

# 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 2023.

## 1 Commitment to Corporate Governance

The Company acknowledges the importance of good corporate governance practices and procedures and regards a preeminent 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 2023, the Company complied with the applicable code provisions set out in the Corporate Governance Code (the “CG Code”) as stated in Appendix C1 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 the 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 details of the Company’s corporate culture, business model and strategies are set out on pages 10 and 11 of this Annual Report.

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.

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:

| 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 89 to 92 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.

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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 2023, 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.

### (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.

## Corporate Governance Report

### (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 2023, the Board held five meetings to approve interim/final results announcements and interim/annual reports, to determine the level of dividends, to set target for achieving gender diversity of the Board, to approve a major transaction, discloseable transactions and continuing connected transactions in relation to a new leasing and licensing framework agreement and other continuing connected transactions, 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. The Company was not aware of any case of breach of conflict of interest by the Directors during the year.

### (f) Board Performance

Board performance evaluation had been conducted for year 2023. Based on the performance evaluation conducted, the Directors are satisfied with the performance of the Board and acknowledged that the Board plays an effective role in the development and determination of the Group's corporate culture, strategic direction and overall business objectives. It is intended to carry out such board performance evaluation once every two years.

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

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

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

### (h) Directors' Time Commitment and 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 89 to 92 of this Annual Report.

During the year, presentations for the Board on artificial intelligence tools and tax update, and in-house briefings 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, and recognises that the overall responsibility for risk management lies with the Board. In order to reinforce awareness of our Directors on preventing corruption and their knowledge on risk management, we regularly provide anti-corruption and risk management training for all Directors which include legal and regulatory updates as well as anti-corruption and risk management training materials made by the Independent Commission Against Corruption.

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According to the training records provided by the Directors to the Company, they participated in continuous professional development in 2023 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 selecting auditors, market and regulatory updates, anti-corruption, risk management, artificial intelligence tools and tax update, etc. During the year, the training undertaken by each Director are summarised as follows:

|   | Attending Seminars,<br>Talks and Briefings | Reading Legal and<br>Regulatory Updates and<br>other Reference Materials |
|---|--|--|
| <b>Executive Directors</b>                                |  |  |
| Dr Lee Ka Shing ( <i>Chairman and Managing Director</i> ) | ✓  | ✓  |
| Dr Lee Ka Kit   | ✓  | ✓  |
| Dr Lam Ko Yin, Colin                                      | ✓  | ✓  |
| Li Ning   | ✓  | ✓  |
| <b>Independent Non-executive Directors</b>                |  |  |
| 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, and Mr Au also possesses enterprise risk management expertise. 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 with the management and the auditors. Its responsibilities performed relate to the following areas:

(i) *Financial Reporting*

In respect of the financial year ended 31 December 2023, 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.

(ii) *External Auditor*

The Committee considered and approved the appointment of external auditor after having reviewed the terms of engagement, the level of remuneration in relation to audit and non-audit services 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.



## Corporate Governance Report

### (b) Remuneration Committee

The Remuneration Committee which was established in January 2005 comprises:

| Executive Directors                     | Independent Non-executive Directors  |
|---|--|
| Dr Lee Ka Shing<br>Dr Lam Ko Yin, Colin | Wu King Cheong ( <i>Chairman</i> )<br>Kwong Che Keung, Gordon<br>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 2023, the Remuneration Committee held a meeting to review the salary structure of the employees of the Company and the level of salary increment for 2024 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 D2 of the Listing Rules are set out in note 9 to the financial statements on pages 130 to 132 while the analysis of the senior management's emoluments by band is set out in note 10 to the financial statements on page 132. 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> )<br>Dr Lam Ko Yin, Colin | Kwong Che Keung, Gordon<br>Professor Ko Ping Keung<br>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 2023. 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, and reviewing the structure and gender diversity of the Board. It also considered minor revision to the Board Diversity Policy and reviewed the Nomination Policy, and was satisfied that the said policies were appropriate and effective, and had been properly implemented.

Professor Ko Ping Keung and Mr Wu King Cheong (collectively, the "Retiring INEDs"), who shall retire at the forthcoming AGM, have been serving as Independent Non-executive Directors of the Company for more than nine years. In considering the nomination of the Retiring INEDs for re-election, the Nomination Committee has reviewed their overall contribution and service with regard to a number of factors, including the principles set out in the Nomination Policy and the Board Diversity Policy. The factors considered by the Committee are more specifically set out in the circular to shareholders accompanying this Annual Report.

Based on the recommendation of the Nomination Committee and the Retiring INEDs' past performance and contribution, the Board considered that the Retiring INEDs are eligible for re-election.

### (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.

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During the year, the Corporate Governance Committee held a meeting to formulate the work plan for the 2023 Corporate Governance Report; review the training and continuous professional development of the Directors and senior management, the Shareholders' Communication Policy and the mechanisms for ensuring independent elements on the Board; consider the revision to certain existing Group policies; and receive and accept the Audit Department's review report on the Group's compliance with the adopted policies, practices and codes of conduct as well as the applicable legal and regulatory requirements.

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                       | Independent Non-executive Directors       |
|--|---|
| Dr Lam Ko Yin, Colin ( <i>Chairman</i> ) | Professor Ko Ping Keung<br>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 General Meetings**

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, the AGM and the Extraordinary General Meeting (“EGM”) during the year ended 31 December 2023 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 | EGM              |
| <b>Executive Directors</b>                          |   |                 |                        |                      |                                |     |                  |
| Dr Lee Ka Shing<br>(Chairman and Managing Director) | 4/4 <sup>1</sup>                              | N/A             | 1/1                    | 2/2                  | N/A                            | 1/1 | N/A <sup>2</sup> |
| Dr Lee Ka Kit                                       | 4/4 <sup>1</sup>                              | N/A             | N/A                    | N/A                  | N/A                            | 1/1 | N/A <sup>2</sup> |
| Dr Lam Ko Yin, Colin                                | 5/5   | N/A             | 1/1                    | 2/2                  | N/A                            | 1/1 | 1/1              |
| Li Ning   | 4/4 <sup>1</sup>                              | N/A             | N/A                    | N/A                  | N/A                            | 1/1 | N/A <sup>2</sup> |
| <b>Independent Non-executive Directors</b>          |   |                 |                        |                      |                                |     |                  |
| Kwong Che Keung, Gordon                             | 5/5   | 3/3             | 1/1                    | 2/2                  | 1/1                            | 1/1 | 1/1              |
| Professor Ko Ping Keung                             | 5/5   | 3/3             | 1/1                    | 2/2                  | N/A                            | 1/1 | 1/1              |
| Wu King Cheong                                      | 5/5   | 3/3             | 1/1                    | 2/2                  | N/A                            | 1/1 | 1/1              |
| Au Siu Kee, Alexander                               | 5/5   | 3/3             | N/A                    | N/A                  | 1/1                            | 1/1 | 1/1              |

Notes:

1. One board meeting was to consider continuing connected transactions in which Dr Lee Ka Shing, Dr Lee Ka Kit and Mr Li Ning were regarded as having a material interest that they were required to abstain from voting and not counted in the quorum. As such, the aforesaid Directors did not attend such meeting.
2. The EGM was convened to approve continuing connected transactions in which Dr Lee Ka Shing, Dr Lee Ka Kit and Mr Li Ning were regarded as having a material interest. As such, the aforesaid Directors did not attend such meeting.

## 5 Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2023, 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 94 to 98.

## 6 Auditor's Remuneration

For the year ended 31 December 2023, the Auditor of the Company agreed to receive approximately HK\$2 million for audit and audit related services (2022: HK\$2 million) and approximately HK\$1 million for non-audit services (2022: HK\$1 million) relating to interim results review, corporate and advisory services and circular related services. The remuneration of the Auditor 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 C3 to the Listing Rules as the code for dealing in securities of the Company by the Directors (the “Model Code”). Having made specific enquiry, 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, race, 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 terms of reference, the Group's overall sustainability performance and policies, and determine sustainability strategy and plan. Having regard to the latest development in ESG initiatives, the Group revised certain existing ESG policies.

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 16 to 37 of this Annual Report.

## Corporate Governance 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 Company targeted to appoint at least one female Independent Non-executive Director on the Board before 31 December 2024 to enhance gender diversity. In this regard, the Company is in the course of exploring different channels to identify suitable female candidates. The Nomination Committee is satisfied that the Board has an appropriate structure with a diversity of members in terms of knowledge, skills and experience and, especially upon appointment of a female Director within this year.

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, and seeks to achieve gender diversity across all levels of the Group. As at 31 December 2023, the proportion of female representation at the workforce of the Group (including senior management) was approximately 77%. The overall workforce gender of the Group has a higher female employee base resulting from the sales force of the department store operation.

## 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.

#### (a) Approach to Risk Management

The risk management of the Group adopts "three lines of defence" model in risk governance which defines clear responsibilities and structure in ensuring accountability and transparency in our risk management practices. This model combines a top-down strategic view with a bottom-up operational process. The Board, by the top-down approach, has oversight on the risk management process and focuses on determining the nature and extent of significant risks it is willing to take in achieving the strategic objectives of the Group.

##### *First Line of Defence*

Each department of the Group is responsible for identifying its own risks and designing, implementing, managing and monitoring the relevant risk management and internal control systems. The process involves the maintenance of risk register setting out the particulars of 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 above risk exposure review process is conducted on an annual basis.



## Corporate Governance Report

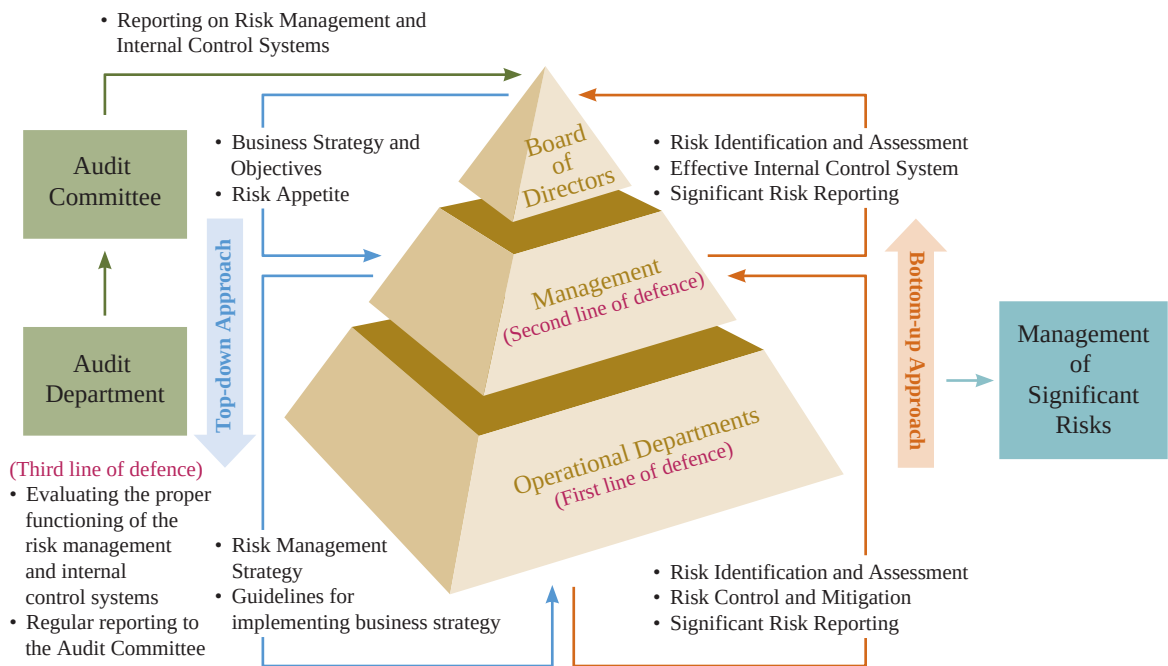
### Second Line of Defence

Departmental management and task-specific groups have the responsibility of reviewing the risk management and control systems. This includes setting control standards and monitoring departments' compliance with the set standards. 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.

### Third Line of Defence




The Audit Department performed independent audits to evaluate the adequacy and proper functioning of the risk management and internal control systems and provided the improvement suggestions, for the financial year ended 31 December 2023. 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.






(b) 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 and the respective risk movement together with the relevant internal control measures or mitigation in place is listed below:

| Significant Risks and Possible Impacts  | Risk Movement*  | Control/Mitigation Measures   |
|---|---|---|
| <p>(i) Regulatory and Compliance Risk</p> <p>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.</p>  |    | <ul style="list-style-type: none"> <li>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.</li> </ul>  |
| <p>(ii) Overstocking and Stock Obsolescence</p> <p>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.</p>  |   | <ul style="list-style-type: none"> <li>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.</li> </ul> |
| <p>(iii) Intense Competition, Changing Consumer Preferences and Demands</p> <p>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.</p> |  | <ul style="list-style-type: none"> <li>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.</li> </ul>   |

## Corporate Governance Report

| Significant Risks and Possible Impacts  | Risk Movement*  | Control/Mitigation Measures   |
|---|---|---|
| <p>(iv) Image/Reputation Risk</p> <p>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”, “Citilife” and “C Mart”, 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.</p> |    | <ul style="list-style-type: none"> <li>• 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.</li> </ul>  |
| <p>(v) Information Technology</p> <p>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”, “C Mart”, “APITA” and “UNY” stores, causing financial loss, data loss, disruption or damage.</p>   |    | <ul style="list-style-type: none"> <li>• 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.</li> </ul>   |
| <p>(vi) ESG Risk (included the extreme weather risk)</p> <p>The variables related to ESG factors can potentially affect the operational efficiency and financial performance of the Group.</p>  |  | <ul style="list-style-type: none"> <li>• 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.</li> <li>• The Group has engaged external ESG consultants to provide professional advices.</li> <li>• As regards dealing with extreme weather, the management will refer to the law and guidelines issued by the government.</li> </ul> |

| Significant Risks and Possible Impacts   | Risk Movement*                             | Control/Mitigation Measures  |
|--|--|--|
| <p>(vii)The Control Measures on Food Imported from Japan after Nuclear-contaminated Water Discharge</p> <p>The Centre for Food Safety announced that the import of aquatic products harvested, manufactured, processed or packaged in some districts in Japan has been banned to ensure food safety and protect public health.</p> | <p>New risk identified in current year</p> | <ul style="list-style-type: none"> <li>• The Group manages this risk by strengthening efforts on global sourcing of goods so as to provide alternatives to the affected goods.</li> <li>• The Group also improves the in-store product description and provides staff training so that customers are rest assured of goods safety while making purchases.</li> </ul> |

\* Risk Movement (Change from last year)

↑ : Risk level increased

↓ : Risk level decreased

→ : Risk level remained broadly the same

## 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.

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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](mailto: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](mailto: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. The Shareholders' Communication Policy includes multiple channels 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.hilhk.com](http://www.hilhk.com) where the Company's announcements and press releases, business developments and operations, financial information, corporate governance report and other information are posted.

The full text of the Shareholders' Communication Policy, which is available on the Company's website, includes 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](mailto:ir@hld.com) or directly by raising questions at general meetings.