恒基兆業發展有限公司
HENDERSON INVESTMENT LIMITED
Stock Code: 97


Annual Report 2021

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.

Contents

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 2021
Henderson Land Development Company Limited: HK$161 billion
Six listed companies of Henderson Land Group: HK$421 billion

Henderson Land Development Company Limited
Investment holding, property development and investment in Hong Kong and mainland China, project and property management, construction and provision of finance

- 33.41% — **Hong Kong Ferry (Holdings) Company Limited**
  Property development and investment
- 69.27% — **Henderson Investment Limited**
  Department store, household specialty store and supermarket operations in Hong Kong
- 41.53% — **The Hong Kong and China Gas Company Limited**
  Production and distribution of gas in Hong Kong and mainland China
  - 65.98% — **Towngas Smart Energy Company Limited (formerly known as Towngas China Company Limited)**
    Sales and distribution of piped gas in mainland China
- 50.08% — **Miramar Hotel and Investment Company, Limited**
  Hotel and serviced apartment, property rental, food and beverage, and travel

Note: All attributable interests shown above were figures as of 31 December 2021.

Chairman's Statement

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

Profit and Net Asset Value Attributable to Shareholders

The Group's profit attributable to equity shareholders for the year ended 31 December 2021 amounted to HK$34 million, representing a decrease of HK$93 million, or 73% from that of HK$127 million in the previous year. Earnings per share were HK 1.1 cents (2020: HK 4.2 cents).

The decrease in profit was mainly attributable to the non-occurrence of wage subsidies from the Hong Kong Government's "Employment Support Scheme" and rental concessions from landlords in an aggregate amount of about HK$74 million, as well as the decrease in customers' demand for food and daily necessities at the Group's supermarkets due to the easing of social distancing measures during the year under review.

At 31 December 2021, the net asset value attributable to equity shareholders amounted to HK$1,324 million or HK$0.43 per share (2020: HK$1,347 million or HK$0.44 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 Friday, 10 June 2022, 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 2021 will amount to HK 2.0 cents per share (2020: HK 2.0 cents per share).

The proposed final dividend is expected to be distributed to shareholders on Thursday, 16 June 2022.

Business Review

During the year under review, inbound tourism stalled. However, the Government rolled out a mass vaccination programme in early 2021, relaxed certain social distancing measures and subsequently launched the Consumption Voucher Scheme. Local consumption activities once again recovered. According to The Census and Statistics Department, the value of total retail sales in Hong Kong for 2021 increased by 8.1% compared with a year earlier. However, as social distancing measures were increasingly eased in the past year, residents resumed dining-out and supermarkets' sales decreased by 8.4% year-on-year for 2021.

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 five 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 under review, Citistore strategically adjusted its store network and closed down its Tai Kok Tsui store at the end of June 2021. Meanwhile, five stand-alone household specialty stores under the name of "Citilife" were opened successively, whereas a counter of "Citilife" was also set up in each Citistore's department store. "Citilife" provides diversified and affordable high-quality products ranging from cleaning supplies, stationery, kitchenware to small home appliances, to satisfy its customers' needs.

As at 31 December 2021, there were five department stores under the name of "Citistore" and five household specialty stores under the name of "Citilife" in the following densely-populated residential districts:

	Location	Total lettable area (square feet)
*Department store**		
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
Household speciality store		
Citilife's Shatin store	Shatin Plaza, New Territories	1,626
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:	**358,305**

* *Counter of "Citilife" was also set up in the store.*

Citistore, Tseung Kwan O, New Territories

Citistore recorded a year-on-year increase of 7% in the aggregate sales proceeds derived from the sales of own goods, concessionaire sales and consignment sales for the year ended 31 December 2021. The breakdown is as follows:

	For the year ended 31 December		
	2021 HK$ million	2020 HK$ million	Change
Proceeds from sales of own goods	**394**	383	+3%
Proceeds from concessionaire and consignment sales	**1,222**	1,132	+8%
Total:	**1,616**	1,515	+7%

Sales of Own Goods

During the year under review, Citistore's sales of own goods increased by 3% to HK$394 million with a stable gross margin of 31% (2020: 31%) despite growing competition in the market.

	For the year ended 31 December	
	2021 HK$ million	2020 HK$ million
Sales of own goods	**394**	383
Gross profit (after netting the cost of inventories sold)	**122**	120
Gross margin	**31%**	31%

Concessionaire and Consignment Sales

Citistore's concessionaire sales are conducted by concessionaires operating from their own shop spaces within Citistore's stores under licence agreements, whilst consignment sales comprise the sales of consignors' products on consignment basis in designated shelves or areas. Citistore charges these concessionaire and consignment counters on the basis of revenue sharing or basic commission (if any), whichever is higher, as its commission income. During the year under review, the total commission income derived from these concessionaire and consignment counters increased by 2% year-on-year to HK$350 million, reflecting the increase in the sales proceeds generated by both counters as shown below:

	For the year ended 31 December	
	2021 HK$ million	2020 HK$ million
Sales proceeds from concessionaire counters	**369**	347
Sales proceeds from consignment counters	**853**	785
Total:	**1,222**	1,132
Commission income from concessionaire and consignment counters	**350**	342

Citistore's Profit Contribution

Despite the increase in gross profit of HK$2 million from the sales of own goods, as well as the increase in commission income from concessionaire and consignment counters in the aggregate amount of HK$8 million, Citistore's profit after taxation for the year under review decreased by HK$21 million or 22% year-on-year to HK$73 million. The decrease in profit was mainly attributable to the non-occurrence of wage subsidies from the Government's "Employment Support Scheme" and rental concessions (net of taxation) from landlords in an aggregate amount of about HK$51 million as recorded in the previous year.

(II) Unicorn

In November 2021, a new "UNY" Japanese supermarket was opened in MCP Central, Tseung Kwan O, offering customers quality and seasonal specialties from Japan. Given the growing popularity of Korean produce and food products in Hong Kong, a "K-Food Town" area was also set up in this supermarket for promoting famous Korean delicatessens and gourmet brands.

Unicorn, Tseung Kwan O, New Territories

A new online shop, as well as a new customer relationship management programme (namely, "CU APP"), were launched for Unicorn in the same month of November 2021. By fully integrating both online and offline operations, better and more individualised merchandise and services have been provided to customers. Meanwhile, a new point-of-sale (POS) system with self-checkout kiosks was fully implemented in its stores, providing greater convenience to customers and shortening the payment process.

As at 31 December 2021, there are two department stores-cum-supermarkets and two supermarkets in the following densely-populated residential districts:

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

From March 2021 onwards, certain social distancing measures were relaxed gradually by the authorities amid the receding local epidemic which resulted in a decrease in purchasing of food and daily necessities at supermarkets. As such, the same store sales of Unicorn's two department stores-cum-supermarkets (namely, APITA and UNY Lok Fu) recorded a year-on-year decrease of 13%. Including the additional contributions from UNY Yuen Long and UNY Tseung Kwan O, which were opened in June 2020 and November 2021 respectively, Unicorn still recorded a year-on-year decrease of 5% in total proceeds derived from the sales of own goods and consignment sales for the year ended 31 December 2021. The breakdown is as follows:

	For the year ended 31 December		
	2021 **HK$ million**	2020 HK$ million	Change
Proceeds from sales of own goods	**939**	1,021	-8%
Proceeds from consignment sales	**343**	326	+5%
Total:	**1,282**	1,347	-5%

Sales of Own Goods

	For the year ended 31 December	
	2021 **HK$ million**	2020 HK$ million
Sales of own goods	**939**	1,021
Gross profit (after netting the cost of inventories sold)	**269**	311
Gross margin	**29%**	30%

Consignment Sales

	For the year ended 31 December	
	2021 **HK$ million**	2020 HK$ million
Sales proceeds from consignment counters	**343**	326
Commission income from consignment counters and administration fee income	**80**	76

Unicorn's Profit Contribution

Due to the drop in demand for supermarket products as explained, and the increase in operating costs caused by the opening of UNY Yuen Long and UNY Tseung Kwan O, Unicorn recorded a loss after taxation of HK$34 million for the year ended 31 December 2021. Whereas, a profit after taxation of HK$33 million was recorded for the previous year and included therein was Unicorn's receipt of wage subsidies of HK$22 million from the Government's "Employment Support Scheme".

The after-tax profit contribution from Citistore and Unicorn amounted to HK$39 million in aggregate for the year ended 31 December 2021. After taking into account the interest income, dividend income and overhead expenses of its head office and centralised distribution centre, the Group's profit attributable to equity shareholders during the year under review amounted to HK$34 million, representing a decrease of HK$93 million or 73% from that of HK$127 million in the previous year.

Corporate Finance

Given its strong financial position, the Group had no bank borrowings (2020: HK$Nil) and its cash and bank balances amounted to HK$360 million (2020: HK$415 million) at 31 December 2021.

Citilife, Tin Shui Wai, New Territories

Prospects

The latest wave of the local epidemic in early 2022 and the tightened anti-epidemic measures have weighed on consumption sentiment and posed renewed pressure on the retail sector. The Group will continue to monitor the situation closely and stay prudent.

Citistore will continue with its store expansion plan and a new counter of "Citilife" was already opened in UNY Lok Fu store in January 2022. Its new online shop was also launched in January 2022 so as to provide greater flexibility for its shoppers. Citistore will continue to roll out more initiatives (including implementing a new point-of-sale (POS) system) so as to offer a better shopping experience for customers.

Over the years, efforts have been made to integrate the businesses of Citistore and Unicorn, so as to enhance their operational synergies and efficiency. For instance, following the success of the launch of "CU APP" by Unicorn, Citistore's membership loyalty programme (namely, "Citi-Fun") was migrated to "CU APP" recently. With this unified membership loyalty programme, the Group can enhance the interaction with customers and promote business growth through cross promotions between different brands. Besides, a new centralised distribution centre will become fully operational in the first half of 2022. This 58,500-square-foot centre will integrate the warehouse and logistic functions for both Citistore and Unicorn. With its strengthened sourcing collaboration, the Group's overall competitiveness and cost efficiency is set to be further improved.

Appreciation

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

Dr Lee Ka Shing
Chairman

Hong Kong, 22 March 2022

Business Model and Strategic Direction

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

Business Model

Strong brand

The retailing operation comprises 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. During the year, the Group also opened five new 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 achieves stable income and improvements in profitability.

Strategic Direction

Strategic location

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

Effective merchandising strategy

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

Diversified products and competitive prices

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

Financial Review

The following discussions should be read in conjunction with the Company's audited consolidated financial statements for the year ended 31 December 2021.

Material acquisitions and disposals

The Group did not undertake any significant acquisition or disposal of assets or subsidiaries during the year ended 31 December 2021.

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 2021 as compared with the corresponding year ended 31 December 2020:

	Note	**Year ended 31 December** **2021** **HK$ million**	2020 HK$ million	*Increase/ (Decrease) HK$ million*	*Increase/ (Decrease) %*
Revenue					
– Sales of goods		**394**	383	*11*	*+3%*
– Commission income derived from consignment and concessionaire counters		**350**	342	*8*	*+2%*
– Promotion income		**7**	7	–	–
	(i)	**751**	732	*19*	*+3%*
Direct costs					
– Cost of inventories sold		**(272)**	(263)	*(9)*	*+3%*
– Rental and related expenses	(ii)	**(59)**	(32)	*(27)*	*+84%*
– Depreciation charge on right-of-use assets	(ii)	**(105)**	(124)	*19*	*-15%*
– Others		**(156)**	(160)	*4*	*-3%*
		(592)	(579)	*(13)*	*+2%*
Other income	(iii)	**7**	40	*(33)*	*-83%*
Other expenses		**(63)**	(63)	–	–
Profit from operations		**103**	130	*(27)*	*-21%*
Finance costs on lease liabilities	(ii)	**(15)**	(23)	*8*	*-35%*
Profit before taxation		**88**	107	*(19)*	*-18%*
Income tax charge		**(15)**	(13)	*(2)*	*+15%*
Profit after taxation attributable to equity shareholders of the Company	(iv)	**73**	94	*(21)*	*-22%*

Notes:

(i) *The year-on-year increase in revenue of HK$19 million, or 3%, is mainly attributable to the increase in revenue contribution from the sales of own goods and commission income from consignment counters, which in turn is due to the following :*

- *the year-on-year decrease of an aggregate of 2,256 shortened operating business hours of Citistore's store outlets during the year ended 31 December 2021 because of the easing of social distancing measures under the COVID-19 pandemic when compared with the corresponding year ended 31 December 2020;*
- *the revenue contribution of HK$15 million (2020: Nil) from the five Citilife store outlets which commenced operations during the year ended 31 December 2021;*
- *the recovery of the retail sector sentiment in Hong Kong; and*
- *the impact of the "Consumption Voucher Programme" launched by HKSAR Government in the second half of 2021.*

(ii) *Under HKFRS 16 "Leases", the "practical expedient" is applicable to the short-term leases of a reporting entity whose expiry dates are within one year from the date of initial adoption of HKFRS 16 or lease commencement.*

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

- *right-of-use assets in the statement of financial position measured at their carrying amounts (as if HKFRS 16 had been applied since the commencement date of the tenancy lease). Accordingly, Citistore (including Citilife) recognised the related depreciation charge on right-of-use assets in the aggregate amount of HK$111 million (2020: HK$129 million), which comprised amounts of HK$105 million (2020: HK$124 million) classified under "Direct costs" and HK$6 million (2020: HK$5 million) classified under "Other expenses", in the statement of profit or loss for the year ended 31 December 2021; 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$15 million (2020: HK$23 million) in the statement of profit or loss for the year ended 31 December 2021.*

Based on the above, for the purpose of comparison between the two financial years ended 31 December 2021 and 31 December 2020, the rental and related expenses of HK$61 million (2020: HK$34 million) which comprised HK$59 million (2020: HK$32 million) classified under "Direct costs" and HK$2 million (2020: HK$2 million) classified under "Other expenses", the depreciation charge on right-of-use assets of HK$111 million (2020: HK$129 million) (see above) and the finance cost on lease liabilities of HK$15 million (2020: HK$23 million) (see above) are aggregated which amounted to HK$187 million for the year ended 31 December 2021 (2020: HK$186 million).

The abovementioned year-on-year increase of HK$1 million for the year ended 31 December 2021 is mainly attributable to (i) the increase in rental expenditures of the five Citilife store outlets which commenced business operations during the year; and (ii) the non-recurrence during the year of rent concessions granted to Citistore from the landlords of the store outlets in the aggregate amount of HK$23 million (before tax) during the corresponding year ended 31 December 2020, which are netted off against the savings in rental expenditure of the Tai Kok Tsui store which was closed down on 30 June 2021.

(iii) *Included in other income for the corresponding year ended 31 December 2020 was an amount of HK$32 million which represented the subsidy from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by HKSAR Government ("ESS Subsidy") and which was received by Citistore from HKSAR Government. Such ESS Subsidy income did not recur for Citistore for the year ended 31 December 2021.*

(iv) *Profit after taxation attributable to equity shareholders of the Company for the corresponding year ended 31 December 2020 included rent concessions granted to Citistore from the landlords of the store outlets in the aggregate amount of HK$19 million (after tax) during that year.*

Unicorn Stores (HK) Limited ("Unicorn")

The Group recognised the following financial performance of Unicorn for the year ended 31 December 2021 as compared with the corresponding year ended 31 December 2020:

	Note	Year ended 31 December **2021** **HK$ million**	 2020 HK$ million	*Increase/* *(Decrease)* *HK$ million*	*Increase/* *(Decrease)* *%*
Revenue					
– Sales of goods		**939**	1,021	*(82)*	*-8%*
– Commission income derived from consignment counters		**74**	70	*4*	*+6%*
– Administration fee income		**6**	6	–	–
	(v)	**1,019**	1,097	*(78)*	*-7%*
Direct costs					
– Cost of inventories sold		**(670)**	(710)	*40*	*-6%*
– Rental and related expenses	(vi)	**(47)**	(38)	*(9)*	*+24%*
– Depreciation charge on right-of-use assets	(vi)	**(105)**	(96)	*(9)*	*+9%*
– Others		**(168)**	(158)	*(10)*	*+6%*
		(990)	(1,002)	*12*	*-1%*
Other income	(vii)	**4**	26	*(22)*	*-85%*
Other expenses		**(63)**	(73)	*10*	*-14%*
(Loss)/Profit from operations		**(30)**	48	*(78)*	*-163%*
Finance costs on lease liabilities	(vi)	**(11)**	(13)	*2*	*-15%*
(Loss)/Profit before taxation		**(41)**	35	*(76)*	*-217%*
Income tax credit/(charge)		**7**	(2)	*9*	*-450%*
(Loss)/Profit after taxation attributable to equity shareholders of the Company		**(34)**	33	*(67)*	*-203%*

Notes:

(v) The year-on-year decrease in revenue of HK$78 million, or 7%, is mainly attributable to the decrease in revenue contribution from the sales of own goods, which in turn is due to the decrease in customers' demand for food and daily necessities at the supermarkets operating under Unicorn during the year ended 31 December 2021 because of the easing of social distancing measures under the COVID-19 pandemic when compared with the corresponding year ended 31 December 2020.

(vi) 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$107 million (2020: HK$99 million), which comprised amounts of HK$105 million (2020: HK$96 million) classified under "Direct costs" and HK$2 million (2020: HK$3 million) classified under "Other expenses", in the statement of profit or loss for the year ended 31 December 2021; 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$11 million (2020: HK$13 million) in the statement of profit or loss for the year ended 31 December 2021.*

Based on the above, for the purpose of comparison between the two financial years ended 31 December 2021 and 31 December 2020, the rental and related expenses of HK$48 million (2020: HK$40 million) which comprised HK$47 million (2020: HK$38 million) classified under "Direct costs" and HK$1 million (2020: HK$2 million) classified under "Other expenses", the depreciation charge on right-of-use assets of HK$107 million (2020: HK$99 million) (see above) and the finance cost on lease liabilities of HK$11 million (2020: HK$13 million) (see above) are aggregated which amounted to HK$166 million for the year ended 31 December 2021 (2020: HK$152 million). The year-on-year increase of HK$14 million is mainly attributable to (i) the financial effects of the UNY supermarket store at Yuen Long (which was opened in June 2020) for the whole year ended 31 December 2021 as compared with its financial effects for only part of the corresponding year ended 31 December 2020; and (ii) the additional charges generated from the commencement of the tenancy lease in August 2021 of the new UNY supermarket store at Tseung Kwan O.

(vii) Included in other income for the corresponding year ended 31 December 2020 were the ESS Subsidy of HK$22 million and other COVID-19 related subsidy of HK$1 million received by Unicorn from HKSAR Government. Such ESS Subsidy income did not recur for Unicorn for the year ended 31 December 2021.

(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 of the Group, the Group recorded total profit after tax attributable to equity shareholders in the amount of HK$34 million for the year ended 31 December 2021 (2020: HK$127 million), representing a year-on-year decrease of HK$93 million, or 73%.

Excluding the effects of (i) the ESS Subsidy and other COVID-19 related subsidy income from HKSAR Government for Citistore and Unicorn in the aggregate amount of HK$55 million; and (ii) the rent concessions granted to Citistore by the landlords of the store outlets in the amount of HK$19 million (after tax), both during the corresponding year ended 31 December 2020 as referred to above, the performances of the Group's total profit after tax attributable to equity shareholders for the years ended 31 December 2021 and 31 December 2020 are as follows :

	Year ended 31 December			
	2021 HK$ million	2020 HK$ million	*Decrease HK$ million*	*%*
Total profit after tax attributable to equity shareholders				
– as reported above	**34**	127	*(93)*	*-73%*
Less:				
ESS Subsidy and other COVID-19 related subsidy income from HKSAR Government	**–**	(55)	*55*	
Rent concessions granted to Citistore (after tax)	**–**	(19)	*19*	
Total profit after tax attributable to equity shareholders (2020: as adjusted)	**34**	53	*(19)*	*-36%*

Finance costs on bank borrowing

During the year ended 31 December 2021 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 (2020: Nil).

Financial resources, liquidity and loan maturity profile

At 31 December 2021, the Group did not have any bank borrowing (2020: Nil).

At 31 December 2021, the Group had cash and bank balances of HK$360 million (2020: HK$415 million). Excluding the Group's lease liabilities recognised under HKFRS 16 of HK$502 million at 31 December 2021 (2020: HK$674 million), the Group had net cash and bank balances of HK$360 million at 31 December 2021 (2020: HK$415 million). The decrease of HK$55 million (or 13%) in the Group's cash and bank balances during the year ended 31 December 2021 is mainly attributable to the cash outflow on the Group's acquisition of fixed assets in the aggregate amount of HK$48 million during the year, due to the opening of the five Citilife store outlets, the UNY supermarket store at Tseung Kwan O and the central warehouse during the year.

For the year ended 31 December 2021, the Group's profit from operations (including bank interest income but excluding finance costs) before taxation amounted to HK$67 million (2020: HK$178 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 (2020: Nil), there was no interest cover for the Group for the year ended 31 December 2021 (2020: None).

Based on the Group's net cash and bank balances of HK$360 million at 31 December 2021, 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 2021 and 31 December 2020, 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 2021 and 31 December 2020.

Charge on assets

Assets of the Group were not charged to any parties at 31 December 2021 and 31 December 2020.

Capital commitments

At 31 December 2021, the Group had capital commitments in relation to fixed assets contracted but not provided for in the amount of HK$14 million (2020: HK$15 million).

Contingent liabilities

At 31 December 2021 and 31 December 2020, the Group did not have any contingent liabilities.

Employees and remuneration policy

At 31 December 2021, the Group had 1,134 (2020: 1,118) full-time employees and 103 (2020: 147) part-time employees. Total staff costs for the year ended 31 December 2021 amounted to HK$272 million (2020: HK$270 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

		Year ended 31 December				
	Note	2017 HK$ million	2018 HK$ million	2019 HK$ million	2020 HK$ million	2021 HK$ million
Profit for the year	1	111	97	62	127	**34**

		HK cents	HK cents	HK cents	HK cents	HK cents
Earnings per share	1	3.6	3.2	2.0	4.2	**1.1**
Dividends per share	1	4.0	4.0	3.0	2.0	**2.0**

		At 31 December				
	Note	2017 HK$ million	2018 HK$ million	2019 HK$ million	2020 HK$ million	2021 HK$ million
Fixed assets		90	92	118	110	**144**
Right-of-use assets		–	–	699	552	**413**
Goodwill		810	1,072	1,072	1,072	**1,072**
Lease liabilities		–	–	830	674	**502**
Net asset value	1	1,430	1,401	1,288	1,347	**1,324**

		HK$	HK$	HK$	HK$	HK$
Net asset value per share	1	0.47	0.46	0.42	0.44	**0.43**

Note:

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

Sustainability

1 About This Section

Reporting Standard and Scope

This annual Sustainability Report (the "Report") was prepared in accordance with the requirements of the Environmental, Social and Governance ("ESG") Reporting Guide (the "ESG Guide") set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEX"). It provides an overview of the Company's ESG management approach, governance structure as well as sustainability initiatives and performance for the period from 1 January 2021 to 31 December 2021 (the "reporting period").

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

Department Store / Household Speciality Store / Supermarket	Citistore / Citilife / APITA / UNY

For a full list of relevant ESG Aspects, respective key performance indicators ("KPIs") and their reference within this Report, please refer to the HKEX ESG Reporting Guide Content Index included on pages 32 to 35 of the Annual Report.

Stakeholder Engagement and Materiality Assessment

Our ongoing and two-way stakeholder engagement process enables us to gather views from a wide range of stakeholders with regards to our ESG efforts, performance and future strategies. Through different engagement channels, we identify risks and opportunities, balance different interests and make informed decisions.

In preparation for this Report, the Company appointed an independent consultant to conduct a comprehensive stakeholder engagement and materiality assessment following the three-step process detailed below to determine the most material ESG topics for disclosure.

STAGE 1

Identification

- Reviewed ESG disclosures of local, regional and international peers to identify common industry disclosure practices.
- Conducted an online survey with internal and external stakeholders to rank the importance of various ESG issues.

STAGE 2

Prioritisation

- Combined and analysed the results of the peer benchmarking exercise and stakeholder online survey to develop a prioritised list of ESG issues of varying materiality levels for confirmation.

STAGE 3

Validation

- The Company's senior management convened a meeting with the independent consultant to confirm a finalised list of material KPIs for disclosure.

Sustainability Governance

Board Statement

The Board is accountable overall for the Group's ESG strategies and performance. To drive our ESG agenda with Board-level oversight, a dedicated Sustainability Committee has been set up. This Committee meets at least once annually to provide strategic guidance on the Company's ESG management approach, risk management and disclosures as well as to report back to the Board on the progress of the Company's goals, initiatives and plans. At an operational level, we have established an ESG working group, comprising representatives from various departments, to coordinate the day-to-day execution of the Company's ESG strategies and implementation of associated initiatives.

Our comprehensive risk management framework combines a top-down strategic view with a bottom-up process through which significant risks are effectively identified, evaluated, and managed. While the Audit Committee oversees the Company'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 36 to 53 of the Annual Report.

2 Our COVID-19 Response

The safety of employees and customers remains our top priority. To reduce the transmission risk on our premises, various proactive measures have been implemented. Our anti-epidemic efforts have been well received, with our Tsuen Wan store being certified under the Anti-Epidemic Hygiene Measures Certification Scheme organised by the Hong Kong Quality Assurance Agency ("HKQAA"). Below are some of the highlighted hygiene measures adopted across our stores.

Temperature checking: Body temperature monitor and disinfection utilities are set up at each store entrance. All staff are required to check their temperature before work.

Masks and proper hygiene: We provide surgical masks to our staff. Customers must wear a surgical mask at all times while in our stores and hand sanitisers are provided in public areas for customers to use. We also display visible notices and make public announcements to remind patrons to maintain good personal hygiene, wear masks and maintain physical distancing. These hygiene measures help to prevent the spread of COVID-19.

Regular cleaning and disinfection: We have formulated a quick response team to track and trace any potential cases of infection. All reported COVID-19 cases are cross-checked with our staff list. Once a case is identified, we carry out thorough disinfection and cleaning of the relevant locations to ensure the health and safety of our customers. A more frequent cleaning of the overall store and equipment is also performed and we regularly disinfect frequently touched surfaces such as furniture, lifts and escalators with diluted bleach. Furthermore, we clean the air filters and ducting from time to time to maintain good ventilation and ensure the air-conditioning system is functioning well with sufficient fresh air supply.

Employee health: Since the pandemic situation is unpredictable and can change, our management reviews our related policies in a timely manner. To minimise social contact, the Annual Party was held online in July 2021. Another way to reduce contact between customers and staff is to encourage customers to use contactless payments such as credit cards during their purchases. Also, staff are encouraged to wash hands, use hand sanitiser or change gloves before switching between tasks. In line with social distancing measures, we adopt flexible working hours which enables our staff to work at non-peak periods. By replacing face-to-face meetings with online conferences, minimising the number of visitors, as well as decreasing the number of seats and placing partitions in the staff canteen, we maintain 1.5m social distancing to avoid cross-infection.

3 Engaging Our Customers and Suppliers

We work closely with our partners in our supply chain to ensure we provide the best quality of service to customers. With our objective being to achieve excellence, we continuously seek ways to improve our supply chain and the Company collects customer feedback through different channels.

Customer First

Our "Customer First" attitude underlines our commitment to providing high-quality goods and services. To better embed this spirit in our daily operations, Citistore has designed the **"Three Qs Missions"**:

Quality Services

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

Quality Merchandise

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

Quality Lifestyle

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

We clean all of our department stores extensively before and after service hours to create a comfortable and hygienic shopping environment. Moreover, our Engineering Department monitors the status of the engine room and air-conditioners three times a day to regulate indoor temperatures for ideal comfort.

We value all feedback from customers as a means of maintaining customer satisfaction levels. Our engagement with customers includes customer service hotlines, email accounts, store customer service counters and Facebook pages. Customers can easily share their views with us. Moreover, our rigorous mechanisms to address complaints allow us to grasp valuable opportunities for continuous improvement. During the reporting year, we received a total of 46 complaints from customers regarding our products or services, and all of the complaints have been followed up and recorded by the designated department. To develop trust with customers, we replied to them via email or telephone in a timely and effective manner to explain the investigation results and improvements made.

Mystery Shopper Programme

For the past two years, we have been using the 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.

In 2021, we received a total of 42 appreciative letters from customers. The acknowledgement and gratitude from them reaffirms our commitment to providing consistently high-quality service.

Product Responsibility

To offer the best customer experience, extra attention is paid to shelf arrangement and inventory management to ensure that all items are arranged in a pleasant manner. Important information such as the brand name, product description, maintenance details, expiry dates, and warnings are clearly displayed on products and alongside price tags.

We work closely with relevant Government departments as well as our suppliers and vendors. In compliance with a myriad of regulations including the Toys and Children's Products Safety Ordinance (Cap.424), Pharmacy and Poisons Ordinance (Cap.138), and Electrical Products (Safety) Regulation (Cap.406G), Food and Drugs (Composition and Labelling) Regulations (Cap.132W) just to name a few, the quality of our products is guaranteed. If we are notified of a quality issue, our inventory of the suspect product will be removed immediately from our shelves and storage room and returned to the supplier or vendor.

To protect customer privacy, we collect only the minimum necessary personal information. All personal data collected via the Citistore website, Citistore Membership (Citi-fun) and CU APP Membership Programme, eShop and other channels is securely stored on the Company's core network which is protected by up-to-date firewall and anti-virus software and can only be accessed by authorised personnel. The Company 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 website[1] and APITA/UNY website[2].

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

Supply Chain Management

We believe supplier engagement is a crucial step towards sustainable procurement. We strictly adhere to all related laws and regulations in relation to product responsibility. For the 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 Company works closely with supply chain partners to ensure the best quality merchandise is delivered to customers.

Intellectual property ("IP") rights of third parties are also addressed in our supply chain management. We prohibit the unauthorised use of computer software, music and photo images which may lead to infringement of copyright. We also request suppliers to submit certificates and licenses of their merchandise as required under relevant regulations to ensure authentic merchandise is 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. All of our suppliers and vendors are bound by terms and conditions set out in signed agreements with the Company 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.

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*

4 Conserving Our Resources

We recognise our responsibility in protecting the environment and are dedicated to minimising the potential negative environmental impacts arising from our operations. Our Environmental Policy demonstrates our commitment to sustainable development and sets out the Company's policy initiatives on environmental protection.

Henderson Investment Limited Environmental Policy

- To meet all applicable legal and regulatory requirements on Corporate Social Responsibility ("CSR") matters
- To give due consideration to environmental impacts in the supply chain management and operation management processes
- To reduce consumption of resources such as paper, water and fuels used by the company fleet
- To review the Environmental Policy on a regular basis or as required, ensuring its relevance and effectiveness
- To reduce energy consumption and carbon emissions by using energy-efficient electrical appliances
- To provide a safe and healthy working environment to all staff in compliance with the applicable legal requirements
- To promote environmental awareness amongst our business partners, customers and staff in relation to environmental protection and sustainability
- To support suitable CSR initiatives in relation to environmental protection and sustainability

During the reporting period, there were no cases of non-compliance with the relevant laws and regulations[3] relating to environmental issues.

Use of Resources

Energy Use

We aim to improve energy efficiency and reduce our energy consumption. Starting from reducing energy usage, our staff only switch on fan coils when needed. Other electrical appliances including computers, air conditioning and lights are switched off when not in use to save energy. The indoor temperature of our stores is closely monitored and controlled to 25 degree Celsius to reduce electricity consumption. In our efforts to increase energy efficiency, we only order small home appliances such as fridges and microwaves that are rated as Grade One under the Energy Efficiency Labelling Scheme. For our lighting systems, all our newly opened stores are equipped with LED lighting. We also continuously post energy-saving reminder stickers to ensure more efficient use of the energy.

We strive to minimise the negative impact of our business on the environment. To show our commitment to reduce energy usage and our advocacy of environmental protection, we again joined "Earth Hour" organised by Worldwide Fund for Nature Hong Kong ("WWF-Hong Kong") on 27 March 2021. All lighting of the external wall signage and window displays outside the stores were turned off to raise public awareness on energy consumption.

Note:

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

Packaging Materials

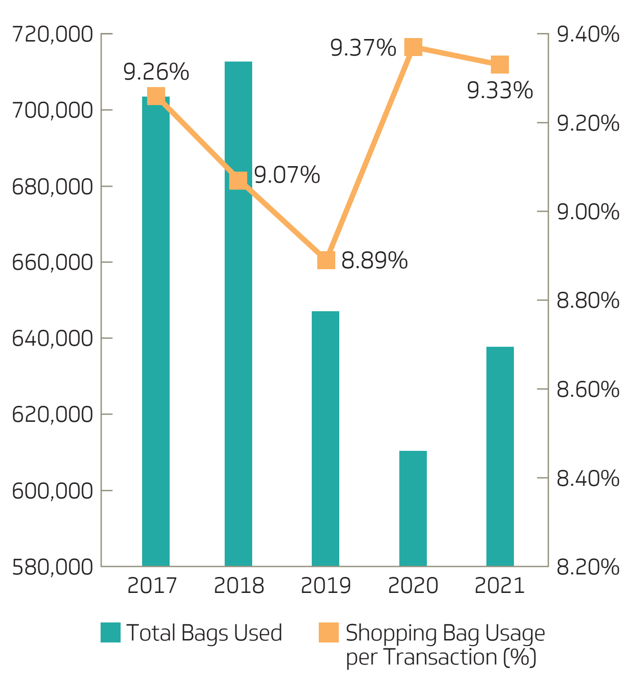
Plastic shopping bag usage is a key area where we can work to reduce our negative impacts on the environment. Our "BYOB" (bring-your-own-bag) campaign and the sale of durable and reusable shopping bags help customers to reduce the usage of plastic bags. In addition, we promote more sustainable shopping 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.

Emissions and Waste Management

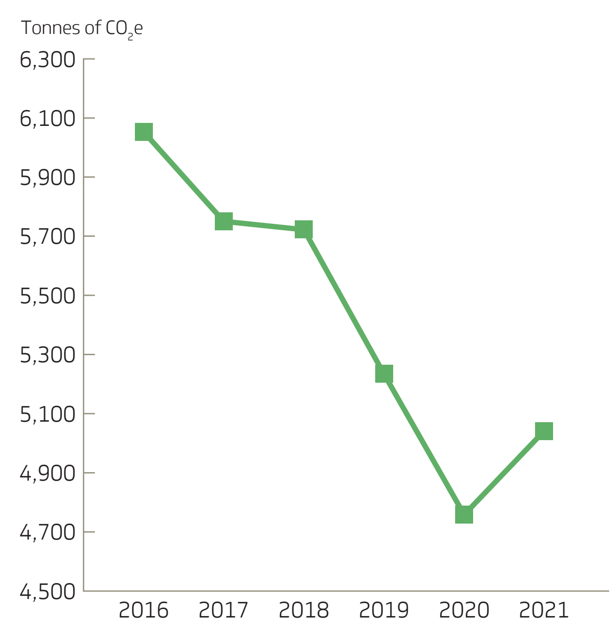
Climate Change

The impacts of climate change and more frequent and intense extreme weather events are being observed worldwide, including in Hong Kong. Recognising the ever-increasing global threat posed by climate change, we follow the Climate Change Policy established by Henderson Land Development Company Limited, our parent company, and are committed to reducing 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 embrace technologies and innovation to further improve our performance.

Citistore Shopping Bag Usage[4]



Citistore Greenhouse Gas Emissions[5]



Notes:

4. *Due to data availability, only Citistore's shopping bag usage trends are shown for the purpose of yearly comparison.*
5. *Due to data availability, only Citistore's GHG emissions trends are shown for the purpose of yearly comparison.*

GHG Emissions and Energy Reduction Targets

Reduce carbon intensity by 12% per square foot of shop area by 2025

Reduce electricity use intensity by 12% per square foot of shop area by 2025

** Compared to the 2016 baseline.*

Besides, we have implemented a series of measures to mitigate the risks posed by climate change. These include:

Climate-related Risks	Mitigation Measures
Rising temperature – Higher electricity and maintenance costs due to turning on more fan coils during summer period.	– Closely monitor the indoor temperature and turn off some fan coils at nighttime. – Place more fans in back of house instead of turning on more fan coils. – Explore the feasibility of changing some open entrances to swing door entrances.
Typhoon – Outdoor lightbox banner could be destroyed which may pose a danger to surrounding people and induce additional repair costs. – Closure of department stores.	– Review risk management plan for the effects of typhoon every year. – Remove loose objects outside our department stores during typhoons and work with management office of shopping mall to increase protection of potential damaged objects within our premises. – Review with insurance company for the coverage about the loss due to typhoon.
Rainstorm – Lead to water leakage and cause injury to our employees and customers by creating slippery floors. – Cause damage to stock that is located at low level due to rain flooding. – Cause delay to store operating hours.	– Review risk management plan for the effects of rainstorm every year. – Liaise with property management office to closely monitor the condition of drainage and pipes. – Review with insurance company for the coverage about the loss due to rainstorm.

Waste Management

To promote waste recycling and waste reduction throughout our operations, we encourage and remind our employees to follow the guidelines for paper recycling. Not only do we use PEFC-certified paper in our office, we also aim to go paperless to further cut down paper usage in the long run. On top of 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.

319,017 kg of cardboard boxes recycled from Citistore in 2021

39 pcs of electronic equipment recycled from Citistore in 2021

Waste Reduction Target

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

The Group 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 welcomed to bring their used and unwanted red packets to one of the collection spots around our stores. Red packets in good condition will be repurposed as Reborn Lai See for redistribution, while the rest will be recycled. In 2021, we collected and delivered a total of 1,450 kg of red packets to Greeners Action.

To support the "Enough Plastic" campaign led by EcoDrive HK, we tried to get customers to adopt a less plastic lifestyle through an ECO Fair. The Company advocates sustainability by offering reusable items including foldable straws, silicone food containers, water bottles, and shopping bags in Citistore.

5 Nurturing Our People

Employee's well-being is our priority and we strive to build a collaborative and harmonious workplace which is free from discrimination and offers 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

We are committed to ensuring a 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.

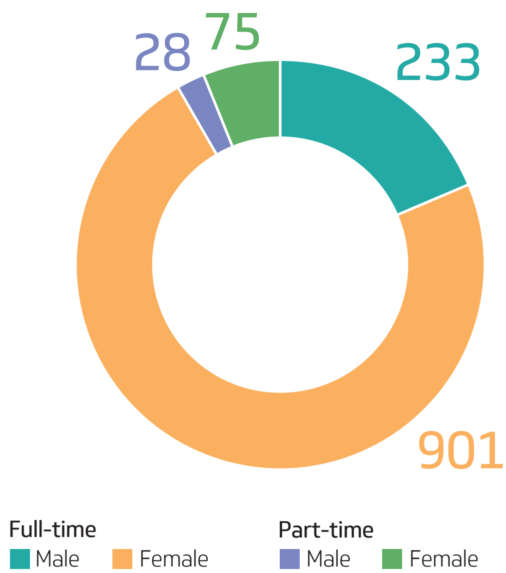
We offer attractive remuneration packages and fringe benefits, including a staff purchase discount programme, marriage and compassionate leave, and medical insurance. In addition, we support our staff to achieve work-life balance by organising an annual party and festive celebrations. Through these events, we aim to cultivate a caring spirit within the Company and facilitate deeper connections among our colleagues.

During the reporting period, there were no cases of non-compliance with the relevant laws and regulations[6] relating to recruitment and employment practices, and anti-discrimination and other benefits and welfare.

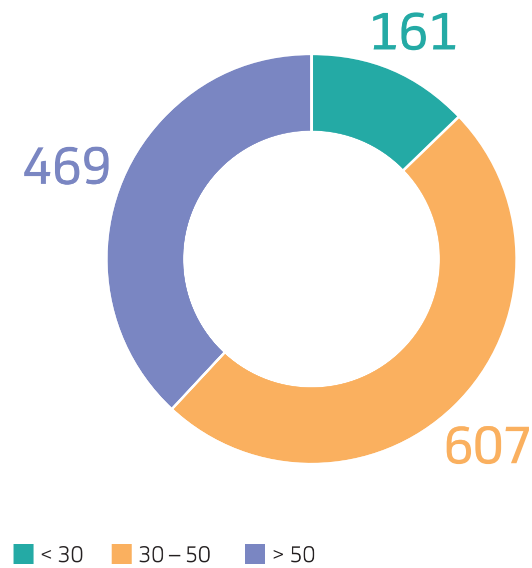
Note:

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

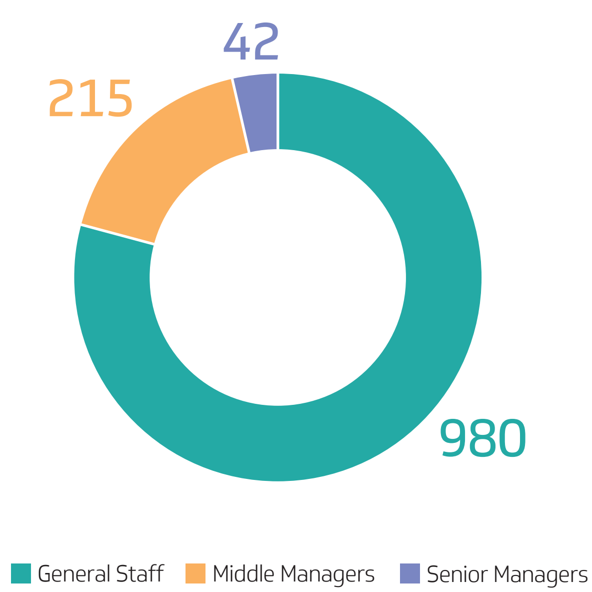
Total Workforce by Gender and Employment Type[7]



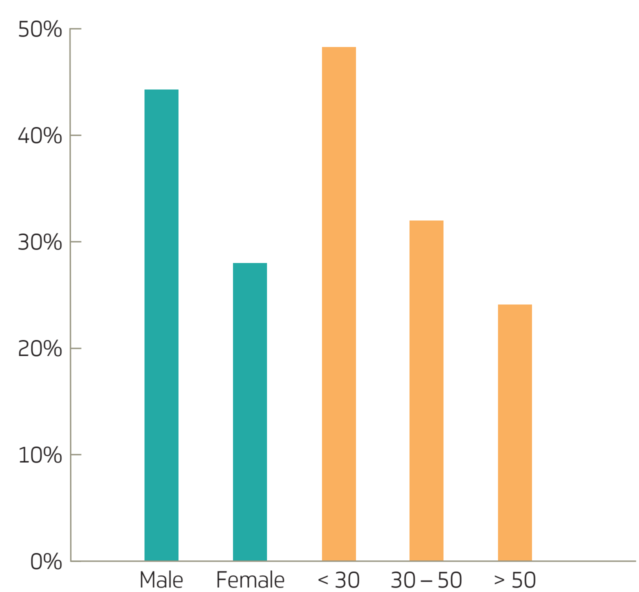
Total Workforce by Age[7]



Total Workforce by Employee Category[7]



Employee Turnover Rate by Gender and Age[7]



Note:

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

Health and Safety

Ensuring workplace health and safety is crucial to our operations. We continued to partner with the Integrated Services Group (Occupational Health Service) Team of Labour Department to conduct safety inspections at our department stores in 2021 and no non-compliance cases were identified. To enhance staff awareness on the importance of workplace health and safety, we organised various types of safety training including the launch of health and safety training video and stretching class.

We have also developed a reporting mechanism for handling employees' injury cases in the workplace. Whenever there is an injury case occurred, an incident report form needs to be completed by the injured employee, a witness and the store manager. The incident report will then be submitted to the Human Resources Department. We will subsequently report the incident to the Labour Department for further action, if needed.

During the reporting period, we received one improvement notice issued from the Labour Department relating to the provision of a safe work environment and the protection of employees from occupational hazards. Rectifying measures have been implemented at our department store accordingly.

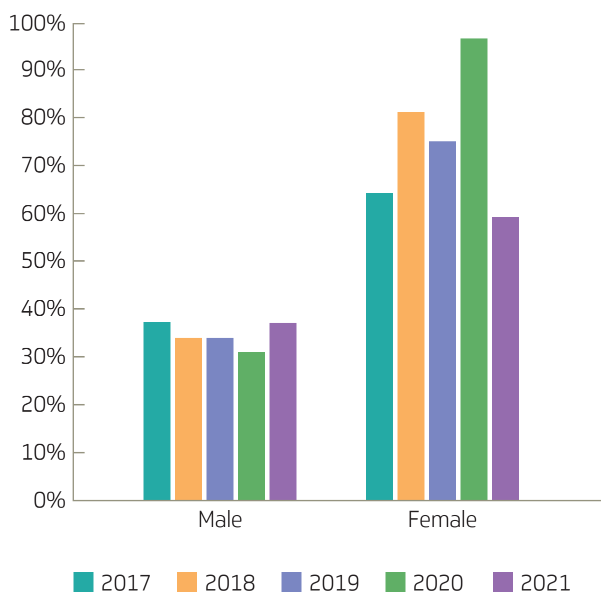
Development and Training

We are committed to providing training and development opportunities for our employees to equip them with the skills and knowledge required for better job performance and career development. For instance, we rolled out a Service Ambassador Programme by setting up a pioneer service team in Citistore to promote service skills and atmosphere. Ambassadors are assigned in different departments to act as role models and to exert a positive influence to other colleagues. We also organised coaching skill classes for different levels of supervisors to improve their coaching and communication skills. Frontline staff were offered training courses to enhance their service and selling skills. To update our employees' product knowledge, a total of six product training classes were held on lifestyle, handbag, household products, coffee and bedding over the past year.

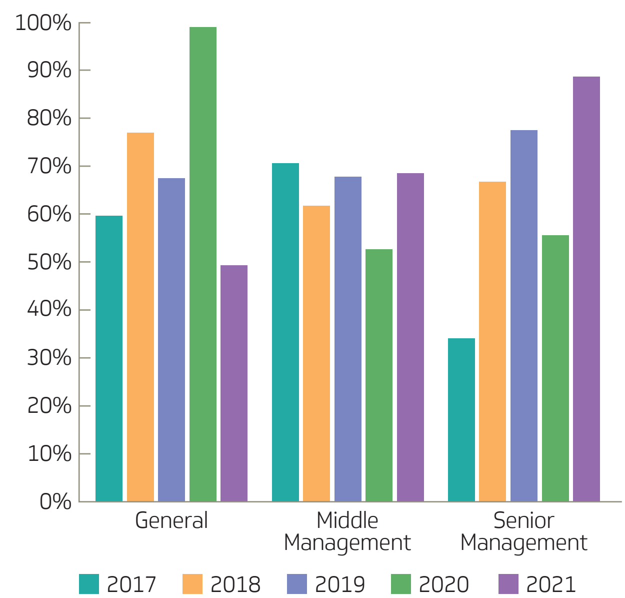
Company-wide average training hours per trained employee

5.4 hours

Percentage of Citistore Employees Trained by Gender



Percentage of Citistore Employees Trained by Employee Category



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 anti-corruption policies to prevent any incidents of bribery, extortion, fraud or money laundering. Moreover, our employees are prohibited from accepting any gifts from suppliers. We have a Whistleblowing Policy in place to guide and encourage employees to raise concerns about any improper behaviour. To ensure employees can report grievances without fear of reprisal, all cases are handled in strict confidence and submitted to designated personnel for thorough investigation.

During the reporting period, there were no cases of non-compliance with relevant laws and regulations[8] relating to corruption.

Note:

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

6 Caring for Our Community

As part of the community, we are willing to serve and provide care to those in need. In addition to financial donations to community organisations, we encourage our employees to participate in volunteering activities.

Citistore (Hong Kong) Limited was nominated as Caring Company 2020/2021 by The Hong Kong Society of the Blind and successfully awarded the Caring Company logo in February 2021.

In 2021, we contributed over

HK$**271,000**

in community investment

Highlights of Community Programmes and Resources Contributed in 2021:

Organisations / Beneficiaries	Programmes	Contributions
Green Power	Plastic Shopping Bags Charge Collaborative Platform	Donation of HK$93,000
Greeners Action	Lai See Reuse and Recycle Programme	• Collected and delivered a total of 1,450 kg of red packets for reuse • Donation of HK$63,000
Home Market	Technical support on the Point-Of-Sale ("POS") system	80 man-hours from the Company's Management Information Systems team
Other NGOs	In-kind donations to schools, The Salvation Army, Hong Kong Young Women's Christian Association ("YWCA") and day care centres	Donated more than 270 pieces of clothing, household goods, and accessories

Opening of Citilife at T Town, Tin Shui Wai

We invited YWCA to participate in the opening activities of Citilife in T Town, providing free store tours and shopping vouchers for children from grassroots families. By donating Citistore Gift Certificates to YWCA, children can instantly purchase useful items including stationery, household supplies and daily necessities to lighten their economic burden.

Lok Sin Tong Virtual Charity Walk

In December 2021, we participated in the virtual Charity Walk organised by The Lok Sin Tong Benevolent Society, Kowloon, to raise awareness on public health. We found it meaningful to raise funds through the event to support people with dementia and their caregivers, which allow them to receive more adequate practical care and support.

Performance Table

HKEX KPI		Unit	2021 Citistore	2021 APITA/UNY	2020 Citistore	2020 APITA/UNY[9]
A. Environmental						
A1.2	**Greenhouse gas emissions**					
	Scope 1 emissions	Tonnes of CO_2e	72.3	2,491.9	69.4	1,516.4
	Scope 2 emissions	Tonnes of CO_2e	4,969.4	6,793.8	4,688.8	6,447.3
	Scope 3 emissions	Tonnes of CO_2e	0	0	0	3.5
	– total	Tonnes of CO_2e	5,041.7	9,285.7	4,758.2	7,967.2
	– intensity	Tonnes of CO_2e per square foot of shop area[10]	0.014	0.043	0.012	0.040
A1.4	**Total non-hazardous waste produced**					
	Recycled materials/wastes					
	Cardboard boxes	Kg	319,017	N/A[11]	386,244	N/A[11]
	Electronic items	Items	39	0	50	40
A2.1	**Energy consumption by type & intensity**					
	Fuel for company fleet	1,000 kWh	265.9	36.5	255.0	37.1
	Towngas	1,000 kWh	0	7,082.9	0	7,863.7
	Electricity	1,000 kWh	7,099.1	9,256.1	6,698.3	8,711.6
	– total	1,000 kWh	7,365.0	16,375.5	6,953.3	16,612.4
	– intensity	1,000 kWh per square foot of shop area	0.020	0.076	0.018	0.083
A2.5	**Packaging material used**					
	Total plastic shopping bag consumption					
	– total	Number	637,644	5,785,683	610,290	6,718,500
B. Social						
B1.1	**Total workforce by gender, employment type, age group and employee category**					
	By gender					
	Male	No. of people	97	164	102	162
	Female	No. of people	503	473	549	452
	By employment type					
	Full-time	No. of people	564	570	578	540
	Part-time	No. of people	36	67	73	74
	By age group					
	<30	No. of people	58	103	61	106
	30-50	No. of people	322	285	337	301
	>50	No. of people	220	249	253	207
	By employee category[12]					
	General staff	No. of people	438	542	480	534
	Middle management	No. of people	127	88	135	65
	Senior management	No. of people	35	7	36	15
B1.2	**Employee turnover rate by gender and age group**					
	By gender					
	Male	%	44.3	47.6	22.6	44.4
	Female	%	28.0	36.8	14.0	40.7
	By age group					
	<30	%	48.3	73.4	31.2	68.9
	30-50	%	32.0	29.5	15.1	32.6
	>50	%	24.1	37.0	11.9	41.1

Notes:

9. *Greenhouse gas emissions and energy consumption figures for APITA/UNY in 2020 have been restated following an internal database review.*
10. *The unit for intensity has been changed from per full-time equivalent to per square foot of shop area to better reflect the change of business scale.*
11. *At APITA/UNY, cardboard boxes are collected directly by the malls' cleaning personnel.*
12. *In 2021, the definitions of employee category have been revised at APITA/UNY.*

HKEX KPI		Unit	2021 Citistore	2021 APITA/UNY	2020 Citistore	2020 APITA/UNY[9]
B2.1	**Number and rate of work-related fatalities**					
	By number	No. of people	0	0	0	0
	By rate	%	0	0	0	0
B2.2	**Lost days due to work injury**					
		Days	17	425	136.5	600
B3.1	**The percentage of employees trained by gender and employee category**					
	Male	%	37.1	95.1	30.9	56.3
	Female	%	59.2	98.7	96.5	27.7
	General	%	49.3	97.8	99.0	30.4
	Middle Managers	%	68.5	97.7	52.6	67.7
	Senior Managers	%	88.6	100.0	55.6	13.3
B3.2	**The average training hours completed per employee by gender and employee category**					
	By Gender					
	Male	Hours	3.7	6.2	3.2	7.7
	Female	Hours	4.6	5.8	2.0	3.4
	By employment category					
	General	Hours	4.2	4.8	1.6	5.4
	Middle Managers	Hours	5.5	11.3	4.0	4.2
	Senior Managers	Hours	4.1	15.9	5.9	0.8
B6.2	**Number of products and service related complaints received**					
		Numbers	47	60	44	97

HKEX ESG Reporting Guide Content Index

Aspect	HKEX KPI	Description	Page Number	Remarks
A. Environmental				
A1 Emissions	A1	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	22-25	
	A1.1	The types of emissions and respective emissions data	/	Due to the business nature of the Company, this KPI is considered not material.
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	31	
	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 Company, 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)	31	
	A1.5	Description of emissions target(s) set and steps taken to achieve them	23-24	
	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	25	

Aspect	HKEX KPI	Description	Page Number	Remarks
A2 Use of Resources	A2	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials	22-23	
	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)	31	
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	/	Due to the business nature of the Company, this KPI is considered not material.
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	22-24	
	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 Company, this KPI is considered not material.
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	23, 31	
A3 The Environment and Natural Resources	A3	General Disclosure Policies on minimising the issuer’s significant impacts on the environment and natural resources	22-25	
	A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them	22-25	
A4 Climate Change	A4	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer	22-24	
	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	22-24	
B. Social				
Employment and Labour Practices				
B1 Employment	B1	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	26-29	
	B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region	31	
	B1.2	Employee turnover rate by gender, age group and geographical region	31	

Aspect	HKEX KPI	Description	Page Number	Remarks
B2 Health and Safety	B2	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 hazard	28	
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	32	
	B2.2	Lost days due to work injury	32	
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	19-20, 28	
B3 Development and Training	B3	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	28-29	
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	32	
	B3.2	The average training hours completed per employee by gender and employee category	32	
B4 Labour Standards	B4	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 Company has set up rigorous recruitment procedures to strictly prohibit the employment of children and forced labour in accordance with the Employment Ordinance (Cap. 57). In 2021, no relevant cases of non-compliance were recorded.
	B4.1	Description of measures to review employment practices to avoid child and forced labour	/	The Company has set up rigorous recruitment procedures to strictly prohibit the employment of children and forced labour in accordance with the Employment Ordinance (Cap. 57). In 2021, no relevant cases of non-compliance were recorded.
	B4.2	Description of steps taken to eliminate such practices when discovered	/	The Company has set up rigorous recruitment procedures to strictly prohibit the employment of children and forced labour in accordance with the Employment Ordinance (Cap. 57). In 2021, no relevant cases of non-compliance were recorded.
Operating Practices				
B5 Supply Chain Management	B5	General Disclosure Policies on managing environmental and social risks of the supply chain	21	
	B5.1	Number of suppliers by geographical region	/	Hong Kong: 2,510 China: 3 Japan: 10 Others: 2
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	21	
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	21	

Aspect	HKEX KPI	Description	Page Number	Remarks
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	21	
B6 Product Responsibility	B6	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	20-21	
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	/	The company has no relevant cases in 2021.
	B6.2	Number of products and service related complaints received and how they are dealt with	20	
	B6.3	Description of practices relating to observing and protecting intellectual property rights	21	
	B6.4	Description of quality assurance process and recall procedures	20-21	
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	21	
B7 Anti-corruption	B7	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	29	
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	29	
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	29	
	B7.3	Description of anti-corruption training provided to directors and staff	29	
Community				
B8 Community Investment	B8	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	30	
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	30	
	B8.2	Resources contributed (e.g. money or time) to the focus area	30	

Corporate Governance Report

The Board of Directors of the Company (the "Board") is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2021.

1 Commitment to Corporate Governance

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

2 Corporate Governance Code

During the year ended 31 December 2021, 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 and senior management who possess the relevant knowledge and expertise, as well as appropriate Board committees. Hence, the current arrangements are subject to adequate checks and balances notwithstanding such deviation.

3 Board of Directors

(a) Responsibilities of and Support for Directors

The Board has the responsibility for the management of the Company, which includes formulating a corporate strategy and a long term business model, directing and supervising the Company's affairs, approving interim reports and annual reports, announcements and press releases of interim and final results, considering dividend policy 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 Trainings" below.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Directors will be notified of code provision amendment updates in respect of the CG Code so as to be kept abreast of 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 *(Chairman and Managing Director)*	Kwong Che Keung, Gordon
Dr Lee Ka Kit *(Vice Chairman)*	Professor Ko Ping Keung
Dr Lam Ko Yin, Colin *(Vice Chairman)*	Wu King Cheong
Li Ning	Au Siu Kee, Alexander

The biographical details of the Directors are set out on pages 77 to 80 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 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 2021, 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 does not/did not take part in the day-to-day management of and has no/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 2021, the Board held four meetings to approve interim/final results announcements and interim/annual reports, to determine the level of dividends, to discuss significant issues and the general operation of the Company and to approve matters and transactions specifically reserved to the Board for its decision. The Board also discharged its corporate governance duties by reviewing the Company's policies and practices on corporate governance, and the training and continuous professional development of Directors and senior management. In December 2021, the Board approved the establishment of the Corporate Governance Committee to undertake the corporate governance functions as required under the CG Code. The attendance of the Directors is set out in the table on page 45.

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

(ii) *Practices and Conduct of Meetings*

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

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

(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.

(g) Directors' Time Commitment and Trainings

Each Director had ensured that he had given sufficient time and attention to the affairs of the Company for the year. Directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, with the identity of the public companies and organisations and an indication of the time involved. Directors are encouraged to participate in professional, public and community organisations. They are also reminded to notify the Company of any change of such information in a timely manner. Other details of Directors, including their directorships held in listed public companies in the past three years, are set out in the biographical details of Directors on pages 77 to 80 of this Annual Report.

During the year, a presentation on information technology system update was arranged for the Directors. Legal and regulatory updates are provided from time to time to the Directors for their reading. Directors are also encouraged to attend outside talks and seminars to enrich their knowledge in discharging their duties as a director. On a regular basis, information on seminars organised by professional bodies is provided to the Directors, and the seminar enrolments are handled by the company secretarial department.

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 2021 which included attending seminars and talks, and reading legal and regulatory updates and other reference materials. The seminars, talks and other reference materials involved topics on risk management, anti-corruption, regulatory updates, directors' duties and liabilities and information technologies, etc. During the year, the trainings 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 *(Chairman and Managing Director)*	✓	✓
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 2021, 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 detailed disclosure.

The Committee also discussed with the management to ensure that the Company is having adequate resources, qualified and experienced staff of the accounting and financial reporting function, training programmes and budget.

(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.

(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

Dr Lee Ka Shing
Dr Lam Ko Yin, Colin

Independent Non-executive Directors

Wu King Cheong *(Chairman)*
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 2021, the Remuneration Committee held a meeting to review the salary structure of the employees of the Company and the level of salary increment for 2022 as well as the remuneration of senior management staff and the Directors with reference to the remuneration level of directors of comparable listed companies.

Particulars of the Directors' emoluments disclosed pursuant to the Companies Ordinance (Cap. 622) and Appendix 16 of the Listing Rules are set out in note 9 to the financial statements on pages 113 to 115 while the analysis of the senior management's emoluments by band is set out in note 10 to the financial statements on page 115. 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

Dr Lee Ka Shing *(Chairman)*
Dr Lam Ko Yin, Colin

Independent Non-executive Directors

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 three meetings during the year ended 31 December 2021. The major work performed by the Nomination Committee during the year included assessing the independence of Independent Non-executive Directors of the Company, and making recommendation to the Board on the retiring Directors' eligibility for re-election at the AGM and the extension of the term of office of an Independent Non-executive Director. It also reviewed the size and composition of the Board, the Board Diversity Policy and the Nomination Policy, and considered that the said policies were appropriate and effective.

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

(d) Corporate Governance Committee

The Corporate Governance Committee, which was established in December 2021 to undertake the corporate governance functions previously performed by the Board, 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.

No meetings were held during the year by the Committee which was established in December 2021.

(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, 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.

(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 and the AGM during the year ended 31 December 2021 is set out in the following table:

	No. of meetings attended/No. of meetings held				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	AGM
Executive Directors					
Dr Lee Ka Shing *(Chairman and Managing Director)*	4/4	N/A	1/1	3/3	1/1
Dr Lee Ka Kit	4/4	N/A	N/A	N/A	1/1
Dr Lam Ko Yin, Colin	4/4	N/A	1/1	3/3	1/1
Li Ning	4/4	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Kwong Che Keung, Gordon	4/4	3/3	1/1	3/3	1/1
Professor Ko Ping Keung	4/4	3/3	1/1	3/3	1/1
Wu King Cheong	4/4	3/3	1/1	3/3	1/1
Au Siu Kee, Alexander	4/4	3/3	N/A	N/A	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 2021, 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 82 to 85.

6 Auditor's Remuneration

For the year ended 31 December 2021, the Auditor(s) of the Company and its subsidiaries agreed to receive approximately HK$2 million for audit and audit related services (2020: HK$2 million) and approximately HK$1 million for non-audit services (2020: HK$0.3 million) relating to interim results review and consultancy services on cybersecurity. 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 have reviewed and the Auditor of the Company has reported on the continuing connected transactions as disclosed in the Report of the Directors of this Annual Report (the "Continuing Connected Transactions"). The Audit Department of the Company has reviewed the Continuing Connected Transactions together with the relevant internal controls and reported to the Independent Non-executive Directors of the Company that the Continuing Connected Transactions were conducted in accordance with the pricing mechanism under the relevant agreements.

9 Board Policies

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

(i) Inside Information Policy

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

(ii) Board Diversity Policy

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

(iii) Nomination Policy

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

(iv) Dividend Policy

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

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

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

10 ESG and Sustainable Development

With the introduction of the revised Environmental, Social and Governance Reporting Guide in the Listing Rules, a Sustainability Committee, chaired by Mr Li Ning with certain department managers as members, was formed in August 2021 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 existing governance structure in relation to ESG matters and Environmental Policy, and the feasibility of formulating additional practicable ESG policies from the operation perspective.

A Sustainability Report is set out on pages 18 to 35 of this Annual Report. The terms of reference of the Sustainability Committee have been adopted and are available on the Company's website.

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 functions are in place and functioning effectively. It is also considered that the resources, staff qualifications and experience and training programmes are adequate.

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

Risk Management and Internal Controls

The successful management of risks is essential for the long-term growth and sustainability of the Group's business. The Board is responsible for setting strategies, business objectives and risk appetite as well as ensuring a review of effectiveness of the risk management and internal control systems, and overseeing management in the design, implementation and monitoring of the risk management and internal control systems. Management staff of various departments of the Group have provided confirmations to the Board on the effectiveness of such systems.

Risk management is proactive to ensure that significant risks are:
- identified;
- assessed by considering the impacts and likelihoods of their occurrence; and
- effectively managed by identifying suitable controls and countermeasures, and assessing the cost effectiveness of the mitigating actions proposed.

(i) Approach to Risk Management

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

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

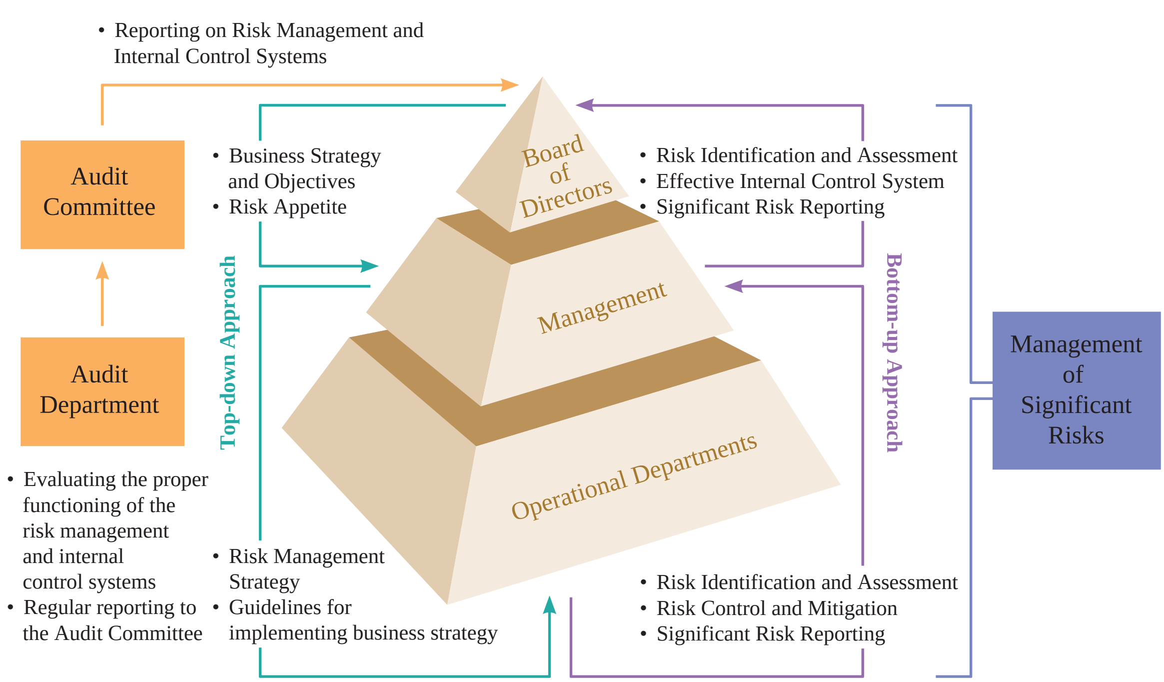
Each department of the Group is responsible for identifying its own risks and designing, implementing and monitoring the relevant risk management and internal control systems. The process involves the maintenance of the risk register setting out the particulars of the material risks together with the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

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

(ii) Risk Management Reporting and Framework

The Audit Department performed audits to evaluate the proper functioning of the risk management and internal control systems for the financial year ended 31 December 2021. It is intended to carry out this evaluation process on an ongoing basis. The Audit Committee, after reviewing and considering the risk management findings submitted by the Audit Department, reported and confirmed to the Board that the risk management and internal control systems are effective and adequate.

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



(iii) Significant Risks and Control/Mitigation

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

(a) Regulatory and Compliance Risk

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

The Group is committed to complying with the relevant policies, regulations and guidelines applicable to its operations through developing internal guidelines, frequent training to staff, and sufficient time for review process, compliance handling by experienced and professional staff and consultancy with external experts.

(b) Overstocking and Stock Obsolescence

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

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

(c) Intense Competition, Changing Consumer Preferences and Demands

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

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

(d) *Image/Reputation Risk*

The Group's reputation is one of its most valuable assets, playing a major part in the continued success of the business. Any possible failure to maintain proper control over the quality of the merchandise may affect the reputation and customer perception of the brands "千色Citistore" and "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.

The Group looks to employ, train, develop and retain a diverse and talented workforce to cope with and respond to potential complaints promptly, exercising due care in the sourcing of merchandises from reputable and trustworthy suppliers and ensuring proper product quality delivery by conducting proper quality control procedures.

(e) *Information Technology*

The smooth running of the Group's operations is reliant on a complex technical infrastructure. Any computer systems failure may have significant impact on the operations of "千色Citistore", "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 the services of external consultants as well as keeping back-up files and adopting a disaster recovery plan.

(f) *Outbreak of COVID-19*

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

The Group manages this risk by closely monitoring and complying with the Government's regulations and measures. The Group also exercises 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.

(g) *ESG Risk*

ESG Risk is embedded in our risk management process. A Sustainability Committee led by senior management has established clear sustainability strategies and coverage as well as performs on-going monitoring. The Group has engaged external consultants to provide professional advice.

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 Articles of Association

For the purpose of providing flexibility to the Company in relation to the conduct of general meetings, the Company's shareholders passed a special resolution on 1 June 2021 to adopt a new set of Articles which allow general meetings to be held as a hybrid meeting where shareholders may attend by electronic means in addition to as a physical meeting where shareholders attend in person. Details of the major amendments brought about by the adoption of the new Articles are set out in the Company's circular dated 26 April 2021. The Articles is available on the Company's website.

14 Shareholder Rights and Investor Relations

The Board is committed to promoting effective communication with shareholders and providing timely disclosure of information concerning the Group's material developments to shareholders and investors.

(i) Shareholders' Rights

The AGM of the Company provides a forum for communication between the shareholders and the Board. The notice of the AGM is despatched to all shareholders at least 20 clear business days prior to such AGM. The Chairmen of all Board Committees are invited to attend the AGM. The Chairman of the Board and the Chairmen of all the Board Committees, or in their absence, other members of the respective Committees, are available to answer questions at the AGM. The Auditor is also invited to attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor's independence. The Company's policy is to involve shareholders in the Company's affairs and to communicate with them about the activities and prospects face-to-face at the AGM.

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.

(ii) 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. 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 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 Company through the Company's Investor Relations on telephone number (852) 2908 8392 or by email at ir@hld.com or directly by raising questions at general meetings.

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 2021.

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 8 of this Annual Report. Possible risks and uncertainties that the Group may be facing are set out in the Financial Review on pages 10 to 16 and the Corporate Governance Report on pages 36 to 53. Particulars of important events affecting the Group since the end of the financial year (if any) are provided in the Chairman's Statement on pages 3 to 8 and note 35 to the financial statements on page 134. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Five Year Financial Summary on page 17 of this Annual Report. An environmental policy of the Group has been put in place to give due consideration to environmental issues and minimise the impact of business operations of the Group on environment. In addition, discussions on the Group's environmental policy and relationships with employees, customers, suppliers and other stakeholders are contained in the Sustainability and the Corporate Governance Report on pages 18 to 35 and pages 36 to 53 of this Annual Report respectively. The Chairman's Statement, the Financial Review, the Sustainability and the Corporate Governance Report form part of this report.

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

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

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 2021 are set out on page 135.

Group Profit

The profit of the Group for the year ended 31 December 2021 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 86 to 135.

Dividends

An interim dividend of HK 1.0 cent per share was paid on 14 September 2021. 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 Friday, 10 June 2022, 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 Thursday, 16 June 2022.

Charitable Donations

Charitable donations made by the Group during the year amounted to HK$271,000 (2020: HK$ 250,000).

Fixed Assets

Particulars of the movements in fixed assets during the year are set out in note 15 to the financial statements on page 118.

Bank Loans

As at 31 December 2021, the Group had no bank borrowings.

Reserves

Particulars of the movement in reserve of the Company during the year are set out in note 29(b) to the financial statements on page 131.

Share Capital

Details of the Company's share capital are set out in note 29(c) to the financial statements on page 131. 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 2021 are summarised on page 17.

Directors' Emoluments

Particulars of the Directors' emoluments disclosed pursuant to the Companies Ordinance (Cap. 622) and Appendix 16 of the Listing Rules are set out in note 9 to the financial statements on pages 113 to 115.

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

Mr Li Ning, Mr Kwong Che Keung, Gordon and Mr Wu King Cheong 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 2021, 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

***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 2021, 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	% Interest
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:

1. *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.*

2. *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.*

3. *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.*

4. *These shares were held by Hopkins as trustee of the Unit Trust.*

5. *These shares were held by Fu Sang.*

Share Option Schemes

The Company and its subsidiaries have no share option schemes.

Arrangements to Purchase Shares or Debentures

At no time during the year ended 31 December 2021 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 2021 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 "Other Continuing Connected Transactions" below with persons who are "connected persons" for the purpose of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"):

HLD Tenancy Agreements

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

(i) office premises in KOLOUR • Tsuen Wan I at 68 Chung On Street, Tsuen Wan, New Territories, Hong Kong; and

(ii) various shopping mall premises in the Tsuen Wan, Yuen Long, Ma On Shan, Tseung Kwan O, 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:

	Term Note 1			
Premises	**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**	**Turnover Rent Provisions and Miscellaneous Monthly Charges**
(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 Agreement Date: 15 October 2014	1 October 2014 – 30 September 2017 *HK$370,000*	1 October 2017 – 30 September 2020 *7% increase in basic rent from the basic rent of each preceding year*	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term*	Turnover rent: 8% of annual turnover (on an aggregate basis for all shop premises of the Tsuen Wan 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$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 Lettable Area: 1,893 sq.ft.	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 Note 4	
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 Agreement Date: 15 October 2014	1 October 2014 – 30 September 2017 *HK$5,369,444*	1 October 2017 – 30 September 2020 *7% increase in basic rent from the basic rent of each preceding year*	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term*	Turnover rent: 8% of annual turnover (on an aggregate basis for all shop premises of the Tsuen Wan 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$393,749* (ii) Air-conditioning charges: *HK$577,174.3*

	Term [Note 1]			
Premises	**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**	**Turnover Rent Provisions and Miscellaneous Monthly Charges**
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$6,577,800 to HK$5,790,000 [Notes 2 & 3]		
Second Deed of Variation Date: 11 June 2021 Lettable Area: 133,469 sq.ft.	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$4,630,000 [Note 4]	
Shop Nos. G18A, G18B, G19-G23, G/F [Notes 1 & 5] Agreement Date: 15 October 2014	1 May 2015 – 30 September 2017 *HK$490,000*	1 October 2017 – 30 September 2020 *7% increase in basic rent from the basic rent of each preceding year*	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term*	Turnover rent: 8% of annual turnover (on an aggregate basis for all shop premises of the Tsuen Wan 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$8,131.9* (ii) Air-conditioning charges: *HK$14,389.5*
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$600,271 to HK$560,000 [Notes 2 & 3]		
Second Deed of Variation Date: 11 June 2021 Lettable Area: 2,951 sq.ft.	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$450,000 [Note 4]	
Shop No. G17, G/F [Notes 1 & 5] Agreement Date: 15 October 2014	1 October 2015 – 30 September 2017 *HK$110,000*	1 October 2017 – 30 September 2020 *7% increase in basic rent from the basic rent of each preceding year*	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term*	Turnover rent: 8% of annual turnover (on an aggregate basis for all shop premises of the Tsuen Wan 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$1,506.4* (ii) Air-conditioning charges: *HK$2,665.6*

Premises	Term [Note 1] 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	Turnover Rent Provisions and Miscellaneous Monthly Charges
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 Lettable Area: 547 sq.ft.	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 [Note 4]	
(2) Yuen Long Branch of Citistore and UNY at KOLOUR • Yuen Long, 1 Kau Yuk Road, Yuen Long, New Territories, Yuen Long Town Lot No. 464				
Shop Nos. 1-3, 35-39 and 48-49, 2/F (the "First Premises") Agreement Date: 15 October 2014	1 October 2014 – 30 September 2017 *HK$305,000*	1 October 2017 – 30 September 2020 *7% increase in basic rent from the basic rent of each preceding year* [Note 3]	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term*	Turnover rent: 8% of annual turnover (on an aggregate basis for all shop premises of the Yuen Long Citistore) Turnover rent payable instead of basic rent if higher than the basic rent payable Miscellaneous charges (subject to review from time to time): (i) Management fee: *HK$28,897* (ii) Air-conditioning charges: *HK$25,587*
Deed of Variation Date: 4 March 2021 Lettable Area: 4,296 sq.ft.	Not applicable	Not applicable	Monthly basic rent for the period from 1 January 2021 to 30 September 2023 having been adjusted to HK$400,000 for both the First Premises and the Second Premises (as defined below) in aggregate [Note 6]	
Whole of 3/F and 4/F Agreement Date: 15 October 2014	Phase I: 1 October 2014 – 30 June 2015 *HK$1,128,000* Phase II: 1 July 2015 – 30 September 2017 *HK$1,297,000*	1 October 2017 – 30 September 2020 *7% increase in basic rent from the basic rent of each preceding year*	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term*	Turnover rent: 8% of annual turnover (on an aggregate basis for all shop premises of the Yuen Long Citistore) Turnover rent payable instead of basic rent if higher than the basic rent payable Miscellaneous charges (subject to review from time to time): (i) Management fee: *HK$273,585.6* (ii) Air-conditioning charges: *HK$236,004.84*

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

Premises	Term [Note 1] 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	Turnover Rent Provisions and Miscellaneous Monthly Charges
(3) Ma On Shan Branch of Citistore at MOSTown, Ma On Shan, Sha Tin Town Lot No. 307 [Note 7]				
Shop No. 3048, Level 3 [Note 1] Agreement Date: 15 October 2014 Lettable Area: 53,913 sq.ft. (having moved to the Relocated Premises as mentioned below due to renovation of MOSTown)	1 July 2015 – 30 September 2017 *HK$1,448,000* *(as adjusted to HK$1,425,999 up to February 2017)*	Not applicable	Not applicable	Not applicable
Shop No. 3101 (Relocated Premises), Level 3 [Notes 1, 7 & 8] Agreement and Supplemental Letter Dates: 15 October 2014 and 21 December 2016 respectively	1 November 2016 (being the lease commencement date of the Relocated Premises) – 30 September 2017 *HK$1,433,820*	Phase I: 1 October 2017 – 30 September 2018 *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*	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term*	Turnover rent: 8% of annual turnover (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*
Deed of Variation Date: 10 March 2020 Lettable Area: as adjusted to 62,340 sq.ft.	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]		
Shop No. 2109 (formerly known as Shop Nos. 2E-89B and 2E-89C), Level 2 [Note 1] Agreement Date: 7 August 2019 Lettable Area: 3,360 sq.ft.	19 September 2019 – 18 September 2022 *HK$221,760* [Note 3]	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*

Premises	Term [Note 1] 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	Turnover Rent Provisions and Miscellaneous Monthly Charges
(4) Tseung Kwan O Branch of Citistore and UNY at MCP Central, Tseung Kwan O Town Lot No. 27				
Shop Nos. 2047-51, Level 2 [Notes 5 & 10] Agreement Date: 15 October 2014	Phase I: 1 October 2014 – 30 November 2014 *HK$861,740* Phase II: 1 December 2014 – 30 September 2017 *HK$947,920*	1 October 2017 – 30 September 2020 *HK$1,184,900* [Note 3]	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 monthly basic rent immediately payable prior to the expiration of 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
Memorandum of Rent Review Date: 28 October 2020 Lettable Area: 42,680 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$820,000 [Note 11]	
Shop Nos. 2054-56, Level 2 Agreement Date: 15 October 2014	1 October 2014 – 30 September 2017 *HK$300,000*	1 October 2017 – 30 September 2020 *7% increase in basic rent from the basic rent of each preceding year* [Note 3]	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$56,379.2* (ii) Air-conditioning charges: *HK$48,805.8*
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 [Note 11]	

Premises	Term [Note 1] 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	Turnover Rent Provisions and Miscellaneous Monthly Charges
Shop Nos. 2063-65, Level 2 Agreement Date: 15 October 2014	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*
Deed of Variation Date: 10 March 2020 Lettable Area: 3,392 sq.ft.	Not applicable	Monthly basic rent for the period from 1 October 2019 to 30 September 2023 having been adjusted from HK$228,544 to HK$150,000 [Notes 2 & 3]		
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*	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*
Shop No. UG036, Upper Ground Floor [Notes 1 & 5] Agreement Date: 5 November 2021 Lettable Area: 43,038 sq.ft.	16 August 2021 – 30 September 2023 *HK$1,400,000*	With option to renew a further term of 3 years exercisable by the tenant *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*	Not applicable	Turnover rent: 6% of annual turnover of the Tseung Kwan O UNY (turnover rent payable instead of basic rent if higher than the basic rent payable) Miscellaneous charges (subject to review from time to time): (i) Management fee: *HK$571,108.2* (ii) Air-conditioning charges: *HK$139,753.6*

Premises	Term [Note 1] 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	Turnover Rent Provisions and Miscellaneous Monthly Charges
(5) Tuen Mun Branch of Citistore at North Wing, Trend Plaza, Tuen Mun Town Lot No. 282				
Portion of L3, North Wing Agreement Date: 15 October 2014	1 October 2014 – 30 September 2017 *HK$890,000*	1 October 2017 – 30 September 2020 *7% increase in basic rent from the basic rent of each preceding year*	1 October 2020 – 30 September 2023 *Open market rent as agreed between the parties, which shall be no less than the monthly rent immediately payable prior to the expiration of the second part of the fixed term, and no more than 115% of the average of the monthly basic rent payable during the second part of the fixed term*	Turnover rent: 8% of annual turnover (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$66,841.7* (ii) Air-conditioning charges: *HK$141,464*
Deed of Variation Date: 10 March 2020 Lettable Area: 17,683 sq.ft.	Not applicable	Monthly basic rent for the period from 1 October 2019 to 30 September 2023 having been adjusted from HK$1,090,288 to HK$910,000 [Notes 2 & 3]		
(6) Shatin Branch of Citilife at Shatin Plaza, Shatin, New Territories, STTL 189				
Shop No. 47, Level 3 [Notes 1 & 12] Licence Agreement Date: 11 February 2021 Lettable Area: 1,626 sq.ft.	8 March 2021 – 7 March 2022 *Licence fee:* *HK$56,910*	Not applicable	Not applicable	Turnover licence fee: 12% of annual turnover (turnover licence fee payable instead of basic licence fee if higher than the basic licence fee payable) Miscellaneous charges (subject to review from time to time): (i) Management fee: *HK$9,432.2* (ii) Air-conditioning charges: *HK$20,996.6*
(7) Cheung Sha Wan Branch of Citilife at THE ADDITION, 350 Un Chau Street, Cheung Sha Wan, Kowloon				
Shops Nos. 6 and 7, Ground Floor [Notes 1 & 9] Agreement Date: 25 June 2021 Lettable Area: 1,385 sq.ft. (expressed in terms of saleable floor area)	1 July 2021 – 30 September 2023 *HK$90,000*	With option to renew a further term of two years exercisable by the tenant *Open market rent as agreed between the parties, which shall be no less than HK$90,000 and not more than HK$99,000*	Not applicable	Turnover rent: 7% 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): Management fee: *HK$2,588*

Premises	Term [Note 1] 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	Turnover Rent Provisions and Miscellaneous Monthly Charges
(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] Agreement Date: 4 March 2021 Lettable Area: 22,724 sq.ft. (expressed in terms of gross floor area)	1 October 2020 – 30 September 2023 *HK$481,000*	Not applicable	Not applicable	Turnover rent: Not applicable Miscellaneous charges (subject to review from time to time): (i) Management fee: *HK$74,534.8* (ii) Air-conditioning charges: *HK$76,807.2*

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. *The tenancy agreements in respect of these premises provide for a rent-free period of 3 months.*

6. *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.*

7. *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.*

8. *The tenancy agreement in respect of these premises provides for a rent-free period of 6 months.*

9. *The tenancy agreements in respect of these premises provide for a rent-free period of 2 months.*

10. *The basic rent for this tenancy agreement is inclusive of management fees, air-conditioning charges and promotion levy (if any).*

11. *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.*

12. *The licence agreement in respect of these premises provides for a licence fee waiver period of 31 days.*

13. *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.*

14. *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 10. 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.

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

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

Annual Caps in respect of all tenancy and licensing transactions for financial years ending 31 December are set out below:

Year	2021	2022	2023[1]
HK$ million	338	351	268

Note:

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

During the year under review, Citistore HK as tenant/licensee entered into numerous immaterial short-term tenancy agreements/licences with subsidiaries of HLD Group as landlord/licensor for periods ranging from days to several months relating to certain premises owned by HLD Group for ad hoc purposes at rentals and/or turnover rents totalling approximately HK$4,131,000 which has been included in the aggregate rents under the Framework Agreement.

For the year ended 31 December 2021, the Group paid approximately HK$216,892,000 representing the aggregate rents under the Framework Agreement (including all the HLD Tenancy Agreements) (collectively the "Framework Tenancy Transactions").

Other Continuing Connected Transactions

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

(A) Tenancy Agreements entered into with Hong Kong Ferry (Holdings) Company Limited ("HK Ferry")

On 9 June 2020, Citistore HK as tenant and Henderson Real Estate Agency Limited ("HREAL") as agent of the landlords (HKF Property Investment Limited and Lenfield Limited, both being subsidiaries of HK Ferry) entered into a tenancy renewal offer letter (the "Tenancy Renewal Offer Letter") to renew the tenancy of the premises at Shop Nos. 127-161 and corridors and toilets on Level 1 of Metro Harbour Plaza, Tai Kok Tsui, Kowloon, Hong Kong for a term of one year from 1 July 2020 to 30 June 2021 at a fixed monthly basic rent of HK$318,000, together with other ancillary expenses (including a monthly management fee of HK$120,664) and a turnover rent of 7% of the excess (if any) of the annual gross turnover of Citistore HK's business conducted at such premises over HK$70,000,000, which shall be payable monthly in arrears and reconciled on an annual basis. In addition to the management fee, other ancillary expenses include government rates, air-conditioning charges and promotional levy.

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

(B) Master Agreements entered into with HLD Group

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

(i) Cleaning Services Agreement

On 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 2021 (HK$)	Financial year ending 31 December 2022 (HK$)	Financial year ending 31 December 2023 (HK$)
(i) Annual caps for the aggregate amounts payable by the Group			
Tenancy Agreement	3,500,000[1]	Not applicable	Not applicable
Cleaning Services Agreement	11,700,000	13,300,000	13,700,000[2]
(ii) Annual caps for the aggregate amounts receivable by the Group			
Gift Certificates Sales Agreement	6,000,000	6,000,000	3,000,000[2]

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 2021 are set out below:

	For the year ended 31 December 2021 (Approx. HK$)
(i) Amounts actually paid by the Group	
Tenancy Agreement	1,644,000[1]
Cleaning Services Agreement	7,422,000
(ii) Amounts actually received by the Group	
Gift Certificates Sales Agreement	1,798,000

Notes:

1. *The relevant annual cap and the relevant amount, which represent the turnover rent, management fees, air-conditioning charges and other miscellaneous charges (exclusive of Government rates) payable/paid by Citistore HK, relate to the period from 1 January 2021 up to the expiration date of the Tenancy Agreement.*

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

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 132 and 133 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 2021, none of the Directors of the Company has interests in businesses which might compete with the Group.

Service Contracts

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

Management Contracts

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

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

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

Major Customers and Suppliers

For the year ended 31 December 2021:

(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 2021 is shown on pages 10 to 16.

Sustainability

The report on sustainability is set out on pages 18 to 35 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 129.

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 36 to 53.

On behalf of the Board

Dr Lee Ka Shing
Chairman

Hong Kong, 22 March 2022

Biographical Details of Directors and Senior Management

Executive Directors

Dr LEE Ka Shing, *GBS, JP, DSSc (Hon),* aged 50, a Committee Member of the 13th Beijing Committee of the Chinese People's Political Consultative Conference, has been an Executive Director of the Company since 1993 and was the Vice Chairman up to June 2015. On 1 July 2015, he was re-designated from the Vice Chairman to the Chairman and Managing Director of the Company. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. He was educated in Canada. 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 was awarded the Gold Bauhinia Star (GBS) by the Government of the Hong Kong Special Administrative Region in 2021. He is a member of the Court of The Hong Kong Polytechnic University and a member of 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 58, a Member of the Standing Committee of the 13th National Committee of the Chinese People's Political Consultative Conference, has been an Executive Director and the Vice Chairman of the Company since 1993. He was educated in the United Kingdom and has been primarily responsible for the development of the business of Henderson Land Group in the People's Republic of China since 1985. He is the vice chairman of Henderson Development Limited ("Henderson Development"). He is also the chairman and managing director of Henderson Land Development Company Limited ("Henderson Land") as well as the chairman of The Hong Kong and China Gas Company Limited and Towngas Smart Energy Company Limited (formerly known as Towngas China Company Limited), all of which are listed companies. He previously served as a non-executive director of The Bank of East Asia, Limited and an independent non-executive director of Xiaomi Corporation until 23 August 2019, both of which are listed companies. He 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.

Executive Directors

Dr LAM Ko Yin, Colin, *SBS, FCILT, FHKIoD, DB (Hon), DBA (Hon),* aged 70, 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 48 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, B*Sc, MBA,* aged 65, Mr Li, has been appointed an Executive Director of the Company since 2014. He holds a B.Sc. degree from Babson College and an M.B.A. degree from the University of Southern California. Mr Li set up the business of Citistore Stores in 1989 and has been managing the business since then in the capacity as a director, being a veteran with 30 years' experience in the department store business. He is also an executive director of Hong Kong Ferry (Holdings) Company Limited, a listed company. Mr Li is the son-in-law of Dr Lee Shau Kee and the brother-in-law of Dr Lee Ka Kit and Dr Lee Ka Shing.

Independent Non-executive Directors

KWONG Che Keung, Gordon, *FCA*, aged 72, 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, NWS Holdings Limited and Piraeus Port Authority S.A. (listed in Greece), all of which are listed companies. Mr Kwong previously served as an independent non-executive director of Wealthking Investments Limited until 27 August 2019, Global Digital Creations Holdings Limited until 22 May 2020 and China Power International Development Limited until 3 June 2021. 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 71, 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 71, 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.

Independent Non-executive Directors

AU Siu Kee, Alexander, *OBE, FCA, FCCA, FCPA, AAIA, FCIB, FHKIB*, aged 75, 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 64, 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 (formerly known as The Hong Kong Institute of Chartered Secretaries), and an associate of The Institute of Chartered Accountants in Australia. He has many years' experience in accounting, auditing, corporate finance, corporate investment and development, and company secretarial practice.

WONG Wing Kee, Christopher, *BSc (Econ), FCA*, aged 59, joined the Henderson Land Group in 2007 and is presently the General Manager of Accounts Department. Mr Wong graduated from The London School of Economics and Political Science, University of London and is a fellow of The Institute of Chartered Accountants in England & Wales. He has over 35 years of experience in accounting, auditing, investment banking and corporate finance in the United Kingdom and in Hong Kong. Prior to joining the Henderson Land Group, Mr Wong was the chief financial officer of Kerry Properties Limited between December 2004 and May 2007.

Financial Statements

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 86 to 135, comprise:

- the consolidated statement of financial position at 31 December 2021;
- 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 2021, 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 ("HKSAs") 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
Goodwill impairment assessment Refer to note 19 to the consolidated financial statements. As at 31 December 2021, 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"). For both Citistore and Unicorn, management has concluded that there was no impairment of goodwill as at 31 December 2021. 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 forecast five years ending on 31 December 2022 to 31 December 2026 of each cash-generating unit, and the discount rate. 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.	Our procedures in relation to management's impairment assessment on each cash-generating unit included: • 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 forecast five years ending on 31 December 2022 to 31 December 2026 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. We found the goodwill impairment assessment performed by management to be supportable based on available evidence.

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.

- 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, 22 March 2022

Consolidated Statement of Profit or Loss

for the year ended 31 December 2021

	Note	**2021 HK$ million**	2020 HK$ million
Revenue	5	**1,770**	1,829
Direct costs		**(1,582)**	(1,581)
		188	248
Other revenue	6	**11**	11
Other income, net	7	**5**	57
Selling and marketing expenses		**(30)**	(30)
Administrative expenses		**(107)**	(108)
Profit from operations		**67**	178
Finance costs on lease liabilities	8(c)	**(26)**	(36)
Profit before taxation	8	**41**	142
Income tax	11(a)	**(7)**	(15)
Profit attributable to equity shareholders of the Company for the year		**34**	127
		HK cents	HK cents
Earnings per share			
– Basic and diluted	14	**1.1**	4.2

The notes on pages 91 to 135 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 2021

	2021 HK$ million	2020 HK$ million
Profit attributable to equity shareholders of the Company for the year	**34**	127
Other comprehensive income for the year:		
Item that will not be reclassified to profit or loss:		
– Investments in listed securities designated as financial assets at fair value through other comprehensive income: net movement in the fair value reserve (non-recycling)	**3**	(8)
Total comprehensive income attributable to equity shareholders of the Company for the year	**37**	119

The notes on pages 91 to 135 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

at 31 December 2021

	Note	2021 HK$ million	2020 HK$ million
Non-current assets			
Fixed assets	15	**144**	110
Right-of-use assets	16	**413**	552
Trademarks	17	**39**	41
Investments in listed securities designated as financial assets at fair value through other comprehensive income	18	**48**	45
Goodwill	19	**1,072**	1,072
Deferred tax assets	26	**30**	26
		1,746	1,846
Current assets			
Inventories	20	**134**	121
Trade and other receivables	21	**56**	48
Cash and bank balances	22	**360**	415
		550	584
Current liabilities			
Trade and other payables	23	**442**	380
Lease liabilities	24	**213**	261
Amounts due to affiliates	25	**3**	1
Provision for reinstatement costs		**12**	–
Current taxation		**1**	4
		671	646
Net current liabilities		**(121)**	(62)
Total assets less current liabilities		**1,625**	1,784
Non-current liabilities			
Lease liabilities	24	**289**	413
Provision for reinstatement costs		**5**	17
Deferred tax liabilities	26	**7**	7
		301	437
NET ASSETS		**1,324**	1,347
CAPITAL AND RESERVES			
Share capital	29(c)	**612**	612
Reserves		**712**	735
TOTAL EQUITY		**1,324**	1,347

Approved and authorised for issue by the Board of Directors on 22 March 2022.

Dr Lee Ka Shing
Dr Lee Ka Kit
Directors

The notes on pages 91 to 135 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2021

	Note	Attributable to equity shareholders of the Company				
		Share capital HK$ million	Capital reserve HK$ million	Fair value reserve (non-recycling) HK$ million	Retained profits HK$ million	Total equity HK$ million
Balance at 1 January 2020		612	10	(7)	673	1,288
Changes in equity for 2020:						
Profit for the year		–	–	–	127	127
Other comprehensive income for the year		–	–	(8)	–	(8)
Total comprehensive income for the year		–	–	(8)	127	119
Final dividend approved in respect of the previous financial year	13(b)	–	–	–	(30)	(30)
Interim dividend declared in respect of the current financial year	13(a)	–	–	–	(30)	(30)
Balance at 31 December 2020		612	10	(15)	740	1,347
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**

The notes on pages 91 to 135 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2021

	Note	**2021 HK$ million**	2020 HK$ million
Operating activities			
Profit before taxation		**41**	142
Adjustments for:			
Bank interest income	7	**(1)**	(4)
Dividend income from investments in securities designated as financial assets at fair value through other comprehensive income	7	**(4)**	(1)
Fixed assets written off	7	**–**	3
Amortisation of trademarks	8(c)	**2**	1
Depreciation on fixed assets	8(c)	**44**	45
Depreciation on right-of-use assets	8(c)	**220**	228
Finance costs on lease liabilities	8(c)	**26**	36
Rent concession and reduction	24	**–**	(23)
Operating profit before changes in working capital		**328**	427
Increase in inventories		**(13)**	(11)
(Increase)/decrease in trade and other receivables		**(11)**	13
Increase in trade and other payables		**34**	–
Increase in amounts due to affiliates		**2**	–
Cash generated from operations		**340**	429
Tax paid in Hong Kong		**(14)**	(33)
Net cash generated from operating activities		**326**	396
Investing activities			
Interest received		**1**	5
Dividends received from investments in securities designated as financial assets at fair value through other comprehensive income	7	**4**	1
Additions to fixed assets		**(48)**	(45)
Decrease in deposits with banks over three months of maturity at acquisition		**–**	20
Net cash used in investing activities		**(43)**	(19)
Financing activities			
Dividends paid to shareholders	13	**(60)**	(60)
Interest payments of lease liabilities to affiliates	24	**(18)**	(25)
Principal repayments of lease liabilities to affiliates	24	**(150)**	(117)
Interest payments of lease liabilities to third parties	24	**(8)**	(12)
Principal repayments of lease liabilities to third parties	24	**(102)**	(91)
Net cash used in financing activities		**(338)**	(305)
Net (decrease)/increase in cash and cash equivalents		**(55)**	72
Cash and cash equivalents at 1 January		**415**	343
Cash and cash equivalents at 31 December	22	**360**	415

The notes on pages 91 to 135 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2021

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 amendment to HKFRS issued by the HKICPA that is first effective for the current accounting period of the Group and the Company, and which is relevant to the Group’s consolidated financial statements for the current accounting period:

- Amendment to HKFRS 16, *COVID-19-related rent concessions beyond 30 June 2021 (“the 2021 amendment”)*

The Group previously applied the practical expedient under HKFRS 16, *Leases* such that the Group or any of its subsidiaries, as lessee, was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met (see note 2(i)). One of these conditions requires the reduction in lease payments affect only payments originally due on or before 30 June 2021 (see note 2(i)(b)).

Under the 2021 amendment, such time limit is extended to 30 June 2022. With the extended time limit, certain rent concessions that were previously ineligible for the practical expedient because of the original time limit has now become eligible. These rent concessions are recognised in profit or loss in the period during which the event or condition which triggers the lease payments has occurred.

No rent concessions had been granted to the Group or its subsidiaries during the year ended 31 December 2021. During the corresponding year ended 31 December 2020, the Group early adopted and applied the practical expedient under the amendment to HKFRS 16, *COVID-19-related rent concessions* and recognised a credit before tax of HK$23 million in profit or loss to reflect changes in lease payments that arose from rent concessions granted to the Group’s subsidiaries as lessees during that year (also see note 24).

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 to HKFRSs and HKASs which are not yet effective for the financial year ended 31 December 2021 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for annual periods beginning on or after
Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*	1 January 2022
Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – costs of fulfilling a contract*	1 January 2022
Amendments to HKFRS 3, *Business combinations: Reference to the Conceptual Framework*	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*	1 January 2023
Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Accounting policies, changes in Accounting estimates and errors: Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

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

(c) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2021 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.

2 Significant accounting policies (continued)

(c) Basis of preparation of the consolidated financial statements (continued)

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 will likely continue to 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 2021, the Group was in a net current liabilities position of HK$121 million (2020: HK$62 million). This was mainly due to the recognition of the current portion of lease liabilities of HK$213 million (2020: HK$261 million) under HKFRS 16, *Leases*. Taking into account the expected cash flows from operations, the available cash and bank balances and the investments in unpledged listed securities, the Group's management believes that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

(d) Subsidiaries and non-controlling interests

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

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

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

2 Significant accounting policies (continued)

(d) Subsidiaries and non-controlling interests (continued)

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)).

(e) Business combinations

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

Acquisition-related costs are expensed as incurred.

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

(f) Fixed assets and depreciation

Fixed assets are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(m)(ii)).

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

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

2 Significant accounting policies (continued)

(f) Fixed assets and depreciation (continued)

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

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

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

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

(g) Trademarks

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

(h) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the Group's previously held equity interest in the acquiree; over

(ii) the fair value of the acquiree's net identifiable assets and liabilities measured as at the acquisition date.

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

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

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

2 Significant accounting policies (continued)

(i) Leased assets

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

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

When a lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest rate method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred. The lease liability is remeasured when there is (i) a change in the future lease payments arising from a change in an index or rate; (ii) a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or (iii) a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract (i.e. "lease modification") that is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are COVID-19-related rent concessions, which are rent concessions that arose as a direct consequence of the COVID-19 pandemic and where all of the following conditions are met:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) any reduction in lease payments affects only payments originally due on or before 30 June 2021 (and such time limit is extended to 30 June 2022 pursuant to the 2021 amendment, as referred to in note 2(b)); and

(c) there is no substantive change to other terms and conditions of the lease.

2 Significant accounting policies (continued)

(i) Leased assets (continued)

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

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

(j) Inventories

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

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

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

2 Significant accounting policies (continued)

(k) Investments and other financial assets

(i) Classification

Debt instruments

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

– the asset is held within a business model with the objective of collecting the contractual cash flows; and

– the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

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

– the objective of the Group's business model is to hold the asset to collect the contractual cash flows and to sell financial assets; and

– the contractual terms of the debt instrument give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

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

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

Equity instruments

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

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

(ii) Recognition and derecognition

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

2 Significant accounting policies (continued)

(k) Investments and other financial assets (continued)

(iii) Measurement

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

Financial asset measured at amortised cost

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

Equity investments classified as FVOCI

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

Financial asset at FVPL

Changes in the fair value of financial assets at FVPL are recognised in profit or loss and presented on a net basis within other gains/(losses) in the period in which it arises.

(l) Trade and other receivables

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

2 Significant accounting policies (continued)

(m) Credit losses and impairment of assets

(i) Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses (“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.

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.

2 Significant accounting policies (continued)

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

(ii) Impairment of other assets (continued)

– 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.

(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.

2 Significant accounting policies (continued)

(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.

(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.

2 Significant accounting policies (continued)

(q) Income tax (continued)

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

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

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

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

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis, or realise the current tax assets and settle the current tax liabilities simultaneously.

(r) Provisions and contingent liabilities

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

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

2 Significant accounting policies (continued)

(s) Revenue and other income recognition

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

(i) Sales of goods

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

(ii) Commission income from consignment and concessionaire counters

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

(iii) Promotion income, sponsorship fees and sundry income

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

(iv) Rental income for antenna sites

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

(v) Interest income

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

(vi) Administration fee income

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

(vii) Dividend income

– Dividend income from unlisted investments is recognised when the shareholder’s right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(viii) Government subsidies

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

2 Significant accounting policies (continued)

(t) Translation of foreign currencies

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

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

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

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

  (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

  (ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).

  (iii) Both entities are joint ventures of the same third party.

  (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

  (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

  (vi) The entity is controlled or jointly controlled by a person identified in (a) above.

  (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

  (viii) The entity, or any member of the Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

3 Accounting estimates and judgments

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

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

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

(b) Recognition of deferred tax assets

At 31 December 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 2021 and 31 December 2020 as minimal.

(b) Liquidity risk

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

4 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

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

	2021 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**	**Total HK$ million**	**Carrying amount 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**

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

(c) Interest rate risk

At 31 December 2021 and 31 December 2020, 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 2021 and 31 December 2020, the Group did not enter into any interest rate hedging instruments.

4 Financial risk management and fair values (continued)

(d) Foreign currency risk

At 31 December 2021 and 31 December 2020, there were insignificant balances where the denomination is in a currency other than the functional currencies of the Group's entities to which they relate. The impact on the Group's profit after tax attributable to equity shareholders of the Company and total equity is not expected to be material in response to reasonably possible changes in the foreign exchange rates of the other currencies to which the Group is exposed.

(e) Fair values

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

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

– Inputs other than quoted prices included within Level 1 that are observable market data for the asset or liability, either directly (as prices) or indirectly (i.e. derived from prices) (Level 2).

– Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) (Level 3).

At 31 December 2021 and 31 December 2020, 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 2021 and 31 December 2020.

Other financial assets and liabilities are carried at amounts not materially different from their fair values at 31 December 2021 and 31 December 2020.

During the years ended 31 December 2021 and 31 December 2020, 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 2021 and 31 December 2020.

(f) Price risk

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

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

If the prices of these securities at 31 December 2021 had increased/decreased by 5% (2020: 5%), with all other variables held constant, the total equity of the Company would increase/decrease by HK$2 million (2020: HK$2 million).

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:

	2021 HK$ million	2020 HK$ million
Sales of goods	**1,333**	1,404
Commission income from consignment counters (note)	**324**	304
Commission income from concessionaire counters (note)	**100**	108
Promotion income	**7**	7
Administration fee income	**6**	6
	1,770	1,829

Note:

During the year ended 31 December 2021, no concessions had been granted by Citistore (Hong Kong) Limited ("Citistore") on the commissions payable by the operators of the consignment counters and concessionaire counters.

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

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

	2021 HK$ million	2020 HK$ million
Receipts from sales of goods by consignment counters	**1,196**	1,111
Receipts from sales of goods by concessionaire counters	**369**	347
	1,565	1,458

6 Other revenue

	2021 HK$ million	2020 HK$ million
Sponsorship fees	**2**	2
Rental income for antenna sites	**3**	3
Sundry income	**6**	6
	11	11

7 Other income, net

	2021 HK$ million	2020 HK$ million
Bank interest income	**1**	4
Dividend income from listed investments	**2**	1
Dividend income from unlisted investment (note i)	**2**	–
Government subsidies (note ii)	**–**	55
Fixed assets written off	**–**	(3)
	5	57

Notes:

(i) Being dividend income received by the Group during the year ended 31 December 2021 in respect of an unlisted investment which was written off by the Group in 2007.

(ii) Included in the amount of government subsidies recognised for the corresponding year ended 31 December 2020 was an amount of HK$54 million, being the aggregate amount of approved subsidies from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by the HKSAR Government, for the Group's subsidiaries, namely Citistore and Unicorn Stores (HK) Limited ("Unicorn"), in the amounts of HK$32 million and HK$22 million respectively. The aforementioned amounts of approved subsidies were duly received by Citistore and Unicorn during the corresponding year ended 31 December 2020 which were applied towards the payroll costs for the months of June 2020, July 2020, August 2020, September 2020, October 2020 and November 2020, and did not recur for the year ended 31 December 2021.

8 Profit before taxation

Profit before taxation is arrived at after charging:

		2021 HK$ million	2020 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.

		2021 HK$ million	2020 HK$ million
(b)	**Staff costs (other than Directors' emoluments):**		
	Salaries, wages and other benefits	**259**	257
	Contributions to defined contribution retirement plans	**12**	12
(c)	**Other items:**		
	Amortisation of trademarks (note 17)	**2**	1
	Depreciation		
	– on fixed assets (note 15)	**44**	45
	– on right-of-use assets (note (ii)) (note 16)	**220**	228
	Auditors' remuneration		
	– audit services	**2**	2
	– other services	**1**	–
	Finance costs on lease liabilities (note (ii)) (notes 24 and 34)	**26**	36
	Expenses relating to short-term leases (note (ii))	**5**	3
	Other charges in respect of rental premises		
	– net of rent concessions (notes (i) and (ii))	**105**	71
	Cost of inventories sold (note 20)	**942**	973

Notes:

(i) Included contingent rental expenses of HK$3 million (2020: HK$Nil) during the year.

(ii) For the purpose of comparison between the two financial years ended 31 December 2021 and 31 December 2020, the depreciation charge on right-of-use assets of HK$220 million (2020: HK$228 million), the finance cost on lease liabilities of HK$26 million (2020: HK$36 million) and the rental and related expenses of HK$110 million (2020: HK$74 million) are aggregated which amounted to HK$356 million for the year ended 31 December 2021 (2020: HK$338 million). The year-on-year increase of HK$18 million is mainly attributable to (i) the financial effects of the UNY supermarket store at Yuen Long (which was opened in June 2020) for the whole year ended 31 December 2021 as compared with its financial effects for only part of the corresponding year ended 31 December 2020; (ii) the additional charges generated from the commencement of the tenancy leases during the year ended 31 December 2021 of the new UNY supermarket store at Tseung Kwan O, the new central warehouse operation in Tsing Yi and the new "Citilife" household specialty store outlets operated by Citistore.

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:

	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

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)

	2020				
	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
Lee Tat Man*	25	–	–	–	25
Independent Non-executive Directors					
Kwong Che Keung, Gordon	50	200	–	–	250
Professor Ko Ping Keung	50	200	–	–	250
Wu King Cheong	50	200	–	–	250
Au Siu Kee, Alexander	50	200	–	–	250
Total	425	800	–	–	1,225

* *Retired on 8 June 2020.*

During the years ended 31 December 2021 and 31 December 2020, 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 2021 and at 31 December 2021, 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) (2020: None).

During the year ended 31 December 2021 and at 31 December 2021, 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) (2020: None).

9 Directors' emoluments (continued)

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

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

10 Emoluments of five highest paid individuals and senior management

(a) Emoluments of five highest paid individuals

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

	2021 HK$ million	2020 HK$ million
Salaries, allowances and benefits-in-kind	**5**	5
Discretionary bonuses	**–**	1
Retirement scheme contributions	**–**	–
	5	6

Their emoluments are within the following bands:

	Number of individuals	
	2021	2020
HK$1,000,000 or below	**4**	1
HK$1,000,001 to HK$2,000,000	**1**	4
	5	5

(b) Emoluments of senior management

Other than the emoluments of the Directors disclosed in note 9, the senior management whose profiles are set out in the section "Biographical Details of Directors and Senior Management" of the Company's annual report for the year ended 31 December 2021 (of which these consolidated financial statements form a part) received no emoluments from the Group during the year (2020: Nil).

11 Income tax

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

	2021 HK$ million	2020 HK$ million
Current tax – Hong Kong		
– provision for the year	**11**	14
– under-provision in respect of prior years	**–**	1
Deferred taxation		
– origination and reversal of temporary differences (note 26)	**(4)**	–
	7	15

Provision for Hong Kong Profits Tax has been made at 16.5% (2020: 16.5%) on the estimated assessable profits for the year, taking into account a one-off reduction of 100% (2020: 100%) of the tax payable for the year of assessment 2020/21 subject to a ceiling of HK$10,000 (2019/20: HK$20,000) for each business allowed by the HKSAR Government.

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

	2021 HK$ million	2020 HK$ million
Profit before taxation	**41**	142
Notional tax on profit before taxation, calculated at the Hong Kong Profits Tax rate of 16.5% (2020: 16.5%)	**7**	23
Tax effect of non-taxable income	**(1)**	(10)
Tax effect of non-deductible expenses	**1**	1
Under-provision in respect of prior years	**–**	1
Income tax	**7**	15

12 Segment reporting

No segmental information for the year ended 31 December 2021 is presented as the Group's revenue and trading results for the year were generated solely from its department stores and supermarket-cum-stores operations in Hong Kong, the revenue of which amounted to HK$1,770 million (2020: HK$1,829 million) during the year and the pre-tax profit from operation (after finance costs on lease liabilities) of which amounted to HK$41 million (2020: HK$142 million) during the year.

Geographical information

Since all of the Group's revenue was generated in Hong Kong during the years ended 31 December 2021 and 31 December 2020, and all of the Group's fixed assets, right-of-use assets, trademarks and goodwill at 31 December 2021 and 31 December 2020 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

	2021 **HK$ million**	2020 HK$ million
Interim dividend declared and paid of HK1 cent (2020: HK1 cent) per share	**30**	30
Final dividend proposed after the end of the reporting period of HK1 cent (2020: 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

	2021 **HK$ million**	2020 HK$ million
Final dividend in respect of the previous financial year, approved and paid during the year of HK1 cent (2020: 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$34 million (2020: HK$127 million) and 3,047,327,395 (2020: 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 2020	194	71	1	266
Additions	17	23	–	40
Written off	(1)	(15)	–	(16)
At 31 December 2020	210	79	1	290
Accumulated depreciation:				
At 1 January 2020	128	19	1	148
Charge for the year (note 8(c))	30	15	–	45
Written off	(1)	(12)	–	(13)
At 31 December 2020	157	22	1	180
Net book value:				
At 31 December 2020	53	57	–	110
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**

16 Right-of-use assets

	2021 HK$ million	2020 HK$ million
Cost:		
At 1 January	**1,573**	1,494
Addition for the year (note 24)	**129**	92
Change in basic rent due to modification of certain lease terms (note 24)	**(47)**	(15)
Reassessment of lease term (note 24)	**(2)**	(1)
Lease payment made before lease commencement	**–**	1
Reinstatement cost	**1**	4
Write back on expiry of leases	**(27)**	(2)
At 31 December	**1,627**	1,573
Accumulated depreciation:		
At 1 January	**(1,021)**	(795)
Charge for the year (note 8(c))	**(220)**	(228)
Write back on expiry of leases	**27**	2
At 31 December	**(1,214)**	(1,021)
Net book value:		
At 31 December	**413**	552

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 period from the dates of the commencement/modification of the Remaining Leases to the end of the term of the Remaining Leases taking into consideration the renewal options attaching thereto (if any).

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

17 Trademarks

	2021 HK$ million	2020 HK$ million
Cost:		
At 1 January and 31 December	**51**	51
Accumulated amortisation:		
At 1 January	**10**	9
Charge for the year (note 8(c))	**2**	1
At 31 December	**12**	10
Carrying amount:		
At 31 December	**39**	41

On 1 December 2014, the Company completed its acquisition of the entire issued share capital of Camay Investment Limited and its subsidiaries, namely Citistore which is engaged in department stores operation and Puretech Investment Limited (the "Citistore Acquisition"). The Group has adopted the purchase price allocation method under the Citistore Acquisition, and has identified trademarks as an identifiable asset measured at fair value at the acquisition date based on the Directors' valuation with reference to an independent valuation performed by a professional valuer. A deferred tax liability of HK$7 million (2020: 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 2021 (see note 26).

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

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

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

At 31 December 2021 and 31 December 2020, the Group beneficially held Hong Kong listed securities issued by a financial institution and an energy-related business. These securities are denominated in Hong Kong dollars. Dividend income recognised during the year ended 31 December 2021 amounted to HK$2 million (2020: HK$1 million) (see note 7). The Group has irrevocably elected at initial recognition to recognise such securities as financial assets at fair value through other comprehensive income. The Group considers such securities as long-term investments and such classification to be more relevant. For an analysis of the sensitivity of such securities to price risk, please refer to note 4(f).

19 Goodwill

	2021 HK$ million	2020 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 2021) for the future five forecast years ending on 31 December 2022, 31 December 2023, 31 December 2024, 31 December 2025 and 31 December 2026 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 6.4% in the forecast receipts from gross sales for each of the future five forecast years ending on 31 December 2022, 31 December 2023, 31 December 2024, 31 December 2025 and 31 December 2026;

(ii) an average increase of 0.4 percentage point in the gross profit margin for each of the future five forecast years ending on 31 December 2022, 31 December 2023, 31 December 2024, 31 December 2025 and 31 December 2026;

(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 2026 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.

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 2022, 31 December 2023, 31 December 2024, 31 December 2025 and 31 December 2026 are based on the expectations of the Group's management of their plans and market development as at 31 December 2021. A post-tax discount rate of 11% (2020: 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 2021.

At 31 December 2021, in relation to the cash-generating unit under Citistore, the recoverable amount calculated based on fair value less cost of disposal (after deducting the carrying amounts of the fixed assets, trademarks, right-of-use assets and negative working capital of Citistore at 31 December 2021) exceeded the carrying value. If the post-tax discount rate had been 1% higher or if the forecast receipts from gross sales for each of the future five forecast years ending on 31 December 2022, 31 December 2023, 31 December 2024, 31 December 2025 and 31 December 2026 had been 3% lower, the Directors have assessed that it would not result in an impairment loss on the Citistore Goodwill. However, if the forecast gross profit margin for each of the future five forecast years ending on 31 December 2022, 31 December 2023, 31 December 2024, 31 December 2025 and 31 December 2026 had been 1.5% lower, there would be a potential implication for impairment on the Citistore Goodwill in an estimated amount of HK$2 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 for each of the future five forecast years ending on 31 December 2022, 31 December 2023, 31 December 2024, 31 December 2025 and 31 December 2026 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 Stores (HK) Limited 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)).

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 2021) for the future five forecast years ending on 31 December 2022, 31 December 2023, 31 December 2024, 31 December 2025 and 31 December 2026 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:

19 Goodwill (continued)

(b) Unicorn Goodwill (continued)

(i) an average increase of 18.7% in the forecast receipts from gross sales for each of the future five forecast years ending on 31 December 2022, 31 December 2023, 31 December 2024, 31 December 2025 and 31 December 2026;

(ii) an average increase of 0.5 percentage point in the gross profit margin for each of the future five forecast years ending on 31 December 2022, 31 December 2023, 31 December 2024, 31 December 2025 and 31 December 2026;

(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 2026 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 2022, 31 December 2023, 31 December 2024, 31 December 2025 and 31 December 2026 are based on the expectations of the Group's management of their plans and market development as at 31 December 2021. A post-tax discount rate of 11% (2020: 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 2021.

At 31 December 2021, 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 2021) exceeded the carrying value. If the post-tax discount rate had been 1% higher or if the forecast receipts from gross sales for each of the future five forecast years ending on 31 December 2022, 31 December 2023, 31 December 2024, 31 December 2025 and 31 December 2026 had been 3% lower, the Directors have assessed that it would not result in an impairment loss on the Unicorn Goodwill. However, if the forecast gross profit margin for each of the future five forecast years ending on 31 December 2022, 31 December 2023, 31 December 2024, 31 December 2025 and 31 December 2026 had been 1.5% lower, there would be a potential implication for impairment on the Unicorn Goodwill in an estimated amount of HK$105 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 for each of the future five forecast years ending on 31 December 2022, 31 December 2023, 31 December 2024, 31 December 2025 and 31 December 2026 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:

	2021 **HK$ million**	2020 HK$ million
Finished goods	**134**	121

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:

	2021 **HK$ million**	2020 HK$ million
Carrying amount of inventories sold	**938**	966
Write-down of inventories	**4**	7
	942	973

21 Trade and other receivables

	2021 **HK$ million**	2020 HK$ million
Trade debtors	**16**	11
Deposits, prepayments and other receivables	**40**	37
	56	48

At 31 December 2021, 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$10 million (2020: HK$27 million) which are expected to be recovered after more than one year.

(a) Ageing analysis

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

	2021 **HK$ million**	2020 HK$ million
Current or under 1 month overdue	**16**	11

21 Trade and other receivables (continued)

(b) Trade debtors that are not impaired

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

	2021 HK$ million	2020 HK$ million
Neither past due nor impaired	**16**	11

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

22 Cash and bank balances

	2021 HK$ million	2020 HK$ million
Deposits with banks	**238**	280
Cash at bank and in hand	**122**	135
Cash and bank balances in the consolidated statement of financial position and cash and cash equivalents in the consolidated cash flow statement	**360**	415

23 Trade and other payables

	2021 HK$ million	2020 HK$ million
Trade creditors	**311**	276
Contract liabilities (note)	**18**	14
Accrued expenses and other payables	**105**	81
Deposits received	**8**	9
	442	380

Note: During the year ended 31 December 2021, HK$9 million (2020: HK$10 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 2021 and 31 December 2020 were expected to be recognised within one year.

At 31 December 2021, all of the trade and other payables were interest-free and repayable within one year or on demand except for an amount of HK$2 million (2020: HK$1 million) which was expected to be settled after more than one year.

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

	2021 HK$ million	2020 HK$ million
Due within 1 month or on demand	**261**	235
Due after 1 month but within 3 months	**50**	41
	311	276

24 Lease liabilities

	2021 HK$ million	2020 HK$ million
At 1 January	**674**	830
Addition for the year (note 16)	**129**	92
Change in basic rent due to modification of certain lease terms (note 16)	**(47)**	(15)
Reassessment of lease term (note 16)	**(2)**	(1)
Effects of rent concession and reduction	**–**	(23)
Lease payments made during the year	**(278)**	(245)
Finance costs on lease liabilities for the year (note 8(c))	**26**	36
At 31 December	**502**	674

24 Lease liabilities (continued)

	2021 HK$ million	2020 HK$ million
Represented by:		
Amount classified under current liabilities		
– contractual maturity within 1 year	**213**	261
Amount classified under non-current liabilities		
– contractual maturity after 1 year and within 2 years	**171**	207
– contractual maturity after 2 years and within 5 years	**118**	205
– contractual maturity after 5 years	**–**	1
	289	413
Total carrying amount of lease liabilities	**502**	674

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 2021 and during the corresponding year ended 31 December 2020. 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 2021 is an amount of HK$343 million (2020: HK$460 million) relating to the lease liabilities payable to affiliates.

25 Amounts due to affiliates

	2021 HK$ million	2020 HK$ million
Amounts due to fellow subsidiaries	**3**	1

At 31 December 2021, 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 2020	–	(16)	7	(10)	(19)
Charged/(credited) to profit or loss (note 11(a))	(1)	1	–	–	–
At 31 December 2020	(1)	(15)	7	(10)	(19)
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)**

	2021 HK$ million	2020 HK$ million
Net deferred tax assets recognised in the consolidated statement of financial position	**(30)**	(26)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**7**	7
	(23)	(19)

27 Employee retirement benefits

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

Furthermore, due to historical factors, certain long-time employees of Citistore and 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.

28 Financial instruments by category

The Group held the following financial instruments at 31 December 2021 and 31 December 2020.

	2021 HK$ million	2020 HK$ million
Financial assets		
Financial assets at amortised cost		
Trade and other receivables (excluding prepayments)	**48**	40
Cash and bank balances	**360**	415
Financial assets at fair value through other comprehensive income		
Investments in listed securities	**48**	45
	456	500
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables (note 4(b))	**421**	362
Lease liabilities (notes 4(b) and 24)	**502**	674
Amounts due to fellow subsidiaries (note 4(b))	**3**	1
	926	1,037

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

(a) Statement of financial position

	2021 HK$ million	2020 HK$ million
Non-current asset		
Investments in subsidiaries	**351**	351
Current asset		
Amounts due from affiliates	**1,754**	1,660
Current liabilities		
Trade and other payables	**2**	2
Amounts due to affiliates	**763**	643
	765	645
Net current assets	**989**	1,015
NET ASSETS	**1,340**	1,366
CAPITAL AND RESERVES		
Share capital	**612**	612
Reserve	**728**	754
TOTAL EQUITY	**1,340**	1,366

The statement of financial position of the Company was approved by the Board of Directors on 22 March 2022 and was signed on its behalf.

Dr Lee Ka Shing
Dr Lee Ka Kit
Directors

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

(b) Movement in reserve

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

(c) Share capital

	The Group and the Company			
	Number of shares		Amount	
	2021 million	2020 million	**2021 HK$ million**	2020 HK$ million
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	**3,047**	3,047	**612**	612

(d) Distributability of reserve

At 31 December 2021, 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$728 million (2020: HK$754 million). As stated in note 13(a), after the end of the reporting period, the Directors proposed a final dividend of HK1 cent (2020: HK1 cent) per share, amounting to HK$30 million (2020: 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.

30 Capital management (continued)

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 2021, the Group maintained net cash and bank balances (after deducting the Group's total bank borrowings of HK$Nil (2020: HK$Nil) and excluding the Group's lease liabilities recognised under HKFRS 16, *Leases* of HK$502 million at 31 December 2021 (2020: HK$674 million)) of HK$360 million (2020: HK$415 million) and therefore the Group's gearing ratio was Nil (2020: Nil).

The Group was not subject to externally imposed capital requirements during the year ended 31 December 2021 (2020: None) and at 31 December 2021 (2020: None).

31 Capital commitments

At 31 December 2021, 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$14 million (2020: HK$15 million).

32 Contingent liabilities

At 31 December 2021 and 31 December 2020, 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:

	2021 **HK$ million**	2020 HK$ million
Cash rental paid and payable (note (ii))	**231**	209
Cleaning expenses	**7**	8
Car park expenses	**1**	1
Management fee income	**3**	3
Gift certificates sold	**2**	2

During the year ended 31 December 2021, the addition to right-of-use assets (see note 16) included an amount of HK$78 million (2020: 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:

	2021 HK$ million	2020 HK$ million
Cash rental paid and payable (note (iii))	**4**	7
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 of HK$61 million (2020: HK$55 million) for the year ended 31 December 2021.

Note (iii): Including management fees, air-conditioning charges and rates of HK$2 million (2020: HK$3 million) for the year ended 31 December 2021.

During the year ended 31 December 2021, the addition to right-of-use assets (see note 16) included an amount of HK$Nil (2020: HK$4 million) in relation to a tenancy lease entered into with a related company.

Furthermore, at 31 December 2021, 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 (2020: HK$1,000 million), the maximum sub-limit of which available to the Group amounted to HK$500 million (2020: HK$1,000 million).

At 31 December 2021 and 31 December 2020, a bank had issued a letter of guarantee to a landlord in lieu of rental deposit in connection with a store operated by an indirect wholly-owned subsidiary of the Company under a banking facility granted to an intermediate holding company of the Company.

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

35 Non-adjusting events after the reporting period

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

(b) On 18 March 2022, Unicorn entered into a tenancy agreement ("Tenancy Agreement") with Cityplaza Holdings Limited ("the Landlord"), an independent third party, regarding the leasing of the first basement to ground floor of the retail and shopping centre and podium at Cityplaza, Taikoo Shing, Hong Kong with a total lettable area of approximately 118,691 square feet ("Premises"), being occupied by Unicorn for operating Unicorn's department store cum supermarket in the name of "APITA" under the previous tenancy lease which expired on 28 February 2022.

The Tenancy Agreement is for a term of 96 months commencing from 1 March 2022 and ending on 28 February 2030 ("Term"), pursuant to which Unicorn (as tenant) shall pay to the Landlord total basic rents in the amounts of (i) HK$5,872,350 per calendar month from 1 March 2022 and ending on 28 February 2023; (ii) HK$6,224,690 per calendar month from 1 March 2023 and ending on 28 February 2026; and (iii) HK$6,598,170 per calendar month from 1 March 2026 and ending on 28 February 2030. Unicorn shall also pay other charges including chilled water charge, service charge, promotional levy and refuse compactor charge for the entire Term in the total amount of approximately HK$235 million, as well as Government rates and other outgoings of an annual or recurring nature attributable to the Premises. In accordance with the accounting treatment of HKFRS16 *Leases*, the value of the right-of-use asset recognised by the Group under the Tenancy Agreement amounts to approximately HK$485 million upon initial recognition.

(c) In light of the recent outbreak of the Omicron variant, the business and economic activities in Hong Kong have been severely affected, including the retail sector, one of the hardest hit industries. The number of customers has been reduced and the operating hours of certain store outlets of the Group have been shortened since February 2022. Management has proactively taken appropriate mitigating actions. Management would closely monitor the situation and assess any financial impact of the pandemic on the Group.

36 Parent and ultimate controlling party

At 31 December 2021, 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 2021

Set out below are the particulars of the principal subsidiaries of the Company at 31 December 2021 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

72-76/F., Two International Finance Centre
8 Finance Street, Central
Hong Kong
Telephone : (852) 2908 8888
Facsimile : (852) 2908 8838
Internet : www.hilhk.com
E-Mail : henderson@hld.com

Share Registrar

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

Share Listing

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

Shares are also traded in the United States through an
American Depositary Receipt Level 1 Programme
(Ticker Symbol: HDVTY
CUSIP Reference Number: 425070109)

Authorised Representatives

Dr Lam Ko Yin, Colin
Liu Cheung Yuen, Timon

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

Solicitors

Woo Kwan Lee & Lo
Lo & Lo

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited

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