – Duration and Basic Rent per month	3rd Part of the Fixed Term – Duration and Basic Rent per month	
(3) Ma On Shan Branch of Citistore at MOSTown, Ma On Shan, Sha Tin Town Lot No. 307 ^{Note 8}				
Shop No. 3048, Level 3 ^{Note 1}	1 July 2015 – 30 September 2017	Not applicable	Not applicable	Not applicable
Agreement Date: 15 October 2014	HK\$1,448,000 (as adjusted to HK\$1,425,999 up to February 2017)			
Lettable Area: 53,913 sq.ft. (having moved to the Relocated Premises as mentioned below due to renovation of MOSTown)				
Shop No. 3101 (Relocated Premises), Level 3 ^{Notes 1, 8 & 9}	1 November 2016 (being the lease commencement date of the Relocated Premises) – 30 September 2017	Phase I: 1 October 2017 – 30 September 2018	1 October 2020 – 30 September 2023 <i>Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term</i>	Turnover rent: 8% of annual turnover (turnover rent payable instead of basic rent if higher than the basic rent payable) The turnover rent element shall not apply during the period of renovation works on Level 3, MOSTown, and the monthly basic rent shall be reduced by HK\$11 per sq.ft. of lettable area Miscellaneous charges (subject to review from time to time): (i) Management fee: HK\$726,581.7 (ii) Air-conditioning charges: HK\$512,881.2
Agreement and Supplemental Letter Dates: 15 October 2014 and 21 December 2016 respectively	HK\$1,433,820	HK\$1,534,187.4		
		Phase II: 1 October 2018 – 30 September 2019		
		HK\$1,641,412.2		
		Phase III: 1 October 2019 – 30 September 2020		
		HK\$1,756,117.8		
Deed of Variation Date: 10 March 2020	Not applicable	Monthly basic rent for the period from 1 October 2019 to 30 September 2023 having been adjusted from HK\$1,756,117.8 to HK\$1,650,000 ^{Notes 2, 3 & 5}		
Lettable Area: as adjusted to 62,340 sq.ft.				
Shop No. 2109 (formerly known as Shop Nos. 2E-89B and 2E-89C), Level 2 ^{Note 1}	19 September 2019 – 18 September 2022 HK\$221,760 ^{Notes 3 & 5}	Not applicable	Not applicable	Turnover rent: 8% of annual turnover (turnover rent payable instead of basic rent if higher than the basic rent payable) Miscellaneous charges (subject to review from time to time): (i) Management fee: HK\$43,222.8 (ii) Air-conditioning charges: HK\$30,500.8
Agreement Date: 7 August 2019				

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Premises	Term ^{Note 1}			Turnover Rent Provisions and Miscellaneous Monthly Charges
	1st Part of the Fixed Term – Duration and Basic Rent per month	2nd Part of the Fixed Term – Duration and Basic Rent per month	3rd Part of the Fixed Term – Duration and Basic Rent per month	
<p>Renewal Offer to Lease Date: 25 October 2022</p> <p>Lettable Area: 3,360 sq.ft.</p>	<p>19 September 2022 – 30 September 2023</p> <p>HK\$226,000</p>	<p>Not applicable</p>	<p>Not applicable</p>	<p><u>Turnover rent:</u> 8% of annual turnover (turnover rent payable instead of basic rent if higher than the basic rent payable)</p> <p><u>Miscellaneous charges (subject to review from time to time):</u> (i) Management fee: HK\$45,245.5 (ii) Air-conditioning charges: HK\$31,938</p>
(4) Tseung Kwan O Branch of Citistore and UNY at MCP Central, Tseung Kwan O Town Lot No. 27				
<p>Shop Nos. 2047-51, Level 2 ^{Notes 6 & 11}</p> <p>Agreement Date: 15 October 2014</p> <p>Memorandum of Rent Review Date: 28 October 2020</p> <p>Lettable Area: 42,680 sq.ft.</p>	<p><u>Phase I:</u> 1 October 2014 – 30 November 2014 HK\$861,740</p> <p><u>Phase II:</u> 1 December 2014 – 30 September 2017 HK\$947,920</p> <p>Not applicable</p>	<p>1 October 2017 – 30 September 2020 HK\$1,184,900 ^{Note 3}</p> <p>Not applicable</p>	<p>1 October 2020 – 30 September 2023</p> <p><i>Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the monthly basic rent immediately payable prior to the expiration of the second part of the fixed term</i></p> <p>Monthly basic rent for the period from 1 October 2020 to 30 September 2023 having been adjusted to HK\$820,000 ^{Notes 5 & 12}</p>	<p><u>Turnover rent:</u> 9.5% of annual turnover (on an aggregate basis for all shop premises of the Tseung Kwan O Citistore)</p> <p>Turnover rent payable instead of basic rent if higher than the basic rent payable</p> <p><u>Miscellaneous charges (subject to review from time to time):</u> (i) Management fee: HK\$56,379.2 (ii) Air-conditioning charges: HK\$48,805.8</p>
<p>Shop Nos. 2054-56, Level 2</p> <p>Agreement Date: 15 October 2014</p>	<p>1 October 2014 – 30 September 2017 HK\$300,000</p>	<p>1 October 2017 – 30 September 2020 7% increase in basic rent from the basic rent of each preceding year ^{Note 3}</p>	<p>1 October 2020 – 30 September 2023</p> <p><i>Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term</i></p>	<p><u>Turnover rent:</u> 9.5% of annual turnover (on an aggregate basis for all shop premises of the Tseung Kwan O Citistore)</p> <p>Turnover rent payable instead of basic rent if higher than the basic rent payable</p> <p><u>Miscellaneous charges (subject to review from time to time):</u> (i) Management fee: HK\$56,379.2 (ii) Air-conditioning charges: HK\$48,805.8</p>

Premises	Term ^{Note 1}			Turnover Rent Provisions and Miscellaneous Monthly Charges
	1st Part of the Fixed Term – Duration and Basic Rent per month	2nd Part of the Fixed Term – Duration and Basic Rent per month	3rd Part of the Fixed Term – Duration and Basic Rent per month	
Memorandum of Rent Review Date: 28 October 2020 Lettable Area: 12,703 sq.ft.	Not applicable	Not applicable	Monthly basic rent for the period from 1 October 2020 to 30 September 2023 having been adjusted to HK\$280,000 ^{Notes 5 & 12}	
Shop Nos. 2063-65, Level 2 Agreement Date: 15 October 2014 Deed of Variation Date: 10 March 2020 Lettable Area: 3,392 sq.ft.	1 October 2014 – 30 September 2017 HK\$186,560	1 October 2017 – 30 September 2020 7% increase in basic rent from the basic rent of each preceding year	1 October 2020 – 30 September 2023 Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term	Turnover rent: 9.5% of annual turnover (on an aggregate basis for all shop premises of the Tseung Kwan O Citistore) Turnover rent payable instead of basic rent if higher than the basic rent payable Miscellaneous charges (subject to review from time to time): (i) Management fee: HK\$29,892.7 (ii) Air-conditioning charges: HK\$25,821.5
Shop Nos. 2052-53, Level 2 ^{Note 1} Agreement Date: 24 February 2021 Lettable Area: 12,893 sq.ft.	10 July 2020 – 30 September 2023 HK\$320,000 ^{Note 5}	Not applicable	Not applicable	Turnover rent: 9.5% of annual turnover (on an aggregate basis for all shop premises of the Tseung Kwan O Citistore) Turnover rent payable instead of basic rent if higher than the basic rent payable Miscellaneous charges (subject to review from time to time): (i) Management fee: HK\$134,496.2 (ii) Air-conditioning charges: HK\$116,238.8

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Premises	Term ^{Note 1}			Turnover Rent Provisions and Miscellaneous Monthly Charges
	1st Part of the Fixed Term – Duration and Basic Rent per month	2nd Part of the Fixed Term – Duration and Basic Rent per month	3rd Part of the Fixed Term – Duration and Basic Rent per month	
Shop No. UG036, Upper Ground Floor ^{Notes 1 & 6}	16 August 2021 – 30 September 2023	With option to renew a further term of 3 years exercisable by the tenant	Not applicable	<p><u>Turnover rent:</u> 6% of annual turnover of the Tseung Kwan O UNY (turnover rent payable instead of basic rent if higher than the basic rent payable)</p> <p><u>Miscellaneous charges (subject to review from time to time):</u> (i) Management fee: HK\$571,108.2 (ii) Air-conditioning charges: HK\$139,753.6</p>
Agreement Date: 5 November 2021	HK\$1,400,000	<i>Open market rent as agreed between the parties, which shall be no less than HK\$1,400,000 and not more than HK\$1,484,000</i>		
Lettable Area: 43,038 sq.ft.				
(5) Tuen Mun Branch of Citistore at North Wing, Trend Plaza, Tuen Mun Town Lot No. 282				
Portion of L3, North Wing	1 October 2014 – 30 September 2017	1 October 2017 – 30 September 2020	1 October 2020 – 30 September 2023	<p><u>Turnover rent:</u> 8% of annual turnover (turnover rent payable instead of basic rent if higher than the basic rent payable)</p> <p><u>Miscellaneous charges (subject to review from time to time):</u> (i) Management fee: HK\$66,841.7 (ii) Air-conditioning charges: HK\$141,464</p>
Agreement Date: 15 October 2014	HK\$890,000	<i>7% increase in basic rent from the basic rent of each preceding year</i>	<i>Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term</i>	
Deed of Variation Date: 10 March 2020	Not applicable	Monthly basic rent for the period from 1 October 2019 to 30 September 2023 having been adjusted from HK\$1,090,288 to HK\$910,000 ^{Notes 2, 3 & 5}		
Lettable Area: 17,683 sq.ft.				
(6) Shatin Branch of Citilife at Shatin Plaza, Shatin, New Territories, STTL 189				
Shop No. 47, Level 3 ^{Notes 1 & 13}	8 March 2021 – 7 March 2022	Not applicable	Not applicable	<p><u>Turnover licence fee:</u> 12% of annual turnover (turnover licence fee payable instead of basic licence fee if higher than the basic licence fee payable)</p> <p><u>Miscellaneous charges (subject to review from time to time):</u> (i) Management fee: HK\$9,432.2 (ii) Air-conditioning charges: HK\$20,996.6</p>
Licence Agreement Date: 11 February 2021	<i>Licence fee:</i> HK\$56,910			

Premises	Term ^{Note 1}			Turnover Rent Provisions and Miscellaneous Monthly Charges
	1st Part of the Fixed Term – Duration and Basic Rent per month	2nd Part of the Fixed Term – Duration and Basic Rent per month	3rd Part of the Fixed Term – Duration and Basic Rent per month	
Licence Agreement Date: 7 April 2022	8 March 2022 – 7 June 2022	Not applicable	Not applicable	Miscellaneous charges (subject to review from time to time): (i) Management fee: HK\$9,432.2 (ii) Air-conditioning charges: HK\$20,996.6
Lettable Area: 1,626 sq.ft.	<i>Licence fee: 7% of monthly turnover</i>			
(7) Cheung Sha Wan Branch of Citilife at THE ADDITION, 350 Un Chau Street, Cheung Sha Wan, Kowloon				
Shops Nos. 5 and 6, Ground Floor ^{Notes 1 & 10}	1 July 2021 – 30 September 2023	With option to renew a further term of two years exercisable by the tenant	Not applicable	<u>Turnover rent:</u> 7% of annual turnover (turnover rent payable instead of basic rent if higher than the basic rent payable)
Agreement Date: 5 May 2022	<i>HK\$90,000</i>	<i>Open market rent as agreed between the parties, which shall be no less than HK\$90,000 and not more than HK\$99,000</i>		Miscellaneous charges (subject to review from time to time): <u>Management fee:</u> HK\$2,588
Lettable Area: 1,385 sq.ft. (expressed in terms of saleable floor area)				
(8) The Offices of Citistore HK at KOLOUR • Tsuen Wan I, 68 Chung On Street, Tsuen Wan Town Lot No. 328				
Whole of 8/F and 9/F ^{Note 1}	1 October 2020 – 30 September 2023	Not applicable	Not applicable	<u>Turnover rent:</u> Not applicable
Agreement Date: 4 March 2021	<i>HK\$481,000</i>			Miscellaneous charges (subject to review from time to time): (i) Management fee: HK\$74,534.8 (ii) Air-conditioning charges: HK\$76,807.2
Lettable Area: 22,724 sq.ft. (expressed in terms of gross floor area)				

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Notes:

1. Except in respect of those tenancy agreements marked with Note 1, all HLD Tenancy Agreements have a fixed term of nine years, from 1 October 2014 to 30 September 2023.
2. The monthly basic rents for these premises in respect of the period from 1 October 2019 to 30 September 2023 were adjusted downwards in accordance with the deeds of variation entered into between Citistore HK and the agents of the relevant landlords on 10 March 2020 by reference to the independent rental valuation.
3. In view of the lingering COVID-19 pandemic in 2020 leading to weak retail market, the landlords granted certain rental concessions in respect of these premises to Citistore HK in an aggregate amount of approximately HK\$23,270,000 for the seven months from February 2020 to April 2020 and from June 2020 to September 2020.
4. Subsequent to the deeds of variation dated 10 March 2020, the monthly basic rents for these premises in respect of the period from 1 April 2021 to 30 September 2023 were further adjusted downwards in accordance with the second deed of variation entered into between Citistore HK and the agent of the relevant landlords on 11 June 2021 by reference to the independent rental valuation.
5. In view of the local fifth wave of the COVID-19 pandemic in early 2022 leading to severely dampened consumption sentiment, the landlords granted certain rental concessions in respect of these premises to Citistore HK in an aggregate amount of approximately HK\$5,000,000 for the two months from February 2022 to March 2022.
6. The tenancy agreements in respect of these premises provide for a rent-free period of 3 months.
7. The monthly basic rents for the First Premises and the Second Premises in respect of the period from 1 January 2021 to 30 September 2023 were adjusted in accordance with the deed of variation entered into between Citistore HK and the relevant landlords on 4 March 2021 by reference to the independent rental valuation of these premises on a combined basis.
8. With regard to the premises of the Ma On Shan branch of the Citistore, by a letter dated 21 December 2016 supplemental to the lease dated 15 October 2014, the basic rent per month payable for the Relocated Premises in respect of the second and third parts of the fixed term is revised as described above as a result of renovation of MOSTown (formerly known as Sunshine City Plaza) as mentioned in Annual Report 2015 of the Company.
9. The tenancy agreement in respect of these premises provides for a rent-free period of 6 months.
10. The tenancy agreements in respect of these premises provide for a rent-free period of 2 months.
11. The basic rent for this tenancy agreement is inclusive of management fees, air-conditioning charges and promotion levy (if any).
12. The monthly basic rents for these premises in respect of the period from 1 October 2020 to 30 September 2023 were revised at market rental in accordance with the memoranda of rent review entered into between Citistore HK and the agent of the relevant landlords on 28 October 2020 by reference to the independent rental valuation.
13. The licence agreement in respect of these premises provides for a licence fee waiver period of 31 days.
14. The turnover rent as referred to in the respective HLD Tenancy Agreements calculated on the relevant turnover, in case of being lower than the relevant basic rent, shall not be payable.
15. All basic rents set out in the table above are exclusive of management fees, air conditioning charges, promotional levies and government rates (as applicable), save for the tenancy agreement marked with Note 11. The amounts of the basic rents (including the agreed adjustments of those amounts for subsequent periods after the first part of the fixed term) under the tenancy agreements have been determined after taking into account a number of factors, including the district, size and location of the relevant premises, the anticipated rise in market rental levels, the affordability of the rental to Citistore HK, the contribution of Citistore HK as the major anchor tenant in the relevant shopping mall, and (where applicable) the parties' commitment to a long nine-year tenancy term and the inclusion of turnover rent provisions in the tenancy agreements.

Framework Agreement

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

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

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

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

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

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

Report of the Directors

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

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

Annual caps in respect of all tenancy and licensing transactions are set out below:

	Financial year ended 31 December 2022	Financial year ending 31 December 2023 ¹
HK\$ million	351	268

Note:

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

During the year under review, Citistore HK as tenant/licensee entered into numerous immaterial short-term tenancy agreements/licences with subsidiaries of HLD Group as landlord/licensor for periods ranging from days to several months relating to certain premises owned by HLD Group for ad hoc purposes at rentals and/or turnover rents totalling approximately HK\$3,635,000 which has been included in the aggregate rents under the Framework Agreement.

For the year ended 31 December 2022, the Group paid approximately HK\$223,804,000 representing the aggregate rents under the Framework Agreement (including all the HLD Tenancy Agreements) (collectively the “Framework Tenancy Transactions”).

Master Agreements

The Company has entered into certain master agreements with HLD and a subsidiary of HLD. As HLD and the subsidiary of HLD are connected persons of the Company, the transactions under such master agreements constitute continuing connected transactions of the Company and each of which, as previously disclosed by way of announcement, is subject to the reporting, announcement and annual review requirements but exempt from independent shareholders’ approval requirement under Chapter 14A of the Listing Rules. The principal terms thereof are summarised below:

(i) Cleaning Services Agreement

On 9 June 2020, the Company and Broad Capital Limited, a subsidiary of HLD, entered into a master agreement for a term of three years from 1 December 2020 to 30 November 2023 in relation to the provision of cleaning services to any subsidiary of the Group for fees to be settled on monthly basis (the “Cleaning Services Agreement”). Under the Cleaning Services Agreement, the pricing and terms for transactions made pursuant thereto shall be determined by way of quotations obtained from Broad Capital Limited and from independent third party service providers and the consideration of the price and terms, historical working relationship, experience and the quality of services offered by each of such parties. Broad Capital Limited may be engaged on terms similar to or better than those offered by such other service providers.

(ii) Gift Certificates Sales Agreement

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

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

	Financial year ended 31 December 2022 (HK\$)	Financial year ending 31 December 2023 (HK\$)
(i) Annual caps for the aggregate amounts payable by the Group		
Cleaning Services Agreement	13,300,000	13,700,000 ¹
(ii) Annual caps for the aggregate amounts receivable by the Group		
Gift Certificates Sales Agreement	6,000,000	3,000,000 ¹

Note:

1. These annual caps relate to the period from 1 January 2023 up to the expiration date of the respective agreements.

The amounts actually paid/received by the Group under the transactions as contemplated in the respective agreements mentioned above (collectively, the “Other Citistore Transactions”) for the year ended 31 December 2022 are set out below:

	For the year ended 31 December 2022 (Approx. HK\$)
(i) Amount actually paid by the Group	
Cleaning Services Agreement	7,314,000
(ii) Amount actually received by the Group	
Gift Certificates Sales Agreement	1,588,000

Report of the Directors

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

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

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

The material related party transactions set out in note 33 to the financial statements on pages 144 and 145 include transactions that constitute continuing connected transactions for which the disclosure requirements under the Listing Rules have been met.

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

Directors' Interests in Competing Business

For the year ended 31 December 2022, none of the Directors of the Company has interests in businesses which might compete with the Group.

Service Contracts

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

Management Contracts

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

Contract of Significance

On 28 January 2022, Unicorn Stores (HK) Limited (“Unicorn”, being a wholly-owned subsidiary of the Company) as tenant received an offer to lease, accepted by Cityplaza Holdings Limited as landlord, in respect of the leasing of the first basement and ground floor of the retail and shopping center known as Cityplaza located at Taikoo Shing, Hong Kong for a term of 96 months commencing on and from 1 March 2022 to continue the operation of Unicorn’s department store cum supermarket in the name of “APITA” at Cityplaza. The above transaction constituted a major transaction of the Company as per the relevant details contained in the Company’s circular dated 23 February 2022.

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

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

Major Customers and Suppliers

For the year ended 31 December 2022:

- (1) the aggregate amount of purchases attributable to the Group’s five largest suppliers represented less than 30% of the Group’s total purchases; and
- (2) the aggregate amount of revenue attributable to the Group’s five largest customers represented less than 30% of the Group’s total revenue.

Discussion and Analysis of Performance

A discussion and analysis of the Group’s performance during the year ended 31 December 2022 is shown on pages 12 to 17.

Sustainability

The report on sustainability is set out on pages 19 to 38 of this Annual Report and posted on the Company’s website.

Retirement Benefits Scheme

Details of the retirement benefits schemes participated by the Group’s employees are shown in note 27 to the financial statements on page 139.

Report of the Directors

Permitted Indemnity

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

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

Public Float

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

Auditor

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

Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 39 to 57.

On behalf of the Board

Dr Lee Ka Shing

Chairman

Hong Kong, 21 March 2023

Biographical Details of Directors and Senior Management

Executive Directors

Dr LEE Ka Shing, *GBS, JP, DSSc (Hon)*, aged 51, a Member of the 14th Beijing Municipal Committee of the Chinese People's Political Consultative Conference, has been an Executive Director of the Company since 1993 and was the Vice Chairman up to June 2015. On 1 July 2015, he was re-designated from the Vice Chairman to the Chairman and Managing Director of the Company. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. He was educated in Canada. He is the vice chairman of Henderson Development Limited ("Henderson Development"). He is also the chairman and managing director of Henderson Land Development Company Limited ("Henderson Land"), the chairman and chief executive officer of Miramar Hotel and Investment Company, Limited as well as the chairman of The Hong Kong and China Gas Company Limited, all of which are listed companies. He is a member of the Court of The University of Hong Kong, the Court of The Hong Kong Polytechnic University and the Court of City University of Hong Kong. He was awarded an Honorary Fellowship by University College London in 2021 and an Honorary Degree of Doctor of Social Science by The Hang Seng University of Hong Kong in 2022. He is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development, Henderson Land, Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited and Gainwise Investment Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the son of Dr Lee Shau Kee, the brother of Dr Lee Ka Kit and the brother-in-law of Mr Li Ning.

Dr LEE Ka Kit, *GBS, JP, DBA (Hon)*, aged 59, a Member of the Standing Committee of the 14th National Committee of the Chinese People's Political Consultative Conference, has been an Executive Director and the Vice Chairman of the Company since 1993. He was educated in the United Kingdom and has been primarily responsible for the development of the business of Henderson Land Group in the People's Republic of China since 1985. He is the vice chairman of Henderson Development Limited ("Henderson Development"). He is also the chairman and managing director of Henderson Land Development Company Limited ("Henderson Land") as well as the chairman of The Hong Kong and China Gas Company Limited and Towngas Smart Energy Company Limited, all of which are listed companies. He is a member as well as the chairman of the Board of Directors of One Country Two Systems Research Institute. He was awarded an Honorary University Fellowship by The University of Hong Kong in 2009 and an Honorary Degree of Doctor of Business Administration by Edinburgh Napier University in July 2014. He is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development and Henderson Land which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the son of Dr Lee Shau Kee, the brother of Dr Lee Ka Shing and the brother-in-law of Mr Li Ning.

Biographical Details of Directors and Senior Management

Executive Directors

Dr LAM Ko Yin, Colin, SBS, FCILT, FHKIoD, DB (Hon), DBA (Hon), aged 71, has been an Executive Director of the Company since 1988 and the Vice Chairman since 1993. He is also the chairman of the Whistleblowing Committee, and a member of the Remuneration Committee and the Nomination Committee of the Company. Dr Lam holds a B.Sc. (Honours) degree from The University of Hong Kong and has over 49 years' experience in banking and property development. He is the chairman of Hong Kong Ferry (Holdings) Company Limited, the vice chairman of Henderson Land Development Company Limited ("Henderson Land"), a non-executive director of The Hong Kong and China Gas Company Limited and an executive director of Miramar Hotel and Investment Company, Limited, all of which are listed companies. He is the deputy chairman of The University of Hong Kong Foundation for Educational Development and Research, a director of Fudan University Education Development Foundation, an honorary Court member of Hong Kong Baptist University, a member of the Court of The Hong Kong University of Science and Technology and a member of the Court of City University of Hong Kong. Dr Lam was awarded an Honorary University Fellowship by The University of Hong Kong in 2008 and an Honorary Fellowship by The Chinese University of Hong Kong in 2019. He was also conferred with a degree of Doctor of Business (Honoris Causa) by Macquarie University in 2015 and a degree of Doctor of Business Administration (Honoris Causa) by The Hong Kong University of Science and Technology in 2021. He is a Fellow of The Chartered Institute of Logistics and Transport in Hong Kong and a Fellow of The Hong Kong Institute of Directors. Dr Lam is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited, Henderson Land, Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited and Gainwise Investment Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

LI Ning, BSc, MBA, aged 66, has been appointed an Executive Director of the Company since 2014. He holds a B.Sc. degree from Babson College and an M.B.A. degree from the University of Southern California. Mr Li set up the business of Citistore Stores in 1989 and has been managing the business since then in the capacity as a director, being a veteran with 30 years' experience in the department store business. He is also an executive director of Hong Kong Ferry (Holdings) Company Limited, a listed company. Mr Li is the son-in-law of Dr Lee Shau Kee and the brother-in-law of Dr Lee Ka Kit and Dr Lee Ka Shing.

Independent Non-executive Directors

KWONG Che Keung, Gordon, *FCA*, aged 73, has been an Independent Non-executive Director of the Company since 2004. He is also the chairman of the Audit Committee and the Corporate Governance Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. He graduated from The University of Hong Kong with a bachelor's degree in social sciences in 1972 and qualified as a chartered accountant in England in 1977. He was a partner of Pricewaterhouse from 1984 to 1998 and an independent member of the Council of The Stock Exchange of Hong Kong from 1992 to 1997. He is an independent non-executive director of Henderson Land Development Company Limited ("Henderson Land"), Agile Group Holdings Limited, Chow Tai Fook Jewellery Group Limited, COSCO SHIPPING International (Hong Kong) Co., Ltd., FSE Lifestyle Services Limited and Piraeus Port Authority S.A. (listed in Greece), all of which are listed companies. Mr Kwong previously served as an independent non-executive director of Global Digital Creations Holdings Limited until 22 May 2020, China Power International Development Limited until 3 June 2021 and NWS Holdings Limited until 21 November 2022. Henderson Land has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

Professor KO Ping Keung, *PhD, FIEEE, JP*, aged 72, has been an Independent Non-executive Director of the Company since 2004. He is also a member of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Whistleblowing Committee of the Company. Professor Ko holds a Bachelor of Science (Honours) degree from The University of Hong Kong, a Doctor of Philosophy degree and a Master of Science degree from the University of California at Berkeley. He is an Adjunct Professor of Peking University and Tsinghua University and Emeritus Professor of Electronic and Computer Engineering and the former Dean of the School of Engineering of The Hong Kong University of Science and Technology. He was the vice chairman of Electrical Engineering and Computer Science Department of the University of California at Berkeley in 1991–1993 and a member of Technical staff, Bell Labs, Holmdel, in 1982 – 1984. Professor Ko is an independent non-executive director of Henderson Land Development Company Limited ("Henderson Land"), Q Technology (Group) Company Limited and VTech Holdings Limited, all of which are listed companies. Henderson Land has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

WU King Cheong, *BBS, JP*, aged 72, has been an Independent Non-executive Director of the Company since 2005. He is also the chairman of the Remuneration Committee and a member of the Audit Committee, the Nomination Committee and the Whistleblowing Committee of the Company. Mr Wu is the Life Honorary Chairman of The Chinese General Chamber of Commerce, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Permanent Honorary President of the Hong Kong Securities Association Limited. He is an independent non-executive director of Henderson Land Development Company Limited ("Henderson Land"), Hong Kong Ferry (Holdings) Company Limited, Miramar Hotel and Investment Company, Limited and Yau Lee Holdings Limited, all of which are listed companies. Henderson Land has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

Biographical Details of Directors and Senior Management

Independent Non-executive Directors

AU Siu Kee, Alexander, *OBE, FCA, FCCA, FCPA, FCIB, FHKIB*, aged 76, has been appointed an Independent Non-executive Director of the Company since 2015. He is also a member of the Audit Committee and the Corporate Governance Committee of the Company. He was an executive director and the chief financial officer of Henderson Land Development Company Limited (“Henderson Land”) from December 2005 to June 2011. He stepped down from the position of chief financial officer and was re-designated as a non-executive director of Henderson Land on 1 July 2011. On 18 December 2012, Mr Au was re-designated as an independent non-executive director of Henderson Land until his retirement on 2 June 2015. In December 2018, Mr Au rejoined Henderson Land as an independent non-executive director. A banker by profession, Mr Au was the chief executive officer of Hang Seng Bank Limited from October 1993 to March 1998 and of Oversea-Chinese Banking Corporation Limited in Singapore from September 1998 to April 2002. He was formerly a non-executive director of a number of leading companies including The Hongkong and Shanghai Banking Corporation Limited, MTR Corporation Limited and Hang Lung Group Limited. Currently, Mr Au is an independent non-executive director of Wharf Real Estate Investment Company Limited and Miramar Hotel and Investment Company, Limited, and a non-executive director of Hong Kong Ferry (Holdings) Company Limited, all of which are listed companies. He is also the chairman and a non-executive director of Henderson Sunlight Asset Management Limited, a wholly-owned subsidiary of Henderson Land, which is the manager of the publicly-listed Sunlight Real Estate Investment Trust. An accountant by training, Mr Au is a Fellow of The Institute of Chartered Accountants in England and Wales, The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Henderson Land has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

Senior Management

LIU Cheung Yuen, Timon, *BEC, FCPA, CA (Aust), FCG, HKFCG*, aged 65, joined the Henderson Land Group in 2005 and is presently the Company Secretary of the Group. Mr Liu graduated from Monash University, Australia with a bachelor’s degree in Economics. He is a fellow of both the Hong Kong Institute of Certified Public Accountants and The Hong Kong Chartered Governance Institute, and an associate of The Institute of Chartered Accountants in Australia. He has many years’ experience in accounting, auditing, corporate finance, corporate investment and development, and company secretarial practice.

WONG Wing Kee, Christopher, *BSc (Econ), FCA*, aged 60, joined the Henderson Land Group in 2007 and is presently the General Manager of Accounts Department. Mr Wong graduated from The London School of Economics and Political Science, University of London and is a fellow of The Institute of Chartered Accountants in England & Wales. He has over 35 years of experience in accounting, auditing, investment banking and corporate finance in the United Kingdom and in Hong Kong. Prior to joining the Henderson Land Group, Mr Wong was the chief financial officer of Kerry Properties Limited between December 2004 and May 2007.

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Independent Auditor's Report



羅兵咸永道

To the members of Henderson Investment Limited
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of Henderson Investment Limited (the “Company”) and its subsidiaries (the “Group”) which are set out on pages 90 to 147, comprise:

- the consolidated statement of financial position at 31 December 2022;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Goodwill impairment assessment</p> <p>Refer to note 19 to the consolidated financial statements.</p> <p>As at 31 December 2022, the Group had recognised goodwill of HK\$810 million relating to the acquisition of the entire share capital of Camay Investment Limited and its subsidiaries, namely Citistore (Hong Kong) Limited (“Citistore”) and Puretech Investment Limited in 2014, and goodwill of HK\$262 million relating to the acquisition of the entire share capital of Unicorn Stores (HK) Limited (“Unicorn”).</p> <p>For both Citistore and Unicorn, management has concluded that there was no impairment of goodwill as at 31 December 2022. This conclusion was based on the assessment that required significant management judgment with respect to the forecast receipts from gross sales and the gross profit margin for each of the five forecast years ending on 31 December 2023 to 31 December 2027 of each cash-generating unit, and the discount rate.</p> <p>We focused on auditing the goodwill impairment assessment because the estimation of the significant assumptions used in the goodwill impairment assessment is subject to a high degree of estimation uncertainty.</p>	<p>Our procedures in relation to management’s impairment assessment on each cash-generating unit included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the management’s internal control and assessment process of the goodwill impairment assessment and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • Assessing the valuation methodology used, which is discounted cash flow model, by management to estimate the recoverable amount; • Evaluating the process by which management’s future cash flow forecasts were prepared; • Comparing historical actual results to those budgeted to assess the quality of management’s forecast; • Reconciling input data to the budgets approved by management; • Evaluating the key assumptions used in the calculations, comprising the forecast receipts from gross sales and the gross profit margin for each of the five forecast years ending on 31 December 2023 to 31 December 2027 of each cash-generating unit, and the discount rate based on the knowledge of the business and industry; and • Assessing management’s sensitivity analyses around the key assumptions, to assess the potential impact of possible changes in the individual key assumptions. <p>We found the goodwill impairment assessment performed by management to be supportable based on available evidence.</p>

Independent Auditor's Report

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2023

Consolidated Statement of Profit or Loss

for the year ended 31 December 2022

	Note	2022 HK\$ million	2021 HK\$ million
Revenue	5	1,786	1,770
Direct costs		(1,623)	(1,582)
		163	188
Other revenue	6	11	11
Other income/expenses and other gains/losses, net	7	9	5
Selling and marketing expenses		(31)	(30)
Administrative expenses		(106)	(107)
Profit from operations		46	67
Finance costs on lease liabilities	8(c)	(41)	(26)
Profit before taxation	8	5	41
Income tax	11(a)	–	(7)
Profit attributable to equity shareholders of the Company for the year		5	34
		HK cents	HK cents
Earnings per share			
– Basic and diluted	14	0.2	1.1

The notes on pages 95 to 147 form part of these consolidated financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 13.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2022

	2022 HK\$ million	2021 HK\$ million
Profit attributable to equity shareholders of the Company for the year	5	34
Other comprehensive income for the year:		
Item that will not be reclassified to profit or loss:		
– Investments in listed securities designated as financial assets at fair value through other comprehensive income: net movement in the fair value reserve (non-recycling)	1	3
Total comprehensive income attributable to equity shareholders of the Company for the year	6	37

The notes on pages 95 to 147 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

at 31 December 2022

	Note	2022 HK\$ million	2021 HK\$ million
Non-current assets			
Fixed assets	15	169	144
Right-of-use assets	16	681	413
Trademarks	17	37	39
Investments in listed securities designated as financial assets at fair value through other comprehensive income	18	19	48
Investment in listed securities as financial assets at fair value through profit or loss	18	20	–
Goodwill	19	1,072	1,072
Deferred tax assets	26	39	30
		2,037	1,746
Current assets			
Inventories	20	131	134
Trade and other receivables	21	45	56
Cash and bank balances	22	260	360
		436	550
Current liabilities			
Trade and other payables	23	430	442
Lease liabilities	24	228	213
Amounts due to affiliates	25	2	3
Provision for reinstatement costs		–	12
Current taxation		–	1
		660	671
Net current liabilities		(224)	(121)
Total assets less current liabilities		1,813	1,625
Non-current liabilities			
Lease liabilities	24	517	289
Provision for reinstatement costs		19	5
Deferred tax liabilities	26	7	7
		543	301
NET ASSETS		1,270	1,324
CAPITAL AND RESERVES			
Share capital	29(c)	612	612
Reserves		658	712
TOTAL EQUITY		1,270	1,324

Approved and authorised for issue by the Board of Directors on 21 March 2023.

Dr Lee Ka Shing

Dr Lee Ka Kit

Directors

The notes on pages 95 to 147 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2022

	Attributable to equity shareholders of the Company					
	Note	Share capital HK\$ million	Capital reserve HK\$ million	Fair value reserve (non-recycling) HK\$ million	Retained profits HK\$ million	Total equity HK\$ million
Balance at 1 January 2021		612	10	(15)	740	1,347
Changes in equity for 2021:						
Profit for the year		–	–	–	34	34
Other comprehensive income for the year		–	–	3	–	3
Total comprehensive income for the year		–	–	3	34	37
Final dividend approved in respect of the previous financial year	13(b)	–	–	–	(30)	(30)
Interim dividend declared in respect of the current financial year	13(a)	–	–	–	(30)	(30)
Balance at 31 December 2021		612	10	(12)	714	1,324
Balance at 1 January 2022		612	10	(12)	714	1,324
Changes in equity for 2022:						
Profit for the year		–	–	–	5	5
Other comprehensive income for the year		–	–	1	–	1
Total comprehensive income for the year		–	–	1	5	6
Final dividend approved in respect of the previous financial year	13(b)	–	–	–	(30)	(30)
Interim dividend declared in respect of the current financial year	13(a)	–	–	–	(30)	(30)
Balance at 31 December 2022		612	10	(11)	659	1,270

The notes on pages 95 to 147 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2022

	Note	2022 HK\$ million	2021 HK\$ million
Operating activities			
Profit before taxation		5	41
Adjustments for:			
Bank interest income	7	(2)	(1)
Dividend income from investments in listed securities designated as financial assets at fair value through other comprehensive income (“FVOCI”) and investment in listed securities as financial assets at fair value through profit or loss (“FVPL”)	7	(2)	(2)
Dividend income from unlisted investment	7	–	(2)
Amortisation of trademarks	8(c)	2	2
Depreciation on fixed assets	8(c)	48	44
Depreciation on right-of-use assets	8(c)	227	220
Net fair value change on investment in listed securities as financial assets at FVPL	7	10	–
Finance costs on lease liabilities	8(c)	41	26
Operating profit before changes in working capital		329	328
Decrease/(increase) in inventories		3	(13)
Increase in trade and other receivables		(5)	(11)
(Decrease)/increase in trade and other payables		(1)	34
(Decrease)/increase in amounts due to affiliates		(1)	2
Cash generated from operations		325	340
Tax paid in Hong Kong		(10)	(14)
Net cash generated from operating activities		315	326
Investing activities			
Interest received		2	1
Dividends received from investments in listed securities designated as financial assets at FVOCI and investment in listed securities as financial assets at FVPL	7	2	2
Dividend received from unlisted investment	7	–	2
Additions to fixed assets		(84)	(48)
Proceeds from disposal of fixed assets		1	–
Net cash used in investing activities		(79)	(43)
Financing activities			
Dividends paid to shareholders	13	(60)	(60)
Interest payments of lease liabilities to affiliates	24	(13)	(18)
Principal repayments of lease liabilities to affiliates	24	(164)	(150)
Interest payments of lease liabilities to third parties	24	(28)	(8)
Principal repayments of lease liabilities to third parties	24	(71)	(102)
Net cash used in financing activities		(336)	(338)
Net decrease in cash and cash equivalents		(100)	(55)
Cash and cash equivalents at 1 January		360	415
Cash and cash equivalents at 31 December	22	260	360

The notes on pages 95 to 147 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

1 General information

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

The principal activity of the Company during the year was investment holding and the principal activities of its subsidiaries during the year were investment holding and department stores and supermarket-cum-stores operations.

2 Significant accounting policies

(a) Statement of compliance

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

(b) Changes in accounting policies

The Group has applied the following amendments to HKASs and HKFRSs issued by the HKICPA that are first effective for the current accounting period of the Group and the Company, and which are relevant to the Group’s consolidated financial statements for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment (“PPE”) the proceeds generated from selling items produced (“products”), before such item of PPE is available for use. Instead, in such circumstances, the related sales proceeds of the products, together with the costs of producing these products as determined by HKAS 2, *Inventories*, shall be included in profit or loss.

The amendments do not have a material impact on these financial statements as the Group does not sell products produced before an item of property, plant and equipment is available for use.

- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – costs of fulfilling a contract*

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 January 2022, and has concluded that none of them is onerous.

2 Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

- Amendments to HKFRS 3 (Revised), *Business combinations: Reference to the Conceptual Framework*

The amendments update the reference to the latest version of the Conceptual Framework issued in March 2018, and add an exception to the requirement for an entity to refer to the Conceptual Framework in determining what constitutes an asset or a liability. The exception relates to liabilities and contingent liabilities that would have been within the scope of HKAS 37, *Provisions, contingent liabilities and contingent assets* or HK(IFRIC)-Int 21, *Levies* if they were incurred by an entity separately, rather than being assumed by an entity in a business combination. Under the exception, when applying HKFRS 3 (Revised), an entity should apply the more specific criteria in HKAS 37 or HK(IFRIC)-Int 21 respectively (instead of the Conceptual Framework) to determine whether a present obligation exists at the date on which the liability or contingent liability has been incurred by the entity.

- Annual Improvements to HKFRSs 2018-2020 Cycle

This package of annual improvements contains, inter alia, amendment to HKFRS 9, *Financial instruments* and amendment to an illustrative example accompanying HKFRS 16, *Leases*. The amendment to HKFRS 9 clarifies that only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf, are included when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The amendment to illustrative example 13 accompanying HKFRS 16 removes reference to a reimbursement relating to leasehold improvements, as the illustrative example had not explained clearly whether the reimbursement would meet the definition of a lease incentive under HKFRS 16.

The Directors have assessed and considered that none of the abovementioned amendments has any material impact on the Group's financial position at 31 December 2022 or the Group's financial performance for the year then ended.

2 Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and interpretation to HKFRSs and HKASs which are not yet effective for the financial year ended 31 December 2022 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for annual periods beginning on or after
Amendments to HKAS 1, <i>Presentation of financial statements</i> and HKFRS Practice Statement 2, <i>Making materiality judgements: Disclosure of accounting policies</i>	1 January 2023
Amendments to HKAS 8, <i>Accounting policies, changes in Accounting estimates and errors: Definition of accounting estimates</i>	1 January 2023
Amendments to HKAS 12, <i>Income taxes: Deferred tax related to assets and liabilities arising from a single transaction</i>	1 January 2023
Amendments to HKAS 1, <i>Presentation of financial statements: Classification of liabilities as current or non-current</i>	1 January 2024
Hong Kong Interpretation 5 (Revised), <i>Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause</i>	1 January 2024
Amendments to HKFRS 10 and HKAS 28, <i>Sales or contribution of assets between an investor and its associate or joint venture</i>	A date to be determined

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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

2 Significant accounting policies (continued)

(c) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2022 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of these consolidated financial statements is the historical cost basis as modified by the revaluation of investments in listed securities designated as financial assets at fair value through other comprehensive income and investment in listed securities as financial assets at fair value through profit or loss.

The preparation of these consolidated financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Given that the COVID-19 pandemic and the subsequent outbreak of Omicron variant have caused and may cause disruptions to economic activities, the uncertainties associated with accounting estimates and assumptions may also be increased accordingly.

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

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

At 31 December 2022, the Group was in a net current liabilities position of HK\$224 million (2021: HK\$121 million). This was mainly due to the recognition of the current portion of lease liabilities of HK\$228 million (2021: HK\$213 million) under HKFRS 16, *Leases*. Taking into account the expected cash flows from the Group's operations, the Group's available cash and bank balances, the Group's investments in unpledged listed securities which are realisable into cash, and the banking facility available to the Group, the Group's management believes that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

2 Significant accounting policies (continued)

(d) Subsidiaries and non-controlling interests

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

2 Significant accounting policies (continued)

(e) Business combinations

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

Acquisition-related costs are expensed as incurred.

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

(f) Fixed assets and depreciation

Fixed assets are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(m)(ii)). All other repairs and maintenance expenditures are charged to profit or loss during the financial period in which they are incurred.

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

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

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

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

2 Significant accounting policies (continued)

(f) Fixed assets and depreciation (continued)

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

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

(g) Trademarks

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

(h) Goodwill

Goodwill represents the excess of:

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the fair value of the acquiree's net identifiable assets and liabilities measured as at the acquisition date.

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

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

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

2 Significant accounting policies (continued)

(i) Leased assets

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

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

When a lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest rate method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The lease liability is remeasured when there is (i) a change in the future lease payments arising from a change in an index or rate; (ii) a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or (iii) a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

2 Significant accounting policies (continued)

(i) Leased assets (continued)

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments originally due on or before 30 June 2022, being the extended time limit pursuant to the Amendment to HKFRS 16, *COVID-19-related rent concessions beyond 30 June 2021*; and
- (c) there is no substantive change to other terms and conditions of the lease.

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

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

(j) Inventories

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

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

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

2 Significant accounting policies (continued)

(k) Investments and other financial assets

(i) Classification

Debt instruments

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

- the asset is held within a business model with the objective of collecting the contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

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

- the objective of the Group’s business model is to hold the asset to collect the contractual cash flows and to sell financial assets; and
- the contractual terms of the debt instrument give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

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

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

Equity instruments

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

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

2 Significant accounting policies (continued)

(k) Investments and other financial assets (continued)

(ii) Recognition and derecognition

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

(iii) Measurement

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

Financial asset measured at amortised cost

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

Equity investments classified as FVOCI

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

Financial asset at FVPL

Changes in the fair value of financial assets at FVPL are recognised in profit or loss and presented on a net basis within other gains/(losses) in the period in which it arises. Dividend income from investments in listed securities designated as financial assets at FVPL is recognised in profit or loss when the share price of the investment goes ex-dividend.

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for the year ended 31 December 2022

2 Significant accounting policies (continued)

(l) Trade and other receivables

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

(m) Credit losses and impairment of assets

(i) *Impairment of financial assets at amortised cost*

The Group assesses on a forward-looking basis the expected credit losses (“ECLs”) associated with its financial assets carried at amortised cost. ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

(ii) *Impairment of other assets*

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

- fixed assets;
- right-of-use assets;
- trademarks;
- goodwill; and
- investments in subsidiaries.

2 Significant accounting policies (continued)

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

(ii) Impairment of other assets (continued)

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

2 Significant accounting policies (continued)

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

(iii) *Interim financial reporting and impairment*

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

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

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost. They are classified as current liabilities if the payment is due within 12 months from the end of the reporting period (or in the normal operating cycle of the business if longer).

(o) Cash and cash equivalents

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

(p) Employee benefits

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

2 Significant accounting policies (continued)

(q) Income tax

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

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

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

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

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

Notes to the Consolidated Financial Statements
for the year ended 31 December 2022

2 Significant accounting policies (continued)

(q) Income tax (continued)

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

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

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

- in the case of current tax assets and liabilities, the Group intends either to realise the current tax assets and settle the current tax liabilities on a net basis, or to realise the current tax assets and settle the current tax liabilities simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis, or to realise the current tax assets and settle the current tax liabilities simultaneously.

2 Significant accounting policies (continued)

(r) Provisions and contingent liabilities

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

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

(s) Revenue and other income recognition

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

(i) Sales of goods

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

(ii) Commission income from consignment and concessionaire counters

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

(iii) Promotion income, sponsorship fees and sundry income

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

(iv) Rental income for antenna sites

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

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

2 Significant accounting policies (continued)

(s) Revenue and other income recognition (continued)

(v) Interest income

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

(vi) Administration fee income

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

(vii) Dividend income

- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.
- Dividend income from unlisted investment is recognised when the shareholder's right to receive payment is established.

(viii) Government subsidies

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

(t) Translation of foreign currencies

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

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

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

2 Significant accounting policies (continued)

(u) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
 - (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of the Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

Notes to the Consolidated Financial Statements

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3 Accounting estimates and judgments

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

(a) Impairment of other assets (see note 2(m)(ii))

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

(b) Recognition of deferred tax assets

At 31 December 2022 and 31 December 2021, the Group has recognised deferred tax assets in relation to the tax loss and the recognition of right-of-use assets and lease liabilities under HKFRS 16 as set out in note 26. The realisability of deferred tax assets mainly depends on whether it is probable that future taxable profits will be available against which the deferred tax assets can be utilised. In cases where the actual future taxable profits generated are less than expected, a reversal of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal takes place.

4 Financial risk management and fair values

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

(a) Credit risk

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

4 Financial risk management and fair values (continued)

(a) Credit risk (continued)

(i) Bank deposits

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

(ii) Trade and other receivables

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

- external credit rating of the counterparty (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;
- actual or expected significant changes in the operating results of the counterparty; and
- significant expected changes in the performance and behaviour of the counterparty, including changes in the payment status of the counterparty.

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

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

The Group considers the identified ECLs on trade and other receivables at 31 December 2022 and 31 December 2021 as minimal.

Notes to the Consolidated Financial Statements

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4 Financial risk management and fair values (continued)

(b) Liquidity risk

The treasury function of the Group is arranged centrally to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. Given that the COVID-19 pandemic and the subsequent outbreak of Omicron variant have caused and may cause disruptions to economic activities, the Group has adopted appropriate policies for its liquidity risk management practices which take into account the use of alternative sources of funding where necessary. This includes the Group's available cash and bank balances (see note 22), the Group's investments in unpledged listed securities (see note 18) which are realisable into cash, and the banking facility available to the Group (see note 33).

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

	2022				Total HK\$ million	Carrying amount HK\$ million
	Contractual undiscounted cash outflow					
	Within 1 year or on demand HK\$ million	More than 1 year but less than 2 years HK\$ million	More than 2 years but less than 5 years HK\$ million	More than 5 years HK\$ million		
Trade and other payables (excluding contract liabilities and provision for reinstatement costs)	412	1	–	–	413	413
Lease liabilities	257	134	297	152	840	745
Amounts due to fellow subsidiaries	2	–	–	–	2	2
	671	135	297	152	1,255	1,160

4 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

	2021				Total HK\$ million	Carrying amount HK\$ million
	Contractual undiscounted cash outflow					
	Within 1 year or on demand HK\$ million	More than 1 year but less than 2 years HK\$ million	More than 2 years but less than 5 years HK\$ million	More than 5 years HK\$ million		
Trade and other payables (excluding contract liabilities and provision for reinstatement costs)	419	1	1	–	421	421
Lease liabilities	230	180	125	–	535	502
Amounts due to fellow subsidiaries	3	–	–	–	3	3
	652	181	126	–	959	926

(c) Interest rate risk

At 31 December 2022 and 31 December 2021, the Group did not have any borrowings or liabilities (excluding the Group's lease liabilities recognised under HKFRS 16) which exposed the Group to significant interest rate risk. The Group monitors closely its interest rate exposure and will consider hedging significant interest rate exposure should the need arise. During the years ended 31 December 2022 and 31 December 2021, the Group did not enter into any interest rate hedging instruments.

(d) Foreign currency risk

At 31 December 2022 and 31 December 2021, there were insignificant balances where the denomination was in a currency other than the functional currencies of the Group's entities to which they related. The impact on the Group's profit after tax attributable to equity shareholders of the Company and total equity is not expected to be material in response to reasonably possible changes in the foreign exchange rates of the other currencies to which the Group is exposed.

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4 Financial risk management and fair values (continued)

(e) Fair values

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable market data for the asset or liability, either directly (as prices) or indirectly (i.e. derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) (Level 3).

At 31 December 2022, the Group had investment in listed securities designated as financial assets at FVOCI and investment in listed securities as financial assets at FVPL (2021: the Group had investments in listed securities designated as financial assets at FVOCI). The fair value is stated at quoted market price, which is the bid price at the end of the reporting period. It is categorised under Level 1.

The Group had no other financial instruments which is measured at fair value at 31 December 2022 and 31 December 2021.

Other financial assets and liabilities are carried at amounts not materially different from their fair values at 31 December 2022 and 31 December 2021.

During the years ended 31 December 2022 and 31 December 2021, there was no significant transfer of financial assets and financial liabilities among Level 1, Level 2 and Level 3 fair value hierarchy classification. There was no change in valuation techniques during the years ended 31 December 2022 and 31 December 2021.

(f) Price risk

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

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

If the prices of these securities at 31 December 2022 had increased/decreased by 5% (2021: 5%), with all other variables held constant, the Group's total equity and profit after tax attributable to equity shareholders of the Company would increase/decrease by HK\$1 million (2021: HK\$2 million) and HK\$1 million (2021: Nil) respectively.

5 Revenue

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

	2022 HK\$ million	2021 HK\$ million
Sales of goods	1,359	1,333
Commission income from consignment counters	317	324
Commission income from concessionaire counters	98	100
Promotion income	7	7
Administration fee income	5	6
	1,786	1,770

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

	2022 HK\$ million	2021 HK\$ million
Receipts from sales of goods by consignment counters	1,154	1,196
Receipts from sales of goods by concessionaire counters	363	369
	1,517	1,565

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6 Other revenue

	2022 HK\$ million	2021 HK\$ million
Sponsorship fees	1	2
Rental income for antenna sites	2	3
Sundry income	8	6
	11	11

7 Other income/expenses and other gains/losses, net

	2022 HK\$ million	2021 HK\$ million
Bank interest income	2	1
Dividend income from listed investments (note 18)	2	2
Dividend income from unlisted investment (note (i))	–	2
Government subsidies (note (ii))	15	–
Net fair value change on investment in listed securities as financial assets at FVPL (note 18)	(10)	–
	9	5

Notes:

- (i) Being dividend income received by the Group during the previous year ended 31 December 2021 in respect of an unlisted investment which was written off by the Group in 2007.
- (ii) This related to the aggregate amount of approved subsidies from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by the HKSAR Government for the Group's subsidiaries, namely Citistore (Hong Kong) Limited ("Citistore") and Unicorn Stores (HK) Limited ("Unicorn"), in the amounts of HK\$12 million and HK\$3 million respectively, for the months of May 2022, June 2022 and July 2022 (2021: Nil).

8 Profit before taxation

Profit before taxation is arrived at after charging:

	2022 HK\$ million	2021 HK\$ million
(a) Directors' emoluments:		
Directors' fees, salaries, allowances and benefits-in-kind	1	1
Details of the Directors' emoluments are set out in note 9.		
(b) Staff costs (other than Directors' emoluments):		
Salaries, wages and other benefits	261	259
Contributions to defined contribution retirement plans	12	12
(c) Other items:		
Amortisation of trademarks (note 17)	2	2
Depreciation		
– on fixed assets (note 15)	48	44
– on right-of-use assets (note (ii)) (note 16)	227	220
Auditors' remuneration		
– audit services	2	2
– other services	1	1
Finance costs on lease liabilities (note (ii)) (notes 24 and 34)	41	26
Expenses relating to short-term leases (note (ii))	3	5
Other charges in respect of rental premises		
– net of rent concessions (notes (i) and (ii))	99	105
Cost of inventories sold (note 20)	964	942

Notes:

- (i) Included contingent rental expenses of HK\$2 million (2021: HK\$3 million) during the year.
- (ii) For the purpose of comparison between the two financial years ended 31 December 2022 and 31 December 2021, the depreciation charge on right-of-use assets of HK\$227 million (2021: HK\$220 million), the finance cost on lease liabilities of HK\$41 million (2021: HK\$26 million) and the rental and related expenses of HK\$102 million (2021: HK\$110 million) are aggregated which amounted to HK\$370 million for the year ended 31 December 2022 (2021: HK\$356 million). The year-on-year increase of HK\$14 million is mainly attributable to (i) the increased contributions to depreciation charge on right-of-use assets and finance cost on lease liabilities from the UNY supermarket at Tseung Kwan O which commenced business operation in November 2021, and from the commencement of the tenancy lease on 1 March 2022 of the APITA supermarket-cum-store at Taikoo Shing which was renewed on 18 March 2022, but which are partially offset by (ii) the savings in rental and operating expenditures of Citistore's Tai Kok Tsui store which was closed down on 30 June 2021 as well as the rent concessions granted to Citistore by the landlords of the store outlets in the aggregate amount of HK\$5 million (before tax) during the year ended 31 December 2022 (2021: Nil).

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9 Directors' emoluments

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

	2022				
	Directors' fees HK\$'000	Salaries, allowances and benefits-in-kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
Executive Directors					
Dr Lee Ka Shing	50	–	–	–	50
Dr Lee Ka Kit	50	–	–	–	50
Dr Lam Ko Yin, Colin	50	–	–	–	50
Li Ning	50	–	–	–	50
Independent Non-executive Directors					
Kwong Che Keung, Gordon	50	200	–	–	250
Professor Ko Ping Keung	50	200	–	–	250
Wu King Cheong	50	200	–	–	250
Au Siu Kee, Alexander	50	200	–	–	250
Total	400	800	–	–	1,200

9 Directors' emoluments (continued)

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

	2021				
	Directors' fees HK\$'000	Salaries, allowances and benefits-in-kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
Executive Directors					
Dr Lee Ka Shing	50	–	–	–	50
Dr Lee Ka Kit	50	–	–	–	50
Dr Lam Ko Yin, Colin	50	–	–	–	50
Li Ning	50	–	–	–	50
Independent Non-executive Directors					
Kwong Che Keung, Gordon	50	200	–	–	250
Professor Ko Ping Keung	50	200	–	–	250
Wu King Cheong	50	200	–	–	250
Au Siu Kee, Alexander	50	200	–	–	250
Total	400	800	–	–	1,200

During the years ended 31 December 2022 and 31 December 2021, all the emoluments received by the Directors were in respect of their services as directors of the Company and/or its subsidiary undertakings.

During the year ended 31 December 2022 and at 31 December 2022, there were no loans, quasi-loans or other dealings in favour of the Directors, their controlled bodies corporate and connected entities for disclosure pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance (Cap. 622) and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) (2021: None).

During the year ended 31 December 2022 and at 31 December 2022, save as disclosed elsewhere in these consolidated financial statements, there were no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director and his connected entities had a material interest, subsisted at the end of the reporting period or at any time during the year for disclosure pursuant to section 383(1)(e) of the Hong Kong Companies Ordinance (Cap. 622) and Part 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) (2021: None).

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9 Directors' emoluments (continued)

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

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

10 Emoluments of five highest paid individuals and senior management

(a) Emoluments of five highest paid individuals

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

	2022 HK\$ million	2021 HK\$ million
Salaries, allowances and benefits-in-kind	5	5
Discretionary bonuses	–	–
Retirement scheme contributions	–	–
	5	5

Their emoluments are within the following bands:

	Number of individuals	
	2022	2021
HK\$1,000,000 or below	3	4
HK\$1,000,001 to HK\$2,000,000	2	1
	5	5

(b) Emoluments of senior management

Other than the emoluments of the Directors disclosed in note 9, the senior management whose profiles are set out in the section "Biographical Details of Directors and Senior Management" of the Company's annual report for the year ended 31 December 2022 (of which these consolidated financial statements form a part) received no emoluments from the Group during the year (2021: Nil).

11 Income tax

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

	2022 HK\$ million	2021 HK\$ million
Current tax – Hong Kong		
– provision for the year	9	11
Deferred taxation		
– origination and reversal of temporary differences (note 26)	(9)	(4)
	–	7

Provision for Hong Kong Profits Tax has been made at 16.5% (2021: 16.5%) on the estimated assessable profits for the year, taking into account a one-off reduction of 100% (2021: 100%) of the tax payable for the year of assessment 2021/22 subject to a ceiling of HK\$10,000 (2020/21: HK\$10,000) for each business allowed by the Inland Revenue Department of the HKSAR Government.

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

	2022 HK\$ million	2021 HK\$ million
Profit before taxation	5	41
Notional tax on profit before taxation, calculated at the Hong Kong Profits Tax rate of 16.5% (2021: 16.5%)	1	7
Tax effect of non-taxable income	(3)	(1)
Tax effect of non-deductible expenses	2	1
Income tax	–	7

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12 Segment reporting

No segmental information for the years ended 31 December 2022 and 31 December 2021 are presented as the Group's revenue and trading results for these years were generated solely from the Group's department stores and supermarket-cum-stores operations in Hong Kong, the revenue of which amounted to HK\$1,786 million (2021: HK\$1,770 million) during the year and the pre-tax profit from operation (after deducting finance costs on lease liabilities) of which amounted to HK\$16 million (2021: HK\$41 million) during the year.

Geographical information

Since all of the Group's revenue was generated in Hong Kong during the years ended 31 December 2022 and 31 December 2021, and all of the Group's fixed assets, right-of-use assets, trademarks and goodwill at 31 December 2022 and 31 December 2021 were located in Hong Kong, no geographical information on the aforementioned items is presented in accordance with HKFRS 8, *Operating segments*.

13 Dividends

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

	2022 HK\$ million	2021 HK\$ million
Interim dividend declared and paid of HK1 cent (2021: HK1 cent) per share	30	30
Final dividend proposed after the end of the reporting period of HK1 cent (2021: HK1 cent) per share	30	30
	60	60

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

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

	2022 HK\$ million	2021 HK\$ million
Final dividend in respect of the previous financial year, approved and paid during the year of HK1 cent (2021: HK1 cent) per share	30	30

14 Earnings per share – basic and diluted

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$5 million (2021: HK\$34 million) and 3,047,327,395 (2021: 3,047,327,395) ordinary shares, being the number of ordinary shares in issue throughout the year.

15 Fixed assets

	Leasehold improvements HK\$ million	Furniture and equipment HK\$ million	Motor vehicles HK\$ million	Total HK\$ million
Cost:				
At 1 January 2021	210	79	1	290
Additions	31	47	–	78
Written off	(27)	(7)	–	(34)
At 31 December 2021	214	119	1	334
Accumulated depreciation:				
At 1 January 2021	157	22	1	180
Charge for the year (note 8(c))	27	17	–	44
Written off	(27)	(7)	–	(34)
At 31 December 2021	157	32	1	190
Net book value:				
At 31 December 2021	57	87	–	144
Cost:				
At 1 January 2022	214	119	1	334
Additions	45	29	–	74
Disposals	–	(1)	–	(1)
Written off	(2)	(13)	–	(15)
At 31 December 2022	257	134	1	392
Accumulated depreciation:				
At 1 January 2022	157	32	1	190
Charge for the year (note 8(c))	23	25	–	48
Written back on disposals	–	–	–	–
Written off	(2)	(13)	–	(15)
At 31 December 2022	178	44	1	223
Net book value:				
At 31 December 2022	79	90	–	169

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16 Right-of-use assets

	2022 HK\$ million	2021 HK\$ million
Cost:		
At 1 January	1,627	1,573
Addition for the year (note 24)	495	129
Change in basic rent due to modification of certain lease terms (note 24)	–	(47)
Reassessment of lease term (note 24)	–	(2)
Reinstatement cost	–	1
Write back on expiry of leases	(1)	(27)
At 31 December	2,121	1,627
Accumulated depreciation:		
At 1 January	(1,214)	(1,021)
Charge for the year (note 8(c))	(227)	(220)
Write back on expiry of leases	1	27
At 31 December	(1,440)	(1,214)
Net book value:		
At 31 December	681	413

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

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

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

17 Trademarks

	2022 HK\$ million	2021 HK\$ million
Cost:		
At 1 January and 31 December	51	51
Accumulated amortisation:		
At 1 January	12	10
Charge for the year (note 8(c))	2	2
At 31 December	14	12
Carrying amount:		
At 31 December	37	39

On 1 December 2014, the Company completed its acquisition of the entire issued share capital of Camay Investment Limited and its subsidiaries, namely Citistore which is engaged in department stores operation and Puretech Investment Limited (the “Citistore Acquisition”). The Group has adopted the purchase price allocation method in accordance with HKFRS 3 (Revised), *Business combinations* under the Citistore Acquisition, and has recognised trademarks as an identifiable asset measured at fair value at the acquisition date based on the Directors’ valuation with reference to an independent valuation performed by a professional valuer. A deferred tax liability of HK\$7 million arising from the fair value adjustment on business combination in 2014 (i.e. in relation to the trademarks) was recognised at 31 December 2022 (2021: HK\$7 million) (see note 26).

As referred to in note 2(g) to these financial statements, the Group’s accounting policy on the trademarks is to write off the cost of the trademarks using the straight-line method over a period of 30 years, commencing from the financial year in which the trademarks are recognised in the Group’s consolidated financial statements. The Group’s management has performed an annual review of the amortisation period and the amortisation method adopted by the Group in relation to the trademarks, and considered that the accounting policy on the trademarks was appropriate for the years ended 31 December 2022 and 31 December 2021.

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

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

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

At 31 December 2022, the Group beneficially held Hong Kong listed securities issued by a financial institution (2021: a financial institution and an energy-related business). Such securities are denominated in Hong Kong dollars. Dividend income recognised during the year ended 31 December 2022 amounted to HK\$1 million (2021: HK\$2 million).

Investment in listed securities as financial assets at fair value through profit or loss

During the year ended 31 December 2022, management revisited the features of an investment in Hong Kong listed securities issued by an energy-related business brought forward and determined to carry the investment as financial assets at fair value through profit or loss as at 31 December 2022, in accordance with the Group's accounting policy note 2(k)(i) to these consolidated financial statements. Dividend income recognised during the year ended 31 December 2022 amounted to HK\$1 million (2021: Nil). The net fair value change on investment in listed securities as financial assets at fair value through profit or loss is recognised in other income/expenses and other gains/losses, net (see note 7).

For an analysis of the sensitivity of such securities to price risk, please refer to note 4(f) to these consolidated financial statements.

19 Goodwill

	2022 HK\$ million	2021 HK\$ million
Citistore Goodwill (as defined below)	810	810
Unicorn Goodwill (as defined below)	262	262
	1,072	1,072

(a) Citistore Goodwill

As a result of the Citistore Acquisition (see note 17), goodwill (the “Citistore Goodwill”) was recognised in the Group’s consolidated statement of financial position at 1 December 2014 under the acquisition method of accounting in accordance with HKFRS 3 (Revised), *Business combinations*. The Citistore Goodwill is allocated to the Group’s department stores operation under Citistore and is tested for impairment at the end of the reporting period (see note 2(m)(ii)).

Impairment assessment is carried out by determining the fair value less cost of disposal of the cash-generating unit under Citistore. The fair value less cost of disposal is represented by the net present value of future forecast post-tax net cash inflows (excluding the rental expenditures of the store outlets and other rental premises recognised as lease liabilities at 31 December 2022) for the future five forecast years ending on 31 December 2023, 31 December 2024, 31 December 2025, 31 December 2026 and 31 December 2027 of the cash-generating unit which is determined on the basis of the discounted cashflow model and management’s expectations of market development and management’s plan on the opening of new stores, and the following assumptions:

- (i) an average increase of 6.2% in the forecast receipts from gross sales for each of the future five forecast years ending on 31 December 2023, 31 December 2024, 31 December 2025, 31 December 2026 and 31 December 2027;
- (ii) an average increase of 0.2 percentage point in the gross profit margin for each of the future five forecast years ending on 31 December 2023, 31 December 2024, 31 December 2025, 31 December 2026 and 31 December 2027;
- (iii) a terminal value into perpetuity in accordance with the perpetual growth model, which is determined based on the forecast net cash inflow for the period of twelve months subsequent to 31 December 2027 and assuming a terminal perpetual growth rate of 2% for each subsequent period of twelve months thereafter; and
- (iv) an estimated cost of disposal which is determined based on the Group’s experience with disposal of assets/businesses and in line with industry benchmarks.

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19 Goodwill (continued)

(a) Citistore Goodwill (continued)

The abovementioned forecast changes in the receipts from gross sales in each of the future five forecast years ending on 31 December 2023, 31 December 2024, 31 December 2025, 31 December 2026 and 31 December 2027 are based on the expectations of the Group's management of their plans and market development as at 31 December 2022. A post-tax discount rate of 12% (2021: 11%), which represents the Group's current market assessment of the risks specific to the cash-generating unit under Citistore, is used to determine the discount factor under the discounted cashflow model.

The Directors have assessed that there was no impairment on the Citistore Goodwill at 31 December 2022.

At 31 December 2022, in relation to the cash-generating unit under Citistore, the recoverable amount calculated based on fair value less cost of disposal (after deducting the carrying amounts of the fixed assets, right-of-use assets, trademarks and negative working capital of Citistore at 31 December 2022) exceeded the carrying value. If the post-tax discount rate had been 1% higher, or if the forecast receipts from gross sales of Citistore had been 3% lower for each of the future five forecast years ending on 31 December 2023, 31 December 2024, 31 December 2025, 31 December 2026 and 31 December 2027, the Directors have assessed that it would not result in an impairment loss on the Citistore Goodwill. However, if the forecast gross profit margin of Citistore had been 1.5% lower for each of the future five forecast years ending on 31 December 2023, 31 December 2024, 31 December 2025, 31 December 2026 and 31 December 2027, the Directors have assessed that there would be a potential implication for impairment on the Citistore Goodwill in an estimated amount of HK\$30 million. In this regard, by adopting a 3% decrease in the forecast receipts from gross sales of Citistore and a 1.5% decrease in the forecast gross profit margin of Citistore for each of the future five forecast years ending on 31 December 2023, 31 December 2024, 31 December 2025, 31 December 2026 and 31 December 2027 in the aforementioned sensitivity analyses, consideration has been given to, among others, (i) the feature of Citistore's business operation of department stores in Hong Kong; (ii) the sensitivity of Citistore's business operation to the economic and market conditions in Hong Kong; and (iii) Citistore's actual versus budgeted financial performances in the past years.

(b) Unicorn Goodwill

On 31 May 2018, Urban Kirin Limited, a wholly-owned subsidiary of the Company, acquired the entire issued share capital of UNY (HK) Co., Limited (which was renamed as Unicorn on 27 July 2018) (the "Unicorn Acquisition"). As a result of the Unicorn Acquisition, goodwill (the "Unicorn Goodwill") was recognised in the Group's consolidated statement of financial position at 31 May 2018 under the acquisition method of accounting in accordance with HKFRS 3 (Revised), *Business combinations*. The Unicorn Goodwill is allocated to the Group's supermarket-cum-stores operation under Unicorn and is tested for impairment at the end of the reporting period (see note 2(m)(ii)).

19 Goodwill (continued)

(b) Unicorn Goodwill (continued)

Impairment assessment is carried out by determining the fair value less cost of disposal of the cash-generating unit under Unicorn. The fair value less cost of disposal is represented by the net present value of future forecast post-tax net cash inflows (excluding the rental expenditures of the store outlets and other rental premises recognised as lease liabilities at 31 December 2022) for the future five forecast years ending on 31 December 2023, 31 December 2024, 31 December 2025, 31 December 2026 and 31 December 2027 of the cash-generating unit which is determined on the basis of the discounted cashflow model and management's expectations of market development and management's plan on the opening of new stores, and the following assumptions:

- (i) an average increase of 13% in the forecast receipts from gross sales for each of the future five forecast years ending on 31 December 2023, 31 December 2024, 31 December 2025, 31 December 2026 and 31 December 2027;
- (ii) an average increase of 0.7 percentage point in the gross profit margin for each of the future five forecast years ending on 31 December 2023, 31 December 2024, 31 December 2025, 31 December 2026 and 31 December 2027;
- (iii) a terminal value into perpetuity in accordance with the perpetual growth model, which is determined based on the forecast net cash inflow for the period of twelve months subsequent to 31 December 2027 and assuming a terminal perpetual growth rate of 2% for each subsequent period of twelve months thereafter; and
- (iv) an estimated cost of disposal which is determined based on the Group's experience with disposal of assets/businesses and in line with industry benchmarks.

The abovementioned forecast changes in the receipts from gross sales in each of the future five forecast years ending on 31 December 2023, 31 December 2024, 31 December 2025, 31 December 2026 and 31 December 2027 are based on the expectations of the Group's management of their plans and market development as at 31 December 2022. A post-tax discount rate of 12% (2021: 11%), which represents the Group's current market assessment of the risks specific to the cash-generating unit under Unicorn, is used to determine the discount factor under the discounted cashflow model.

The Directors have assessed that there was no impairment on the Unicorn Goodwill at 31 December 2022.

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19 Goodwill (continued)

(b) Unicorn Goodwill (continued)

At 31 December 2022, in relation to the cash-generating unit under Unicorn, the recoverable amount calculated based on fair value less cost of disposal (after deducting the carrying amounts of the fixed assets, right-of-use assets and negative working capital of Unicorn at 31 December 2022) exceeded the carrying value. If the post-tax discount rate had been 1% higher or if the forecast receipts from gross sales of Unicorn had been 3% lower for each of the future five forecast years ending on 31 December 2023, 31 December 2024, 31 December 2025, 31 December 2026 and 31 December 2027, the Directors have assessed that it would not result in an impairment loss on the Unicorn Goodwill. However, if the forecast gross profit margin of Unicorn had been 1.5% lower for each of the future five forecast years ending on 31 December 2023, 31 December 2024, 31 December 2025, 31 December 2026 and 31 December 2027, the Directors have assessed that there would be a potential implication for impairment on the Unicorn Goodwill in an estimated amount of HK\$57 million. In this regard, by adopting a 3% decrease in the forecast receipts from gross sales of Unicorn and a 1.5% decrease in the forecast gross profit margin of Unicorn for each of the future five forecast years ending on 31 December 2023, 31 December 2024, 31 December 2025, 31 December 2026 and 31 December 2027 in the aforementioned sensitivity analyses, consideration has been given to, among others, (i) the feature of Unicorn's business operation of supermarket-cum-stores in Hong Kong; (ii) the sensitivity of Unicorn's business operation to the economic and market conditions in Hong Kong; and (iii) Unicorn's actual versus budgeted financial performances in the past years.

20 Inventories

Inventories in the consolidated statement of financial position comprise:

	2022 HK\$ million	2021 HK\$ million
Finished goods	131	134

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

	2022 HK\$ million	2021 HK\$ million
Carrying amount of inventories sold	964	938
Write-down of inventories	–	4
	964	942

21 Trade and other receivables

	2022 HK\$ million	2021 HK\$ million
Trade debtors	21	16
Deposits, prepayments and other receivables	24	40
	45	56

At 31 December 2022, all of the trade and other receivables were expected to be recovered or recognised as expense within one year, except for various deposits of HK\$12 million (2021: HK\$10 million) which were expected to be recovered after more than one year.

(a) Ageing analysis

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

	2022 HK\$ million	2021 HK\$ million
Current or under 1 month overdue	21	16

(b) Trade debtors that are not impaired

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

	2022 HK\$ million	2021 HK\$ million
Neither past due nor impaired	21	16

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

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22 Cash and bank balances

	2022 HK\$ million	2021 HK\$ million
Deposits with banks	100	238
Cash at bank and in hand	160	122
Cash and bank balances in the consolidated statement of financial position and cash and cash equivalents in the consolidated cash flow statement	260	360

23 Trade and other payables

	2022 HK\$ million	2021 HK\$ million
Trade creditors	311	311
Contract liabilities (note)	17	18
Accrued expenses and other payables	94	105
Deposits received	8	8
	430	442

Note: During the year ended 31 December 2022, HK\$14 million (2021: HK\$9 million) that was included in the contract liabilities balance at the beginning of the year was recognised as revenue. Most of the contract liabilities at 31 December 2022 and 31 December 2021 were expected to be recognised within one year.

At 31 December 2022, all of the trade and other payables were interest-free and repayable within one year or on demand except for an amount of HK\$1 million (2021: HK\$2 million) which was expected to be settled after more than one year.

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

	2022 HK\$ million	2021 HK\$ million
Due within 1 month or on demand	261	261
Due after 1 month but within 3 months	50	50
	311	311

24 Lease liabilities

	2022 HK\$ million	2021 HK\$ million
At 1 January	502	674
Addition for the year (note 16)	495	129
Change in basic rent due to modification of certain lease terms (note 16)	–	(47)
Reassessment of lease term (note 16)	–	(2)
Lease payments made during the year	(276)	(278)
Reclassification of rental deposits paid from trade and other receivables	(17)	–
Finance costs on lease liabilities for the year (note 8(c))	41	26
At 31 December	745	502

	2022 HK\$ million	2021 HK\$ million
Represented by:		
Amount classified under current liabilities		
– contractual maturity within 1 year	228	213
Amount classified under non-current liabilities		
– contractual maturity after 1 year and within 2 years	111	171
– contractual maturity after 2 years and within 5 years	257	118
– contractual maturity after 5 years	149	–
	517	289
Total carrying amount of lease liabilities	745	502

Finance cost is determined and recognised on the basis of the Group's estimated incremental borrowing rate of 4.8% per annum on the carrying balance of the lease liability of each Remaining Lease (see note 16) at initial recognition, adjusted for lease modification/reassessment of the lease term for certain leases, and after deducting the lease payments made for such Remaining Lease during the year ended 31 December 2022 and the corresponding year ended 31 December 2021. The Directors considered the Group's estimated incremental borrowing rate, as referred to above, to be appropriate in view of the market environment and economic conditions under which each Remaining Lease operates.

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

Included in lease liabilities at 31 December 2022 is an amount of HK\$179 million (2021: HK\$343 million) relating to the lease liabilities payable to affiliates.

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25 Amounts due to affiliates

	2022 HK\$ million	2021 HK\$ million
Amounts due to fellow subsidiaries	2	3

At 31 December 2022, all of the amounts due to fellow subsidiaries were unsecured, interest-free and repayable within one year or on demand.

26 Deferred tax assets and liabilities

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

Deferred taxation arising from:	Difference between depreciation on fixed assets and the related depreciation allowances HK\$ million	Tax loss HK\$ million	Fair value adjustment on business combination (note 17) HK\$ million	Recognition of right-of-use assets and lease liabilities under HKFRS 16 HK\$ million	Total HK\$ million
At 1 January 2021	(1)	(15)	7	(10)	(19)
Charged/(credited) to profit or loss (note 11(a))	1	(8)	–	3	(4)
At 31 December 2021	–	(23)	7	(7)	(23)
At 1 January 2022	–	(23)	7	(7)	(23)
(Credited)/charged to profit or loss (note 11(a))	–	(13)	–	4	(9)
At 31 December 2022	–	(36)	7	(3)	(32)

26 Deferred tax assets and liabilities (continued)

	2022 HK\$ million	2021 HK\$ million
Net deferred tax assets recognised in the consolidated statement of financial position	(39)	(30)
Net deferred tax liabilities recognised in the consolidated statement of financial position	7	7
	(32)	(23)

27 Employee retirement benefits

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

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

The Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 was enacted in June 2022 which abolishes the use of the accrued benefits of employers' mandatory contributions under the MPFO and/or ORSO to offset severance payment and long service payment (the "Offsetting Arrangement"). The abolishment of the Offsetting Arrangement would increase the state benefits that affect the long service payment payable by the employer. In accordance with the requirement of HKAS19 *Employee benefits*, management has re-measured the provision for long service payment to reflect the financial impact of the abolishment of the Offsetting Arrangement. As a result, a provision for long service payment in the amount of HK\$6 million has been recognised at 31 December 2022 (2021: HK\$2 million) which is included in accrued expenses and other payables in note 23 "Trade and other payables" to the Group's consolidated financial statements for the year ended 31 December 2022.

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28 Financial instruments by category

The Group held the following financial instruments at 31 December 2022 and 31 December 2021.

	2022 HK\$ million	2021 HK\$ million
Financial assets		
Financial assets at amortised cost		
Trade and other receivables (excluding prepayments)	36	48
Cash and bank balances	260	360
Financial assets at fair value through other comprehensive income		
Investments in listed securities	19	48
Financial assets at fair value through profit or loss		
Investment in listed securities	20	–
	335	456
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables (excluding contract liabilities and provision for reinstatement costs) (note 4(b))	413	421
Lease liabilities (notes 4(b) and 24)	745	502
Amounts due to fellow subsidiaries (notes 4(b) and 25)	2	3
	1,160	926

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

(a) Statement of financial position

	2022 HK\$ million	2021 HK\$ million
Non-current asset		
Investments in subsidiaries	351	351
Current asset		
Amounts due from affiliates	1,801	1,754
Current liabilities		
Trade and other payables	2	2
Amounts due to affiliates	806	763
	808	765
Net current assets	993	989
NET ASSETS	1,344	1,340
CAPITAL AND RESERVES		
Share capital	612	612
Reserve	732	728
TOTAL EQUITY	1,344	1,340

The statement of financial position of the Company was approved by the Board of Directors on 21 March 2023 and was signed on its behalf.

Dr Lee Ka Shing

Dr Lee Ka Kit

Directors

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

(b) Movement in reserve

	Retained profits HK\$ million
At 1 January 2021	754
Movement in reserve for 2021:	
Profit for the year	34
Final dividend approved and paid in respect of the previous financial year (note 13(b))	(30)
Interim dividend declared and paid in respect of the current financial year (note 13(a))	(30)
At 31 December 2021	728
At 1 January 2022	728
Movement in reserve for 2022:	
Profit for the year	64
Final dividend approved and paid in respect of the previous financial year (note 13(b))	(30)
Interim dividend declared and paid in respect of the current financial year (note 13(a))	(30)
At 31 December 2022	732

(c) Share capital

	The Group and the Company			
	Number of shares		Amount	
	2022 million	2021 million	2022 HK\$ million	2021 HK\$ million
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	3,047	3,047	612	612

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

(d) Distributability of reserve

At 31 December 2022, the aggregate amount of reserve available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the Hong Kong Companies Ordinance (Cap. 622), was HK\$732 million (2021: HK\$728 million). As stated in note 13(a), after the end of the reporting period, the Directors proposed a final dividend of HK1 cent (2021: HK1 cent) per share, amounting to HK\$30 million (2021: HK\$30 million). This dividend has not been recognised as a liability at the end of the reporting period.

30 Capital management

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

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

The Group monitors its capital structure on the basis of gearing ratio, which is one of the most commonly adopted measurement standards for capital management by companies engaged in business operations such as the department stores and supermarket-cum-stores operations. Gearing ratio is calculated based on the net bank borrowings and shareholders' funds of the Group at the end of the reporting period. At 31 December 2022, the Group maintained net cash and bank balances (after deducting the Group's total bank borrowings of HK\$Nil (2021: HK\$Nil) and excluding the Group's lease liabilities recognised under HKFRS 16, *Leases* of HK\$745 million at 31 December 2022 (2021: HK\$502 million) (note 24)) of HK\$260 million (2021: HK\$360 million) (note 22), and therefore the Group's gearing ratio was Nil (2021: Nil).

The Group was not subject to externally imposed capital requirements during the years ended 31 December 2022 and 31 December 2021, and at 31 December 2022 and 31 December 2021.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2022

31 Capital commitments

At 31 December 2022, the Group had capital commitments in relation to fixed assets contracted but not provided for in these consolidated financial statements in the amount of HK\$13 million (2021: HK\$14 million).

32 Contingent liabilities

At 31 December 2022 and 31 December 2021, the Group did not have any contingent liabilities.

33 Material related party transactions

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

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

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

	2022 HK\$ million	2021 HK\$ million
Cash rental paid and payable (note (ii))	243	231
Cleaning expenses	7	7
Car park expenses	1	1
Management fee income	3	3
Gift certificates sold	2	2
Sales of rapid test kits, masks and others	2	–

During the year ended 31 December 2022, the addition to right-of-use assets (see note 16) included an amount of HK\$3 million (2021: HK\$78 million) in relation to tenancy leases entered into with fellow subsidiaries.

33 Material related party transactions (continued)

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

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

	2022 HK\$ million	2021 HK\$ million
Cash rental paid and payable (note (iii))	–	4
Reinstatement costs paid	–	2

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

Note (ii) : Including management fees, air-conditioning charges and rates in the aggregate amount of HK\$66 million for the year ended 31 December 2022 (2021: HK\$61 million).

Note (iii): Including management fees, air-conditioning charges and rates in the aggregate amount of HK\$Nil for the year ended 31 December 2022 (2021: HK\$2 million).

Furthermore, at 31 December 2022, an intermediate holding company of the Company had issued a corporate guarantee in favour of a bank in relation to a banking facility granted by such bank to a direct wholly-owned subsidiary of the Company, a fellow subsidiary of the Group and a related company of the Group for an aggregate amount of up to HK\$1,000 million (2021: HK\$1,000 million), the maximum sub-limit of which available to the Group amounted to HK\$500 million (2021: HK\$500 million).

At 31 December 2022 and 31 December 2021, under a banking facility granted to an intermediate holding company of the Company, a bank had issued a letter of guarantee to a landlord in lieu of rental deposit in the amount of HK\$3 million in connection with a store operated by an indirect wholly-owned subsidiary of the Company.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2022

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

	Interim dividend for the current financial year payable (note 13(a)) HK\$ million	Final dividend for the previous financial year payable (note 13(b)) HK\$ million	Lease liabilities (note 24) HK\$ million	Total HK\$ million
At 1 January 2021	–	–	674	674
Recognition during the year, net	30	30	80	140
Payments	(30)	(30)	(278)	(338)
Finance costs (note 8(c))	–	–	26	26
At 31 December 2021	–	–	502	502
At 1 January 2022	–	–	502	502
Recognition during the year, net	30	30	478	538
Payments	(30)	(30)	(276)	(336)
Finance costs (note 8(c))	–	–	41	41
At 31 December 2022	–	–	745	745

35 Non-adjusting event after the reporting period

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

36 Parent and ultimate controlling party

At 31 December 2022, the Directors considered that the Company’s parent and ultimate controlling party are Kingslee S.A. (a private limited liability company incorporated in the Republic of Panama) and Henderson Development Limited (a private limited liability company incorporated in Hong Kong), respectively. These entities do not produce financial statements available for public use.

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

Principal Subsidiaries

At 31 December 2022

Set out below are the particulars of the principal subsidiaries of the Company at 31 December 2022 which, in the opinion of the Directors, materially affected the results, assets or liabilities of the Group. All the principal subsidiaries are incorporated and operate in Hong Kong unless otherwise stated. None of the principal subsidiaries had debt securities in issue at the end of the reporting period.

	Particulars of issued share capital	Percentage of shares held by the Company	
	HK\$ (unless otherwise stated)	Directly	Indirectly
A Department stores, supermarket-cum-stores and central warehouse operations			
Citistore (Hong Kong) Limited	1	–	100
Unicorn Stores (HK) Limited	35,000,000	–	100
Newmarket Sourcing Company Limited	1	–	100
B Finance			
Henderson Investment Finance Limited	100,000	100	–
St. Helena Holdings Co. Limited (incorporated and operates in the British Virgin Islands)	US\$3	100	–
C Investment holding			
Uniland Development Limited	2	100	–

Corporate Information

Board of Directors

Executive Directors

Dr Lee Ka Shing (*Chairman and Managing Director*)

Dr Lee Ka Kit (*Vice Chairman*)

Dr Lam Ko Yin, Colin (*Vice Chairman*)

Li Ning

Independent Non-executive Directors

Kwong Che Keung, Gordon

Professor Ko Ping Keung

Wu King Cheong

Au Siu Kee, Alexander

Audit Committee

Kwong Che Keung, Gordon*

Professor Ko Ping Keung

Wu King Cheong

Au Siu Kee, Alexander

Remuneration Committee

Wu King Cheong*

Dr Lee Ka Shing

Dr Lam Ko Yin, Colin

Kwong Che Keung, Gordon

Professor Ko Ping Keung

Nomination Committee

Dr Lee Ka Shing*

Dr Lam Ko Yin, Colin

Kwong Che Keung, Gordon

Professor Ko Ping Keung

Wu King Cheong

Corporate Governance Committee

Kwong Che Keung, Gordon*

Au Siu Kee, Alexander

Whistleblowing Committee

Dr Lam Ko Yin, Colin*

Professor Ko Ping Keung

Wu King Cheong

* *Committee Chairman*

Company Secretary

Liu Cheung Yuen, Timon

Registered Office

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Share Registrar

Tricor Standard Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

Share Listing

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

Shares are also traded in the United States through an American Depositary Receipt Level 1 Programme

(Ticker Symbol: HDVTY)

CUSIP Reference Number: 425070109)

Authorised Representatives

Dr Lam Ko Yin, Colin

Liu Cheung Yuen, Timon

Auditor

PricewaterhouseCoopers

Certified Public Accountants

Registered Public Interest Entity Auditor

Solicitors

Woo Kwan Lee & Lo

Lo & Lo

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

Hang Seng Bank Limited

Bank of China (Hong Kong) Limited



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

