Convenience Retail Asia Limited
利亞零售有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 00831

ANNUAL REPORT 2021

SAINT HONORE Mon cher Zoff

A Fung Retailing Company

PRINTED ON POST-CONSUMER WASTE RECYCLED PAPER

Saint Honore opened its 100th store in Hong Kong in Tin Wan, Aberdeen

Contents

Corporate Information

Executive Director
Richard YEUNG Lap Bun *(Chief Executive Officer)*

Non-executive Directors
William FUNG Kwok Lun #+ *(Chairman)*
Godfrey Ernest SCOTCHBROOK *
Benedict CHANG Yew Teck *
Sabrina FUNG Wing Yee
Terence FUNG Yue Ming #

Independent Non-executive Directors
Anthony LO Kai Yiu #*
ZHANG Hongyi #+*
Sarah Mary LIAO Sau Tung #+*

Group Chief Compliance and Risk Management Officer
Jason YEUNG Chi Wai

Company Secretary
Maria LI Sau Ping

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Shatin
New Territories
Hong Kong

Website
www.cr-asia.com

Legal Advisers
Mayer Brown
(as to Hong Kong Law)

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

Auditor
PricewaterhouseCoopers
Certified Public Accountants

Principal Banker
The Hongkong and Shanghai Banking Corporation Limited

Nomination Committee members
+ *Remuneration Committee members*
* *Audit Committee members*

Highlights

Financial Highlights

	Change	**2021 HK$'000**	2020 HK$'000
Revenue	+14%	**1,361,840**	1,191,701
Core operating profit	+30%	**87,663**	67,456
Core operating profit (included interest expenses on lease liabilities)	+32%	**81,627**	61,859
Profit attributable to shareholders of the Company			
Continuing Operations	+22%	**74,399**	61,150
Included Discontinued Operations	-97%	**80,370**	3,140,446
Basic earnings per share (HK cents)			
Continuing Operations	+20%	**9.6**	8.0
Included Discontinued Operations	-97%	**10.4**	410.7
Dividend per share (HK cents)			
Final	N/A	**5**	NIL
Full Year			
Basic	+17%	**7**	6
Special	N/A	**Nil**	385
Total	-98%	**7**	391

Operation Highlights

- Stronger consumer sentiment contributed to a double-digit increase in Group revenue in 2021
- Despite rise of store traffic from domestic shoppers, the closure of cross-boundary travel and international travel restrictions continued to impact customer traffic in tourist areas
- Saint Honore achieved two milestones: opening its 100th store in Hong Kong and exceeding 1 million Cake Easy members
- The Group maintained a healthy financial position with net cash of HK$290 million and no bank borrowings
- COVID-19 Omicron variant has caused interruptions to the Group's supply chain and operations in the first quarter of 2022, which are expected to last till the end of April 2022
- The Group expects a strong rebound starting in May but is facing additional challenges due to increases in commodity prices
- With effective cost-saving initiatives to dampen inflationary pressures, the Group is cautiously optimistic about its 2022 prospects
- The Board of Directors has resolved to declare a final dividend of 5 HK cents per share

Number of Stores as of 31 December 2021

Saint Honore Cake Shops	
Hong Kong	100
Macau	10
Guangzhou	26
Subtotal	**136**
Pâtisserie Mon cher	
Hong Kong	**4**
Total number of stores under Bakery Group	**140**
Zoff Eyewear Stores	
Hong Kong	**13**
Total number of Stores under Convenience Retail Asia	**153**

Chairman's Statement

Dr William FUNG Kwok Lun
Chairman

It is my pleasure to share the highlights of Convenience Retail Asia's performance in 2021, the Group's first full year operating as a multi-brand specialty retailer for the Greater Bay Area (GBA) after the divestment of the Circle K convenience store business.

The Group delivered commendable results – turnover increased by 14% and net profit by 22% over the previous year – while continuing its evolution along a new strategic path, despite the challenges posed by the pandemic. We leveraged our strong online-to-offline (O2O) customer relationship management (CRM) capabilities to adapt quickly, effectively and safely to the new realities of the current retail environment. We also drove revenue by expanding through organic growth while seeking to further develop our brand portfolio via licensing. Meanwhile, we strengthened our internal operations and future leadership team to ensure the successful transformation of our business and culture. Overall, 2021 saw the rise of a new, leaner, more agile Convenience Retail Asia and the continued emergence of a business with a very exciting future.

On the Long Road to Recovery

The local retail market experienced a gradual recovery during the year under review as COVID-19 came under a degree of control and anti-pandemic measures were eased to allow workers and students to return to offices and schools. All of these factors resulted in an increase in domestic retail footfall. Cross-boundary channels remained closed and international travel restrictions stayed in place, however, completely shutting off the tap to visitors from the Mainland of China and greatly reducing the number of tourists from overseas markets.

On the Long Road to Recovery (continued)

Overall, Hong Kong retail sales saw improvement over the previous year. In 2021, the value of Hong Kong's total retail sales rose by 8.1%*note* year on year while volume increased by 6.5%*note*. The bread, pastry and confectionary segment (which includes Saint Honore and Mon cher) remained relatively stable, while the optical segment (which includes Zoff) enjoyed double-digit growth, primarily due to the low base in 2020.

Building for A Bright Future

Even before COVID-19, the retail world was shifting toward digital platforms as more and more consumers discovered the convenience of online shopping. Since the pandemic, our Saint Honore's O2O CRM programme, "Cake Easy", has enabled customers to stay safe by making purchases from the comfort of home and fulfilling orders at nearby store locations of their choice. Having such a wide selection of quality products at customers' fingertips has also helped drive Cake Easy's membership to over 1 million, growth that was supported by the platform's launch in Macau as well as the roll-out of an enhanced version 2.0.

Taking advantage of the favourable rental environment, we are in the midst of an expansion programme that should see our Saint Honore store network continue to grow in Hong Kong and Macau in the near to medium term. In 2021, we achieved the milestone of opening our 100th store in Hong Kong. We also continued to seek promising new locations for Mon cher, our premium Japanese pâtisserie brand that has a dedicated and growing following among our local consumer base. Our fast-fashion eyewear brand Zoff, another Japanese icon, experienced a rebound in revenue this year and remains the leader in its category. During the year, the Group sought to leverage Zoff's popularity and growing sales by opening two more stores in Hong Kong.

We also continued to develop our B2B operations. Earlier this year, the Group entered into a strategic system supplier partnership to provide quality bakery products for a leading supermarket chain in Hong Kong, an agreement that could create further corporate opportunities in the future.

Note: Published by the Census and Statistics Department, the Government of the Hong Kong Special Administrative Region on 31 January 2022

Outlook

The prospect of a post-pandemic world remains remote, as the spread of highly contagious COVID-19 Omicron variants shows. In Hong Kong, pent-up demand will fuel consumer spending to a degree, although we cannot expect customer and tourist traffic to return to pre-pandemic levels anytime soon. So long as precautionary measures such as travel restrictions, quarantine requirements, boundary closures, social distancing guidelines and restrictions on group gatherings continue, we will have to accept that the retail industry's operating environment will be much the same for at least the first few months of 2022. However, the Group's positive performance in 2021 shows that it is ready to continue growing and thriving in a challenging environment.

Over the past two years, we have done our utmost to ensure the health and safety of our customers, staff and business partners while demonstrating a deep level of care for the communities where we operate. We have also adjusted our business to adapt to the new ways that people are living, working and shopping, particularly by focusing on O2O commerce to meet customer demand in a safe and efficient manner. These factors will continue to serve us well in the months and years ahead.

The Group has vast experience in the management and marketing of successful brands. Now, as we continue our transformation into a purveyor of high-quality specialty brands for the massive middle-class market in the GBA, we believe the time is right to expand our store networks and portfolio and capitalise on our momentum. Previously, we aimed to achieve stable and steady low double digit top-line and bottom-line growth for all brands. For 2022, these goals have been updated to align with our strategy to scale up the growth of the whole CRA Group more aggressively, demonstrating the confidence we have in our new business direction and strategies. In addition to opening new stores, we will also continue to explore B2B and franchising opportunities for Saint Honore while seeking to add compatible new brands to our portfolio through M&A and licensing arrangements.

Our performance this year would not have been possible without the concerted effort and dedication of my fellow board members, Group management and staff. I look forward to working with everyone in 2022 and beyond as we write the next chapter in the growth story of Convenience Retail Asia.

William FUNG Kwok Lun
Chairman

Hong Kong, 17 March 2022

CEO's Statement

Mr Richard YEUNG Lap Bun
Chief Executive Officer

This year, Convenience Retail Asia made significant progress transforming itself into a specialty retailer focused on the fast-growing Greater Bay Area (GBA). The Group was able to overcome the challenges of the post-COVID-19 operating environment by executing its core values – "Product TFP" (Tastiness, Freshness and Presentation); "Operation EFSS" (Easy, Fast, Simple and Safe); and "Focus CX" (Customer Experience) – to ensure world-class product quality and service. We continued to enhance and adapt our online-to-offline (O2O) customer relationship management (CRM) platform "Cake Easy", upgrading its functions and capabilities and expanding coverage to markets outside of Hong Kong. We also sought to generate top-line growth in a gradually improving retail market by expanding our store networks and driving B2B revenue.

Operations Review – Saint Honore Cake Shop

As at 31 December 2021, the Group had opened 19 Saint Honore stores and closed 2 stores during the year for a total of 110 across Hong Kong and Macau, an increase of 17 over the previous year. The number of stores in Guangzhou at year-end was maintained as 26.

With an extensive store network and OEM manufacturing operations, the Saint Honore bakery chain is the primary revenue driver for the Group. In 2021, Saint Honore posted double-digit sales growth with single-digit growth in comparable store sales due to improvement in consumer sentiment and footfall. The Group also boosted sales through innovative product development, effective marketing campaigns and regular engagement with loyal customers via its "Cake Easy" O2O CRM app, which reached a milestone of 1 million members as at year-end. During the year, Cake Easy was enhanced to offer better customer interface. We also launched an electronic coupon system for the platform that enables a truly paperless transaction for convenient customer gifting and redemption.

Operations Review – Saint Honore Cake Shop (continued)

Almost all product categories saw rebounds in performance during the year. Bread sales improved significantly as workers and students returned to offices and schools. Birthday cake sales continued to be negatively affected by social distancing measures and limitations on group gatherings, but packaged bread products saw strong double-digit growth due to their more hygienic appeal and improved product quality. In 2021, we successfully launched several new products, including our "Crush It" and "Crown" cake series, both of which were enthusiastically received by customers. Festive sales, comprising Chinese New Year, Dragon Boat Festival and Mid-Autumn Festival items, enjoyed high-single-digit year-on-year growth, which was mainly due to successful online and offline marketing and promotional campaigns.

Earlier this year, we entered into a strategic system supplier relationship to provide bakery products for a leading Hong Kong supermarket chain. Our B2B operations have since seen significant improvements in terms of both production volume and sales. The venture's success has encouraged us to explore further opportunities with existing corporate clients and other potential partners. We have also embarked upon numerous capacity and process enhancement projects at our factories to meet surging demand from Saint Honore and our corporate clients.

The appreciation of the RMB and inflation impacted gross margin in 2021, while cost pressures from global supply chain disruptions caused by the pandemic became more of a factor towards the end of the year. In response, the Group strove to negotiate more favourable terms with vendors, enhanced its productivity and practised effective category management. To further boost profitability, the Group implemented a number of cost control measures at the store level by revamping work processes, reallocating manpower and increasing digitisation to reduce administrative burdens.

Product innovation is a Saint Honore hallmark. This year, Saint Honore unveiled beautifully designed cakes for celebrating Mother's Day and Valentine's Day with loved ones

Operations Review – Saint Honore Cake Shop (continued)

The COVID-19 pandemic has caused different level of disruptions in the global supply chain. As Saint Honore sources high quality ingredients from around the world, we are also facing challenges to ensure stable supply of raw materials. We have built an agile supply chain by working closely with our key suppliers overseas as well as in the Mainland China. We have also suitably adjusted our safety inventory level for critical ingredients to cushion the potential delay in supply. Overall our product supply is maintained at satisfactory level.

Saint Honore places great emphasis on giving back to the communities where it operates. In 2021, Saint Honore Hong Kong partnered with charitable organisations including Foodlink, Feeding Hong Kong, the Women's Service Association and Breadline to donate bread and festive products to the less fortunate. Environmental protection was another core area of focus. Throughout the year, Saint Honore organised or participated in recycling campaigns and programmes to raise awareness about reducing single-use plastic. We also installed energy-efficient LED lights, glass doors and dual-temperature refrigerators to reduce our carbon footprint.

In 2021, Saint Honore was once again named a "Top 10 Quality E-shop" by the Hong Kong Retail Management Association. Saint Honore was also proud to receive the "Good Employer Charter 2021" certificate from the Labour Department of Hong Kong and the "Manpower Developer Award Scheme – Super MD" award from the Employees Retraining Board.

In Guangzhou, the Group is introducing a new store design and product ranges to align the brand image of the local store network with its Hong Kong operations and increase brand affinity and loyalty. During the year, the Group also continued to launch digital marketing promotions, teaming with partners such as Alipay and UnionPay and launching campaigns on popular platforms like WeChat to engage customers with special offers. We are currently applying for a licence to franchise Saint Honore in GBA cities outside of Guangzhou, a process that we hope to commence in the second half of 2022.

Saint Honore's "Cake Easy" O2O CRM programme reached a milestone of 1 million members in 2021

Saint Honore Guangzhou launched an online marketing campaign featuring some of the top digital platforms in the Chinese Mainland

Operations Review – Mon cher

Mon cher's Almond Chocolate Dojima Roll, launched in October, quickly became one of the brand's top-selling items

This was the first full year for Mon cher, a premium pâtisserie from Osaka, Japan, as part of the Group's brand portfolio. Mon cher is popular amongst young local consumers who have affinity for quality Japanese products. It is particularly famous for its signature "Dojima" roll, a fluffy, creamy pastry that comes in a number of varieties. In 2021, three more Mon cher stores were opened for a total of four as at year-end, all of which contributed positively to the Group's financial performance. In November, an online cake ordering platform was soft-launched to provide a convenient way to pre-order Mon cher products.

For the opening of each new store, we introduce a new product that is available only at that store to commemorate the event and bring excitement to customers. The Almond Chocolate Dojima Roll, for example, which was introduced at the opening of the new outlet at Gala Place in Mongkok on 1 October, had been very well received by our new and old customers alike and quickly became one of our top selling items.

Operations Review – Zoff

Since launching in late 2017, the Group's franchise of Zoff, the Japanese fast-fashion eyewear chain, has gone from strength to strength in capitalising on its first-mover status to become the leading brand in its category. Retail sales statistics shows that despite the entries of new players in recent years, Zoff is still outperforming the field and increasing its market share, demonstrating the popularity of the brand as well as its product and service offerings. There are now 13 Zoff stores in prime locations across the city, selling approximately 1,300 SKUs to fashion-conscious young shoppers.

Operations Review – Zoff (continued)

Sales rebounded due to improvements in the pandemic situation and the launch of the Government's Consumption Voucher Scheme in the second half of the year. Zoff was the first company of its kind to cover the full set of payment gateways for consumption vouchers, making redemption more convenient for customers. The Group also partnered with key payment gateways Octopus, Alipay, and Wechat Pay to launch joint consumption voucher promotions, an effort that generated a participation rate in excess of 50%.

A number of other popular promotions and product launches were held during the year that contributed to higher footfall and sales. Starting from the beginning of 2021, existing customers received birthday EDM cash coupon offers worth HK$200 to stimulate repeat purchases and build data in support of a future O2O programme launch. The Group also held a lucky draw promotion from November to December 2021 in celebration of the fourth anniversary of Zoff Hong Kong.

To support the communities where it operates, Zoff now has nine stores featuring Health Care Voucher payment service, making it more convenient for senior customers to have eye examinations. Zoff Hong Kong also worked with the Tung Wah Group of Hospitals' Tuen Mun Integrated Services Centre to support low-income families by donating Zoff glasses to teenagers between the ages of 12 and 18.

This year the Group continued discussions with Zoff headquarters in Japan about launching a franchise operation in the Mainland China. These discussions have been put on temporary hold due to the pandemic situation in Japan.

Zoff's high street store and eye-catching billboard in Yuen Long, New Territories

With Zoff's UNITED ARROWS collection, trend-seeking customers can find the perfect frames to fit their style, whether for work or just relaxing at home

Future Prospects

The Group expects to build on its momentum over the coming 12 months and beyond. We have set the ambitious but achievable targets of reaching double digit growth in our store networks and revenue, underscoring the strength of our business model and the confidence we have in our ability to successfully develop world-class brands.

Organic growth will be chief among the many ways the Group is seeking to capitalise on its potential. We will continue our store network expansion programme for Saint Honore, Zoff and Mon cher in Hong Kong and Macau. To achieve our goal of further extending the Group's operations into the GBA, we will keep pursuing franchising opportunities for Saint Honore in cities outside of Guangzhou. We also intend to continue discussions with Zoff Japan about the prospect of expanding the Zoff brand from Hong Kong to other markets across the region. In addition, the Group remains very interested in seeking licensing and M&A opportunities with brands that fit and create synergies with our existing portfolio.

We are excited about the prospects for our B2B operations. This year we expanded our manufacturing capacity to accommodate potential future demand, and we are now looking to grow our existing relationships while also seeking new ones. Further developing our B2B operations would not only drive sales and diversify our revenue streams, but also reduce seasonality and dependence on festive periods.

Internally, we are devising succession-planning strategies which will ensure that our future leadership team is well equipped to take the Group to the next stage in its development. We also continue to develop our O2O capabilities and business model, enabling us to evolve and reinvent ourselves to suit our customers and their changing needs.

Richard YEUNG Lap Bun
Chief Executive Officer

Hong Kong, 17 March 2022

Management Discussion and Analysis

Financial Review

In 2021, the Group's turnover increased 14.3% to HK$1,362 million. Turnover for the bakery business increased 14.2% to HK$1,231 million due to higher sales to corporate customers and growth in store sales as store network expanded together with mid single-digit percentage growth in comparable store sales in Hong Kong. Turnover for the Zoff eyewear business increased 14.6% to HK$131 million on the back of outlet expansion and recovery of foot traffic in commercial and tourist districts. For the year, our eyewear business recorded a high single-digit percentage growth in comparable store sales.

Gross margin as a percentage of turnover decreased 3.5 percentage points to 50.1%. This was due to unfavourable impacts from the appreciation of the renminbi, which resulted in higher manufacturing costs for Saint Honore, and the increase in relatively lower margin bakery sales to corporate customers.

Operating expenses as a percentage of turnover decreased to 46.3% from 49.9% in the previous year. Including interest expenses on lease liabilities arising from operating leases, operating expenses decreased to 46.7% of turnover from 50.4%. This was mainly due to better cost efficiency as a result of higher growth in turnover against key operating costs in leases and employee benefits.

Core operating profit before interest expenses on lease liabilities increased 30% to HK$88 million. Including interest expenses on lease liabilities, core operating profit increased 32% to HK$82 million.

Net profit including Discontinued Operations decreased 97% from HK$3,140 million to HK$80 million. Last year, the Group sold its Circle K convenience store business in Hong Kong to the brand owner, Alimentation Couche-Tard Inc. A profit of HK$6 million was recorded during the year after final settlement of transaction consideration and reversal of related provisions. This Discontinued Operations reported a result of HK$3,079 million in the previous year, comprising net profit of HK$200 million in convenience store operations and the related disposal gain of HK$2,879 million.

Basic earnings per share for Continuing Operations increased 20% to 9.6 HK cents from 8.0 HK cents, and basic earnings per share including Discontinued Operations decreased 97% to 10.4 HK cents from 410.7 HK cents.

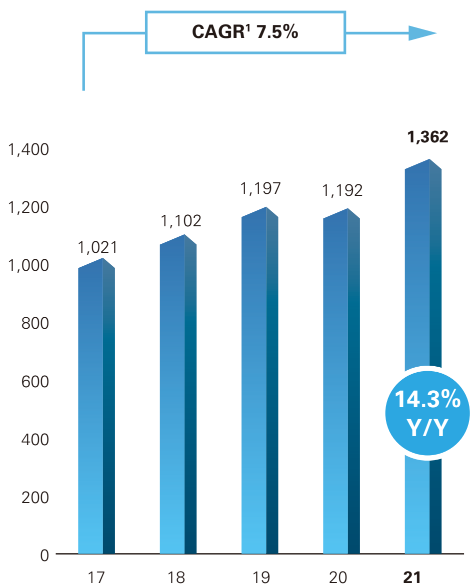
As at 31 December 2021, the Group had a net cash balance of HK$290 million, generated mainly from daily business operations. The Group had no bank borrowings. Most of the Group's cash and bank deposits were in its operating currencies and deposited with major banks in Hong Kong and on the Chinese Mainland. The majority of the Group's assets, liabilities, revenues and payments were held in either Hong Kong dollars or renminbi. The Group had some foreign exchange exposure in renminbi resulting from its business operations on the Chinese Mainland. The Group is subject to interest rate risks on the interest income earned from bank deposits. The Group will continue its policy of placing surplus cash in bank deposits denominated in its operating currencies, with appropriate maturity periods to meet the funding requirements of any acquisition projects in the future. The Group has standby banking facilities of HK$148 million in support of treasury planning and management.

The Board of Directors has resolved to declare a final dividend of 5 HK cents per share.

Financial Review (continued)

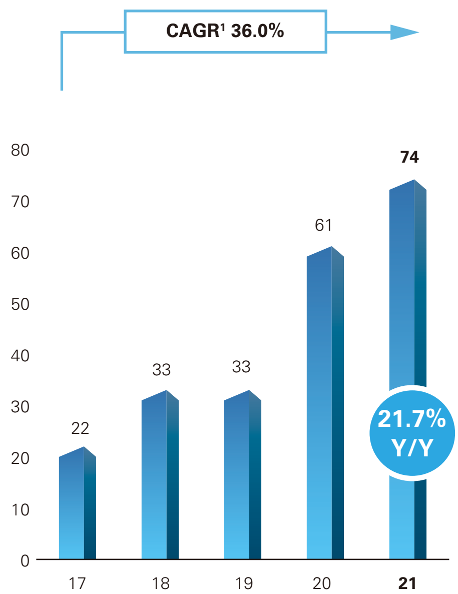
Revenue*

(HK$ million)



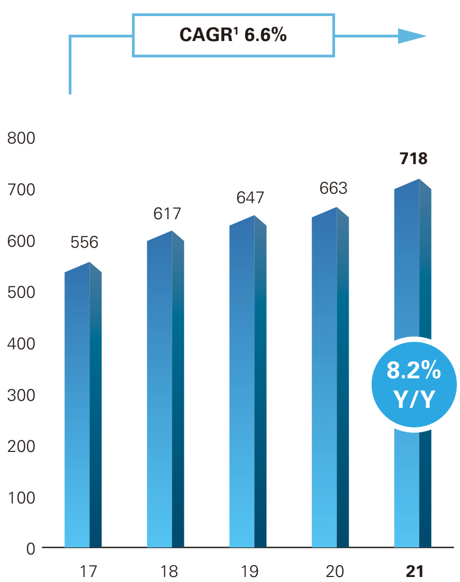
Net Profit*

(HK$ million)



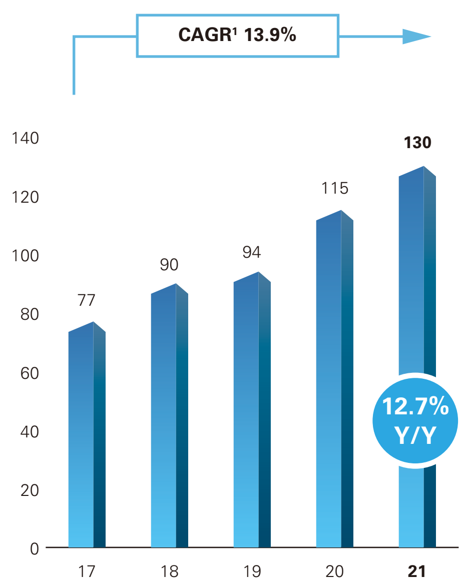
Gross Profit and Other Income*

(HK$ million)



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

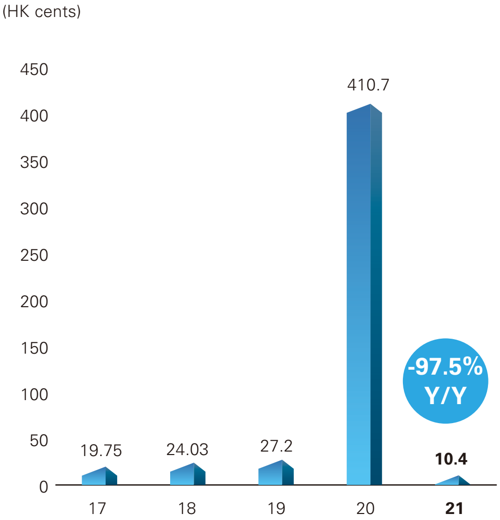
(HK$ million)



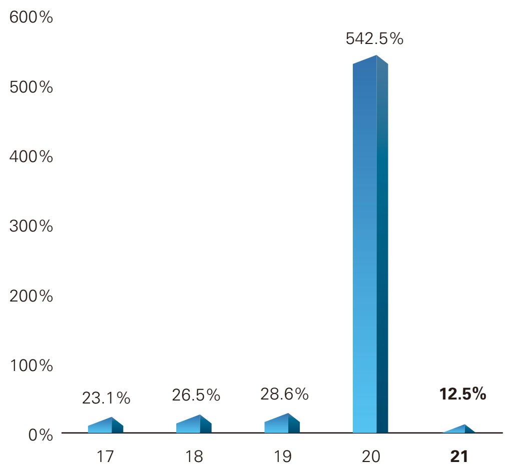
* *For Continuing Operations*

Financial Review (continued)

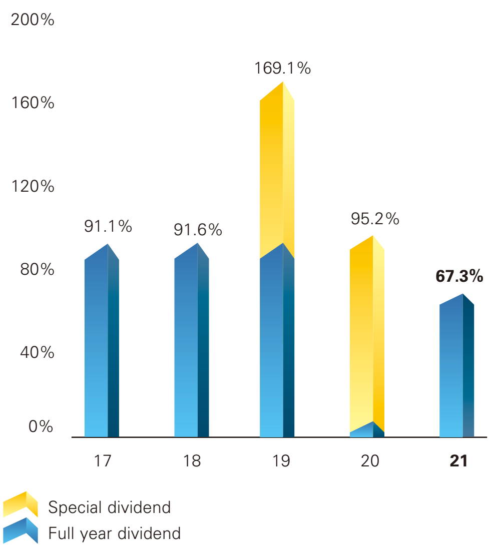
Earnings per Share



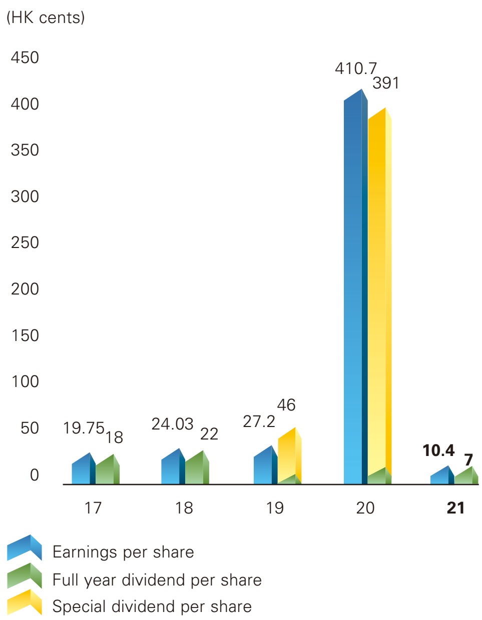
Return on Total Equity[2]



Dividend Payout[3]



Dividend per Share



Notes:

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

Business Model and Corporate Strategy

Convenience Retail Asia is a member of the Fung Retailing Group. It owns the famous Saint Honore Cake Shop bakery chain, operating stores in Hong Kong, Macau and the Greater Bay Area. As at 31 December 2021, there were 136 Saint Honore stores in total across Hong Kong, Macau and Guangzhou.

In 2017, the Group secured the Hong Kong, Macau and Southern China franchise for Zoff, Japan's leading fast-fashion eyewear chain and a highly popular brand among style-conscious younger generations. There are currently 13 Zoff stores in high-traffic commercial locations in Hong Kong.

In late 2020, the Group obtained the franchise licence to operate Mon cher, a premium Japanese pâtisserie chain, in Hong Kong and Macau. There are already four locations in Hong Kong, and more openings are planned.

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

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

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

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

Employees

As at 31 December 2021, the Group had a total of 3,012 employees, with 1,446, or 48%, based in Hong Kong and 1,566, or 52%, based in Guangzhou, Shenzhen and Macau. Part-time staff accounted for 21% of total headcount. Employee benefit expenses for the year amounted to HK$457 million compared to HK$433 million in 2020.

The Group offers competitive remuneration schemes, including salary packages plus discretionary bonuses based on individual and company performance for eligible employees. The Group also provides its staff with job-related skill enhancement programmes and attractive career advancement opportunities. Frontline staff receive thorough customer service training to support the Group's business strategy.

The Group places great emphasis on workplace satisfaction to retain quality staff and achieve high levels of customer service in support of its business objectives. Each year, the Activity Organising Board (AOB) co-ordinates a number of initiatives under the HEARTS (Happy, Energised, Achievements, Respect, Training and Success) employee engagement programme, including career development and work-life balance events as well as social outreach activities, to help our colleagues succeed professionally and to foster staff camaraderie. In 2021, community programmes included food donation drives, engaging the elderly, participating in recycling and food waste reduction programmes, and more. The Group also distributed HEARTS Funds – financial subsidies to help colleagues and their families who have been impacted by the COVID-19 pandemic – to eligible full-time and part-time employees.

Health and Safety

The Group is committed to providing the very highest levels of safety and hygiene for its patrons and staff. Saint Honore's factories in Hong Kong and Shenzhen are both ISO 9001 – accredited, while the latter has achieved Hazard Analysis and Critical Control Points (HACCP) food safety accreditation as well as certification from the China National Accreditation Services (CNAS) for its in-house microbiological laboratory. Staff receive comprehensive food safety, workplace safety, hygiene training, and protective clothing and equipment where necessary. The Group carries out regular inspections to ensure that its factories and stores continue to meet relevant compliance guidelines. Staff also receive training on the "5S" principles of "sort, straighten, shine, standardise and sustain".

Health and Safety (continued)

Since the outbreak of COVID-19, the Group has monitored the pandemic situation closely, implementing recommended guidelines from local health authorities to ensure healthy, stable and secure work environments. Staff are provided with training and PPE, while stores, factories and vehicles are regularly cleaned and sanitised. We have also invested in air purifiers plus other equipment and introduced work-from-home arrangements to minimise exposure risk.

Sustainability and Corporate Social Responsibility

As a member of the Fung Group, the Group adheres to the United Nations Global Compact on human rights, labour, anti-corruption efforts, environmental protection and sustainability. The Group is committed to achieving sustainability in its operations wherever possible, striving to protect the environment and conserve natural resources while saving costs through the "three Rs" of reducing, re-using and recycling. It also uses energy-efficient equipment and low-carbon fuels to minimise its carbon footprint.

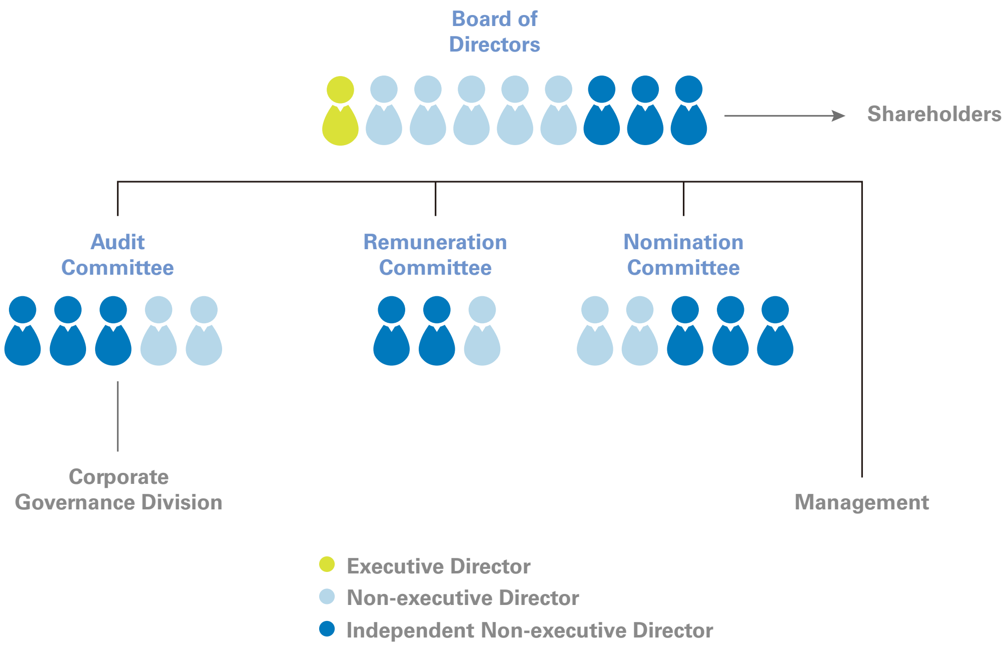
In 2021, Saint Honore was honoured to receive the "10 Years Plus Caring Company Logo" from the Hong Kong Council of Social Service, while Zoff was awarded its second "Caring Company Logo". These awards are given in recognition of companies that demonstrate care for the community, employees and the environment. The Group was also proud that Convenience Retail Asia received Special Mention in the "Non-Hang Seng Index (Small Market Capitalisation) Category" of the Best Corporate Governance and ESG Awards organised by the Hong Kong Institute of Certified Public Accountants for maintaining strong corporate governance standards and delivering operational and financial performance despite the challenges of the COVID-19 outbreak.

Further environmental, social and governance policies as well as performance information will be provided in a separate report on the Group's website.

Corporate Governance Report

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

The Board



Board Composition

The Board is structured to ensure it has a balance of skills, experience, knowledge, diversity and contributed valuable insights appropriate to the businesses and development of the Group. The Board is currently composed of the Non-executive Chairman, one Executive Director ("ED"), three Independent Non-executive Directors ("INED") and four Non-executive Directors ("NED"). Biographical details and relevant relationships of the Board members are set out in the Directors and Senior Management Profile section on pages 42 to 47.

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

Chairman and Chief Executive Officer

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

The Board (continued)

Non-executive and Independent Non-executive Directors

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

Independence of Independent Non-executive Directors

The Company has received from each Independent Non-executive Director an annual written confirmation of his/her independence in accordance with Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company considers all of the Independent Non-executive Directors to be independent during the year ended 31 December 2021.

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

Board Diversity

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

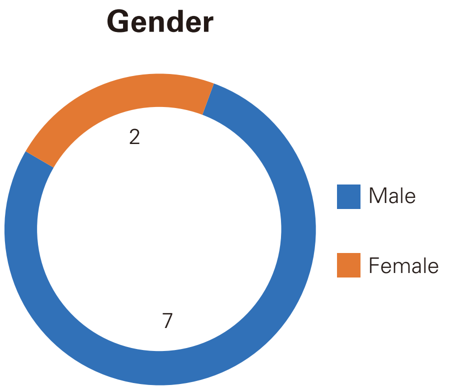
A Board Diversity Policy has been adopted by the Board. In reviewing Board composition, the Nomination Committee will consider the benefits of all aspects of diversity including, but not limited to, skills, regional and industry experience, background, ethnicity, age, culture and gender, so as to maintain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

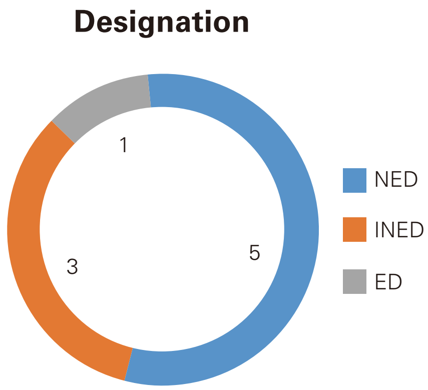
Based on the latest review, the Nomination Committee considers the Board to be diverse in respect of the aforesaid evaluation criteria. The Nomination Committee has considered but decided not to set any measurable objectives for implementing the Board Diversity Policy. The Nomination Committee will continue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

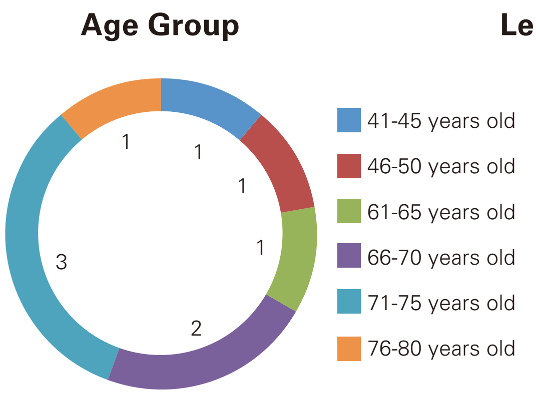
The Board (continued)

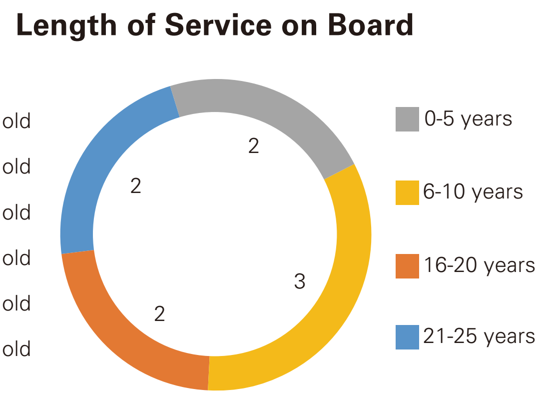
Board Diversity (continued)

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









With regard to the Directors' skills, regional and industry experience as well as background, please refer to their biographical details set out in the Directors and Senior Management Profile section on pages 42 to 47.

Board Evaluation

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

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

The responses to the questionnaire are analysed and discussed at the Nomination Committee and Board meetings. Any suggestions made by the Directors are duly considered and will be implemented as appropriate to enhance corporate governance practices. The results of the 2021 Board evaluation indicated that the Board and its committees continue to function satisfactorily and the committees fulfilled their duties as set out in their terms of reference.

The Board (continued)

Nomination and Appointment of Directors

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

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

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

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

In 2021, the Board reviewed its composition, the retirement and re-appointment of Directors. Changes in the Board composition during the year were as follows:

- Dr Victor FUNG Kwok King retired from the Board and relinquished his position as Chairman on 26 May 2021;
- Dr William FUNG Kwok Lun became Chairman of the Board on 26 May 2021; and
- Ms Sabrina FUNG Wing Yee and Mr Terence FUNG Yue Ming were appointed as Non-Executive Director on 28 May 2021.

The aforesaid changes were disclosed in the Company's announcements dated 26 May and 28 May 2021 respectively.

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

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

The Board (continued)

Other Matters Concerning Directors

Written procedures are put in place for Directors to seek independent professional advice in performing their duties at the Company's expense. No request was made by any Director for such independent professional advice in 2021.

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

Potential Conflict of Interest

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

Information and Continuous Professional Development

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

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

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

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

The Board (continued)

Information and Continuous Professional Development (continued)

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

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

A Attending training sessions arranged by the Company, or attending and/or giving speech at external seminars/training sessions.

B Reading regulatory and industry related updates, as well as materials which covered the Group's businesses, Directors' duties and so forth.

Liability Insurance for Directors

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

Board Process

Roles and Responsibilities of the Board and Delegation to Management

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

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

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

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

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

Board Process (continued)

Independent Reporting of Corporate Compliance Function

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

Board and Committee Meetings

The Board held five meetings in 2021 (with a 100% attendance rate). The Chairman holds meetings annually with the Independent Non-executive Directors without the Executive Director present.

The dates of the 2021 Board meetings and committee meetings were determined in the third quarter of 2020 to facilitate maximum attendance of Directors. Amendments to the schedule were notified to the Directors within a reasonable time before a regular Board meeting/committee meeting. Notice of meeting is sent at least 14 days before the meeting.

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

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

Board Process (continued)

Board and Committee Meetings (continued)

A summary of the attendance at the meetings held in 2021 are set out in the following table:

	No. of meetings **attended**/held				
	Board	**Audit Committee** [7]	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting** [7]
Non-executive Directors:					
William FUNG Kwok Lun [1] *(Group Chairman and Chairman of Nomination Committee)*	**5**/5	**2**/2[6]	**2**/2	–	**1**/1
Godfrey Ernest SCOTCHBROOK	**5**/5	**4**/4	–	–	**1**/1
Benedict CHANG Yew Teck	**5**/5	**4**/4	–	–	**1**/1
Sabrina FUNG Wing Yee [2]	**2**/2	–	–	–	–
Terence FUNG Yue Ming [3]	**2**/2	–	–	–	–
Independent Non-executive Directors:					
Anthony LO Kai Yiu *(Chairman of Audit Committee)*	**5**/5	**4**/4	–	**1**/1	**1**/1
Sarah Mary LIAO Sau Tung [4] *(Chairman of Remuneration Committee)*	**5**/5	**4**/4	**2**/2	–	**1**/1
ZHANG Hongyi	**5**/5	**4**/4	**2**/2	**1**/1	**1**/1
Executive Director:					
Richard YEUNG Lap Bun *(Chief Executive Officer)*	**5**/5	–	**1**/1[6]	–	**1**/1
Outgoing Director:					
Victor FUNG Kwok King [5]	**3**/3	–	**1**/1[6]	**1**/1	**1**/1
Group Chief Compliance and Risk Management Officer:					
Jason YEUNG Chi Wai [6]	**5**/5	**4**/4	**2**/2	**1**/1	**1**/1
Average Attendance Rate of Directors	100%	100%	100%	100%	100%
Dates of Meeting in 2021	24 February 23 March 26 May 12 August 5 November	23 March 26 May 12 August 5 November	23 March 5 November	23 March	26 May

Board Process (continued)

Board and Committee Meetings (continued)

Notes:

(1) *Appointed as Chairman of the Board and Chairman and member of the Nomination Committee on 26 May 2021.*

(2) *Appointed as Non-Executive Director on 28 May 2021.*

(3) *Appointed as Non-Executive Director on 28 May 2021 and member of the Nomination Committee on 26 November 2021.*

(4) *Appointed as member of the Nomination Committee on 26 November 2021.*

(5) *Retired as Non-executive Director, relinquished his position as Chairman of the Board, and ceased as Chairman and member of the Nomination Committee on 26 May 2021.*

(6) *Attended meetings by invitation as a non-member.*

(7) *Representatives of the external auditor attended all Audit Committee meetings and the Annual General Meeting.*

Board Committees

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

- Audit Committee
- Remuneration Committee
- Nomination Committee

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

Audit Committee

Chairman	Anthony LO Kai Yiu *
Members	Godfrey Ernest SCOTCHBROOK +
	Benedict CHANG Yew Teck +
	ZHANG Hongyi *
	Sarah Mary LIAO Sau Tung *

* *Independent Non-executive Director*
\+ *Non-executive Director*

Board Committees (continued)

Audit Committee (continued)

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

The Audit Committee met four times in 2021 (with a 100% attendance rate) to consider and review with senior management, the Company's internal auditor under the Corporate Governance Division ("CGD") and external auditor, various matters as set out in the Audit Committee's terms of reference, which included the following:

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

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

Whistleblowing Arrangements

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

No incident of fraud or misconduct that has material effect on the Company's financial statements and overall operations was reported by employees, shareholders or stakeholders in 2021.

Board Committees (continued)

Audit Committee (continued)

External Auditor's Independence

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

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

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

For the year ended 31 December 2021, the following fees paid or payable to PwC have been endorsed by the Audit Committee:

	Fees HK$'000
Audit services	1,354
Non-audit services (including agreed-upon procedures regarding interim financial information and tax services)	333
Total	1,687

Prior to the commencement of the audit of the Company's financial statements for the year ended 31 December 2021, the Audit Committee received written confirmation from PwC as to their independence and objectivity as required by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Audit Committee is satisfied with the review of audit fees and scope, effectiveness of the audit process, independence and objectivity of PwC, and has recommended to the Board the re-appointment of PwC as the Company's external auditor for the financial year ending 31 December 2022 at the forthcoming AGM.

Board Committees (continued)

Remuneration Committee

Chairman	Sarah Mary LIAO Sau Tung *
Members	William FUNG Kwok Lun +
	ZHANG Hongyi *

* *Independent Non-executive Director*
\+ *Non-executive Director*

The Remuneration Committee is primarily responsible for:

- Making recommendations to the Board on the Company's policy and structure regarding remuneration for all Directors and senior management, including allocation of share options to employees under the Company's Share Option Scheme;

- Making recommendations to the Board on the remuneration packages of Executive Director and senior management;

- Making recommendations to the Board on the remuneration of Non-executive Directors; and

- Reviewing the Group's remuneration and human resources policy.

The Remuneration Committee met twice in 2021 (with a 100% attendance rate) to review and consider the remuneration of Executive Directors, and recommend the proposal for the grant of share options to the employees/ eligible persons for approval by the Board.

Remuneration Policy for Executive Director

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

The remuneration package of Executive Director was approved by the Remuneration Committee at the beginning of the Group's Three-Year Business Plan.

Board Committees (continued)

Remuneration Committee (continued)

Remuneration Policy for Non-executive Directors

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

Details of Directors' emoluments of the Company are set out in note 13a to the consolidated financial statements on pages 102 to 103.

Nomination Committee

Chairman	William FUNG Kwok Lun + (appointed with effect from 26 May 2021)
	Victor FUNG Kwok King + (retired with effect from 26 May 2021)
Members	Anthony LO Kai Yiu *
	ZHANG Hongyi *
	Sarah Mary LIAO Sau Tung * (appointed with effect from 26 November 2021)
	Terence FUNG Yue Ming + (appointed with effect from 26 November 2021)

\+ *Non-executive Director*
* *Independent Non-executive Director*

The Nomination Committee is primarily responsible for:

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

The Nomination Committee met once in 2021 (with a 100% attendance rate) to review the aforesaid matters and also the evaluation of the performance of the Board and its committees.

Company Secretary

Ms Maria LI Sau Ping has been the Company Secretary of the Company since 2007 and has day-to-day knowledge of the Group's affairs. She reports to the Group Chairman on Board governance matters and is responsible for ensuring that Board policies and procedures are followed. All Board members have access to her advice and services. She arranges comprehensive and tailored induction programme for newly appointed Directors and provides updates to the Directors on relevant new legislation or regulatory requirements from time to time. Directors' trainings have been organised on a regular basis to assist Directors' continuous professional development. In 2021, Ms Maria Li undertook over 15 hours of professional training and confirms that she has complied with all the required qualifications, experience and training requirements of the Listing Rules.

Directors' and Relevant Employees' Securities Transactions

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

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

Specific confirmation of compliance has been obtained from each Director and each relevant employee. No incident of non-compliance by Directors and relevant employees was noted by the Company in 2021.

Directors' Interests

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

Directors' and Auditor's Responsibilities for Financial Statements

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

Risk Management and Internal Control

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

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

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

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

Control Environment

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

Risk Management and Internal Control (continued)

Governance Structure

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

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

Role	Accountability	Responsibilities
Oversight	Board as a whole, reviews are conducted through Audit Committee	• Oversight of corporate governance, financial reporting, risk management and internal control systems • Fostering a healthy risk awareness culture
Risk monitoring and communication	Corporate Compliance Group	• Evaluation of risk management and internal control systems to identify areas for improvement • Monitoring of corporate governance disclosure and compliance with the Listing Rules and statutory requirements • Undertaking of investigations • Ensuring that critical risks are reported to the Board, along with the status of actions taken to manage such risks
Risk and control owner	Management and business units	• Day-to-day execution and monitoring of internal controls and risk management procedures • Formulation and implementation of policies and operating guidelines • Balance between business operation efficiency and exercising internal controls

Risk Management and Internal Control (continued)

Management of Key Risks

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

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

1. *Operational Risk Management*

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

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

2. *Financial Risk Management*

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

   The Group adopts a principle of minimising financial risks. Details of the Group's financial risk management (encompassing foreign exchange risk, credit risk, liquidity risk and interest rate risk) are set out in note 3 to the consolidated financial statements on pages 89 to 90.

3. *Reputational Risk Management*

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

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

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

   In 2021, no incident of non-compliance with the Code of Conduct and Business Ethics that had significant impact on the Group's operations was reported.

Risk Management and Internal Control (continued)

Management of Key Risks (continued)

4. *Regulatory Compliance Risk Management*

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

Internal Audit

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

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

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

As part of the annual review of the effectiveness of the Group's risk management and internal control systems, CGD independently reviews the Risk Management and Internal Control Self-Assessment Checklist completed by the management in each material business unit across the Group, and assesses the effectiveness and adequacy of the risk management procedures and internal controls implemented. CGD's review also considers the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function. The outcome of the review is reported to the Audit Committee when it meets to consider the Group's annual results for the year ended 31 December 2021.

External Audit

The external auditor, PwC, performs independent statutory audit on the Group's financial statements. To facilitate the audit, the external auditor attended all the meetings of the Audit Committee. The external auditor also reports to the Audit Committee any significant weaknesses in the Group's internal control procedures which come to their notice during the course of the audit. PwC noted no significant internal control weaknesses in their audit for the financial year ended 31 December 2021.

Risk Management and Internal Control (continued)

Handling and Dissemination of Inside Information

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

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

- has adopted the Policy on Inside Information to ensure potential inside information is captured and confidentiality of such information is maintained until timely disclosure is made.

- has included in the Code of Conduct and Business Ethics a prohibition on dealing in the Company's securities whilst in possession of inside information.

- has established and implemented measures such as pre-clearance on dealing in the Company's securities by the Directors and relevant employees, notification of regular blackout periods and securities dealing restrictions to the Directors and relevant employees, as well as identification of projects by code names.

- has established and implemented procedures for responding to external enquiries about the Group's affairs.

Overall Assessment

The Audit Committee, with delegated authority from the Board and the assistance of CGD, conducted an annual review of the effectiveness and adequacy of the Group's risk management and internal control systems for the year ended 31 December 2021 which has been confirmed by senior management by the completion of the Risk Management and Internal Control Self-Assessment Checklist in each material business unit across the Group.

Based on the above and the assessment made by CGD, and also taking into account the results of the work conducted by the external auditor for the purpose of their audit, the Audit Committee considered that for the year ended 31 December 2021:

- The risk management and internal control systems, as well as accounting systems of the Group remained in place and were functioning effectively and adequately, and were designed to provide reasonable assurance that material assets were protected, business risks attributable to the Group were identified and monitored, material transactions were executed in accordance with the Group's policies under management's authorisation, and the financial statements were reliable for publication.

- There were ongoing processes for identifying, evaluating and managing the significant risks faced by the Group.

- The resources, staff qualifications and experience, training programmes and budget of the Group's accounting, financial reporting and internal audit functions were adequate.

Compliance with the Corporate Governance Code

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in full compliance with all of the code provisions set out in the Corporate Governance Code (the "CG Code") and Corporate Governance Report in Appendix 14 of the Listing Rules throughout the year ended 31 December 2021.

Change in Corporate Governance Code

This Corporate Governance Report has not early adopted the requirements of the amended CG Code which are mandatory for the Company effective from 1 January 2022 or after.

Shareholders' Rights

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

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

The Company conducts all voting at general meetings by poll. Notice to shareholders will be sent in the case of AGM at least 21 clear days before the meeting and at least 14 clear days in the case of all other general meetings.

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

Dividend Policy

A Dividend Policy has been adopted by the Board in November 2018. Details of the policy are set out in the Directors' Report on page 49.

Changes in Constitutional Documents

The Board confirmed that there were no significant changes in the Company's constitutional documents during the year ended 31 December 2021 which affected the Company's operations and reporting practices. The constitutional documents are available for viewing on the websites of both the Stock Exchange and the Company.

Investor Relations and Communication

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

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

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

Key calendar events for shareholders' attention and share information, including market capitalisation as at 31 December 2021, are set out in the Information for Investors section on page 48.

Annual General Meeting

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

The most recent AGM of the Company was held at Ground Floor, Hong Kong Spinners Industrial Building, Phases I and II, 800 Cheung Sha Wan Road, Kowloon, Hong Kong on 26 May 2021 at 4:00 p.m. The notice of AGM, the Company's annual report and the circular containing information on the proposed resolutions were sent to shareholders at least 20 clear business days prior to the meeting. Separate resolutions were proposed in respect of each substantially separate issue.

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

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

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

Recognition

The Company is pleased to be awarded again a Special Mention – Corporate Governance in the Non-Hang Seng Index (Small Market Capitalisation) Category of the HKICPA's Best Corporate Governance and ESG Awards 2021.

Directors and Senior Management Profile

Executive Director

Richard YEUNG Lap Bun – *Chief Executive Officer*

Mr Yeung, aged 65, has over 30 years of experience in general management, food distribution and supply chain management and has been a Director of the Company since 1 November 2000. He is currently the Chief Executive Officer of the Group responsible for overseeing the Group's operations, marketing, logistics and supply chain management, and is actively involved in new business development and repositioning of the Group's businesses to the O2O business models. Prior to joining the Group in October 1998, he spent about ten years in senior positions at HAVI Food Services Group, managing the supply chain of McDonald's Restaurants in various countries in Asia. Mr Yeung graduated from the University of Hawaii with a Bachelor of Business Administration degree. Mr Yeung also holds a Master's degree in Business Administration from the California State University of Los Angeles and is a Certified Public Accountant of the American Institute of Certified Public Accountants. He is also a director of Fung Retailing Limited, a substantial shareholder of the Company.

Non-executive Directors

William FUNG Kwok Lun – *Chairman*

Dr Fung, aged 73, father of Mr Terence Fung Yue Ming (Non-executive Director of the Company) and uncle of Ms Sabrina Fung Wing Yee (Non-executive Director of the Company), has been a Non-executive Director of the Company since 3 January 2001 and Chairman of the Board since 26 May 2021. Dr Fung is Group Deputy Chairman of the Fung Group, a Hong Kong based multinational engaged in trading, logistics, distribution and retailing. He is Chairman and executive director of Global Brands Group Holding Limited (in liquidation), a publicly listed company within the Fung Group. He is also a director of the substantial shareholders of the Company, King Lun Holdings Limited, Fung Holdings (1937) Limited and Fung Retailing Limited. Dr Fung held key positions at major trade and business organisations. He is the past Chairman of the Hong Kong Exporters' Association (1989-1991), the Hong Kong Committee for the Pacific Economic Cooperation (1993-2002) and the Hong Kong General Chamber of Commerce (1994-1996). He was a Hong Kong Special Administrative Region delegate to the Chinese People's Political Consultative Conference (1998-2003). He has been awarded the Silver Bauhinia Star by the Hong Kong Government in 2008. Dr Fung graduated from Princeton University with a Bachelor of Science degree in Engineering and holds a Master's degree in Business Administration from the Harvard Graduate School of Business. He was awarded the degrees of Doctor of Business Administration, *honoris causa* by The Hong Kong University of Science and Technology, by The Hong Kong Polytechnic University and by Hong Kong Baptist University, and degree of Doctor of Letters, *honoris causa* by Wawasan Open University of Malaysia. Currently, Dr Fung is an independent non-executive director of VTech Holdings Limited, Sun Hung Kai Properties Limited and The Hongkong and Shanghai Hotels, Limited. Formerly, he was Group Non-executive Chairman of Li & Fung Limited until October 2020.

Non-executive Directors (continued)

Godfrey Ernest SCOTCHBROOK

Mr Scotchbrook, aged 76, prior to re-designation as Non-executive Director of the Company on 3 August 2005, was an Independent Non-executive Director since November 2002. Mr Scotchbrook presently serves as an independent director of Del Monte Pacific Limited, Del Monte Philippines, Inc. and Del Monte Foods, Inc. (companies engaged in the production, marketing and distribution of premium branded beverage and/or food products) and a non-executive director of Boustead Singapore Limited (a company engaged in engineering services and geo-spatial technology) in Singapore. Mr Scotchbrook is the Founder of Scotchbrook Communications Ltd., a firm specialising in investor relations, issues management, corporate positioning and public affairs; and is a veteran in corporate governance. He is a Fellow of the Hong Kong Management Association and also of the British Chartered Institute of Public Relations.

Benedict CHANG Yew Teck

Mr Chang, aged 68, has been a Non-executive Director of the Company since 1 July 2012. He is currently the Group Chief Executive Officer and Founding Partner of IDS Medical Systems Group Limited. Formerly, Mr Chang served as the Group Managing Director of Integrated Distribution Services Group Limited, a non-executive director of Li & Fung Limited and also a director of Fung Holdings (1937) Limited, a substantial shareholder of the Company. From 1984 to 1997, Mr Chang was Group Managing Director and Partner of the HAVI Group LP and was instrumental to develop the supply chain and logistics infrastructure for McDonald's Asia-Pacific. He later founded and successfully grew Domino's Pizza Malaysia and Singapore. Mr Chang graduated from the University of Surrey, United Kingdom, with a Bachelor of Science Degree (First Class Honours) in Marine Engineering. He was the Chairman of the Advisory Board of the Asian Institute of Supply Chains & Logistics of the Chinese University of Hong Kong (September 2006-March 2015).

Non-executive Directors (continued)

Sabrina FUNG Wing Yee

Ms Fung, aged 50, niece of Dr William Fung Kwok Lun (Chairman of the Board and substantial shareholder of the Company) and cousin of Mr Terence Fung Yue Ming (Non-executive Director of the Company), has been a Non-executive Director of the Company since 28 May 2021. Ms Fung is a director and the Group Managing Director of Fung Retailing Limited, a substantial shareholder of the Company. Ms Fung is also the Chief Executive Officer of Asia Retail Company Limited, a business unit within the Fung Group focusing on supporting and growing international brands in Asia. She also serves as the Chair of Wellness Med Limited, a newly formed company under the Fung Group that serves the growing global health and wellness market. Ms Fung started her career at the private investment arm of the Fung Group in 2000 as investment manager running the family's investments and is currently the investment director of Fung Investment Management Limited. Prior to joining the Fung Group, Ms Fung worked for Brown Brothers Harriman & Co in New York and Hong Kong until 1999. Ms Fung is experienced in the retail industry and held positions in marketing and public relations for Salvatore Ferragamo Asia, merchandising and sourcing for Li & Fung (Trading) Limited and wholesale branding for Li & Fung USA. Formerly, Ms Fung was a non-executive director (August 2018-September 2020) of Trinity Limited (in liquidation), a company listed on The Stock Exchange of Hong Kong Limited.

Ms Fung holds a Bachelor of Arts degree in Economics from the Harvard University. She is a member of the Advisory Committee of the Tanoto Center for Asian Family Business and Entrepreneurship Studies at The Hong Kong University of Science and Technology, the Hong Kong-Europe Business Council and the Hong Kong-France Business Council of Hong Kong Trade Development Council, the Board of Trustees of The Carnegie Hall Corporation in New York, and McLaren Advisory Group. She is also a member of an executive committee of the International Advisory Council of the Faculty of Business and Economics and a member of the University Court respectively at The University of Hong Kong. In addition, Ms Fung is on the board of Alibaba Hong Kong Entrepreneurs Fund, a member of the Harvard Global Advisory Council and the advisory panel of IBM Collaborative Innovative Program. She was named in the Business of Fashion 500 in 2016, and Women's Wear Daily 10 of Tomorrow in 2017.

Terence FUNG Yue Ming

Mr Fung, aged 42, son of Dr William Fung Kwok Lun (Chairman of the Board and substantial shareholder of the Company) and cousin of Ms Sabrina Fung Wing Yee (Non-executive Director of the Company), has been a Non-executive Director of the Company since 28 May 2021. Mr Fung is an executive director of Fung (1937) Management Limited in charge of the Fung Group's corporate services including corporate communications, public relations, strategic engagement and general administration functions. He is also a director and Co-Chair of the Executive Committee of Li & Fung Foundation Limited, a charitable foundation under the Fung Group committed to making a positive impact in the communities. Mr Fung joined Fung Group in 2004 and later held the post of executive vice-president of Corporate Services of Li & Fung (Trading) Limited until September 2017. Mr Fung attended Princeton University and Boston College in the United States.

Independent Non-executive Directors

Anthony LO Kai Yiu

Mr Lo, aged 73, has been an Independent Non-executive Director of the Company since 3 August 2005. Mr Lo is Chairman of Shanghai Century Capital Limited and has over 30 years of experience in accounting, banking, finance and investments. Mr Lo also serves as an independent non-executive director of Hong Kong listed Playmates Holdings Limited, Tristate Holdings Limited and Lam Soon (Hong Kong) Limited; and Malaysia and Singapore listed Top Glove Corporation Bhd.. Mr Lo is former Chairman and Co-Chief Executive Officer of Shanghai Century Acquisition Corporation (a company formerly listed on the American Stock Exchange). He retired as independent non-executive director of Mecox Lane Limited, a company listed on NASDAQ, Hong Kong listed IDT International Limited, and The Taiwan Fund, Inc., a company listed on the New York Stock Exchange, in June 2014, August 2015 and April 2018, respectively. Mr Lo is qualified as a Chartered Accountant with the Canadian Institute of Chartered Accountants and is a member of the Hong Kong Institute of Certified Public Accountants.

ZHANG Hongyi

Mr Zhang, aged 76, has been an Independent Non-executive Director of the Company since 1 July 2012. Mr Zhang is a Senior Economist and a Fellow of the Hong Kong Institute of Bankers, graduated from Peking Institute of Foreign Trade and retired from Bank of China. He has been re-designated from Council Member to Vice Chairman of China Development Institute (Shenzhen) since 29 May 2019. Mr Zhang has been an independent non-executive director of Bank of East Asia (China) Limited, whose term of office expired on 9 December 2019. He previously served as the President of Shenzhen Branch of Bank of China, Vice Mayor of Shenzhen Municipal Government, Deputy C.E.O. of Hong Kong & Macau Regional Office of Bank of China, Chairman of Nanyang Commercial Bank, Limited, Chairman of Hua Chiao Commercial Bank Ltd., Vice Chairman of BOC Credit Card (International) Limited, General Manager of Macau branch of Bank of China, Managing Director of Banco Tai Fung, Chairman of Nam Tung Trust & Investment Co. Ltd., Chairman of Nantong Bank Ltd. (Zhuhai), Executive Vice President of China Development Institute (Shenzhen), a director of Henderson (China) Investment Company Limited, an independent non-executive director of Shenzhen Rural Commercial Bank Limited, Shenzhen Overseas Chinese Town Co., Ltd. (listed on the Shenzhen Stock Exchange) and Ping An Insurance (Group) Company of China, Ltd. (listed on Hong Kong and Shanghai Stock Exchanges), and a non-executive director of Inter-Citic Minerals Inc. (listed on the Canadian Stock Exchange).

Sarah Mary LIAO Sau Tung

Dr Liao, aged 70, has been appointed as Independent Non-executive Director of the Company with effect from 1 April 2014. Dr Liao retired as the Master of New College of The University of Hong Kong in November 2018 and was Senior Advisor to the Vice-Chancellor on Sustainability (2008-2014). She was a member of the Chinese Council for International Cooperation on Environment and Development (2009-2016) and was a member of the Board of Trustees of the Environmental Defense Fund (2009-2017) and is now on their China Advisory Board. Dr Liao was formerly the Secretary for the Environment, Transport and Works of the Hong Kong Government (2002-2007). Prior to her Government appointment, Dr Liao was in the consultancy business and amongst her many projects she was engaged as the environmental consultant to the Beijing's Olympic Bid and Organising Committee (2000-2008). Formerly, Dr Liao was a director (July 2008-April 2012) of Westport Innovations Inc. which is listed on the Toronto Stock Exchange and NASDAQ. Dr Liao is a Fellow of the Royal Society of Chemistry and the Hong Kong Institute of Engineers. She was awarded the Member of the British Empire (MBE); and Justice of Peace and the Gold Bauhinia Star by the Hong Kong Government. The Lai Chi Wo Rural Landscape project has been awarded the inaugural "Special Recognition for Sustainable Development" in the 2020 UNESCO Asia-Pacific Awards for Cultural Heritage Conservation, in which Dr Liao was one of the individuals responsible for the project.

Group Chief Compliance and Risk Management Officer

Jason YEUNG Chi Wai

Mr Yeung, aged 67, was appointed as the Group Chief Compliance and Risk Management Officer of the Company in July 2015. He is also the Group Chief Compliance and Risk Management Officer of Fung Holdings (1937) Limited, a substantial shareholder of the Company, and its publicly-listed companies in Hong Kong. He has extensive experience in handling legal, compliance and regulatory matters, and worked previously in both the public and private sectors practising corporate, commercial and securities law. Prior to joining the Fung Group, he was Deputy Chief Executive (Personal Banking) of Bank of China (Hong Kong) Limited with responsibility for the overall performance of the personal banking businesses of Bank of China (Hong Kong) Limited. Mr Yeung graduated from The University of Hong Kong with a Bachelor's degree in Social Sciences. He also graduated from The College of Law, United Kingdom and holds a Bachelor's degree in Law, and a Master's degree in Business Administration from The University of Western Ontario, Canada.

Senior Management

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

Mr Lai, aged 60, is the Group Managing Director of Saint Honore. With nearly 40 years of experience in the retail chain business, Mr Lai spent ten years on the Chinese Mainland under Convenience Retail Southern China spearheading the Circle K convenience store business from 2009 to 2019, and the Saint Honore bakery chain in Guangzhou from 2009 to 2015. In his current role, he oversees Saint Honore Group's retail and manufacturing operations in Hong Kong, Macau, Shenzhen and Guangzhou. Prior to joining the Group in 1987, Mr Lai started his career as a frontline manager and merchandiser of sports apparel for Crocodile Garments Limited. Mr Lai holds a Master of Arts degree in International Business Management and a Bachelor of Arts degree in Business Studies from City University of Hong Kong.

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

Mrs Chan, aged 59, has over 30 years of experience in the food and beverage and retail chain industry. She is currently responsible for the Saint Honore operations in Hong Kong and Macau overseeing marketing and category, retail operations, products and site development management. She also took up the advisory role for the Group's cake shop operation on the Chinese Mainland. Mrs Chan holds a Master's degree in Business Administration jointly conferred by the J.L. Kellogg Graduate School of Management, Northwestern University in the United States and The Hong Kong University of Science and Technology. She also holds a Bachelor's degree in Administrative Studies from the Trent University in Canada. Mrs Chan joined Saint Honore group in 1986 and was promoted to the position of Managing Director in 1996. She acted as the member of the Corporate Advisory Board of School of Business and Management of The Hong Kong University of Science and Technology during the period 2000-2009.

Senior Management (continued)

Raymond CHAN Chor Fai – *Finance Director*

Mr Chan, aged 49, has been the Financial Controller of the Group since 2012, is responsible for overseeing the Group's finance and accounting functions, including mergers and acquisitions, treasury, investor relations, financial planning and analysis, risk management and financial reporting. Mr Chan has over 25 years of experience in auditing, finance and accounting. Prior to joining the Group in 2007, he was the Finance and Accounting Manager of a leading fashion retail group in Greater China and an Internal Auditor of a multinational conglomerate. He commenced his professional career with Ernst & Young, providing assurance and business advisory services to a wide range of companies. Mr Chan graduated from The University of Hong Kong with a Bachelor's degree in Business Administration and also holds a Bachelor's degree in Law from The University of London. He has completed the Executive Programme held by the Stanford Center for Professional Development, Stanford University. Mr Chan is a member of the Hong Kong Institute of Certified Public Accountants.

Information for Investors

Listing Information

Listing	Hong Kong Stock Exchange
Stock code	00831

Key Dates

17 March 2022	Announcement of 2021 Final Results
20 May 2022	Record date for right to attend Annual General Meeting
26 May 2022	Annual General Meeting

Share Information

Board lot size	2,000 shares
Shares outstanding as at 31 December 2021	776,244,974 shares
Market capitalisation as at 31 December 2021	HK$582,184,000
Earnings per share for 2021	
Interim	2.2 HK cents
Full year	10.4 HK cents
Dividend per share for 2021	
Interim	2 HK cents
Final	5 HK cents
Full year	7 HK cents

Share Registrar and Transfer Offices

Principal:

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

Hong Kong Branch:

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

Enquiries Contact

Raymond CHAN Chor Fai
Finance Director

Telephone	2991 6300
Fax	2991 6302
E-mail	investor@cr-asia.com

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

Website

www.cr-asia.com

Directors' Report

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2021.

Principal Activities, Business Review and Analysis of Operations

The principal activity of the Company is investment holding. During the year, the subsidiaries are principally engaged in the operation of (i) a chain of bakeries under the brand name of Saint Honore in Hong Kong, Macau and on the Chinese Mainland; (ii) a chain of premium pâtisserie under the branch name of Mon cher in Hong Kong – one of Japan's most popular pâtisserie and cake brands; and (iii) a chain of fast-fashion eyewear stores under the brand name of Zoff in Hong Kong. Further review and analysis of these business activities, including the risks and uncertainties facing the Group and likely future developments in the Group's businesses, are set out in the Chairman's Statement, CEO's Statement and Management Discussion and Analysis sections on pages 5 to 7, pages 8 to 13 and pages 14 to 19 of this Annual Report respectively. These review and analysis form part of this Report.

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

Results and Appropriations

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

The Board of Directors had declared an interim dividend of 2 HK cents per share, totaling HK$15,525,000, which was paid on 9 September 2021.

The Board of Directors recommended the payment of a final dividend of 5 HK cents per share, totaling HK$38,812,000.

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

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 28 and note 34 to the consolidated financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to HK$35,000.

Fixed Assets

Details of the movements in fixed assets of the Group during the year are set out in note 14 to the consolidated financial statements.

Share Capital and Shares Issued

Details of the movements in share capital of the Company together with the shares issued during the year are set out in note 27 to the consolidated financial statements.

Distributable Reserves

Distributable reserves of the Company at 31 December 2021 calculated under the Companies Law of the Cayman Islands amounted to HK$479,632,000 (2020: HK$491,462,000).

Pre-emptive Rights

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

Subsidiaries

Details of the Company's principal subsidiaries as at 31 December 2021 are set out in note 35 to the consolidated financial statements.

Five-Year Financial Summary

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

Purchase, Sale or Redemption of Listed Securities

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

Share Options

1. 2010 Share Option Scheme

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

2. 2020 Share Option Scheme

On 29 April 2020, the 2020 Share Option Scheme was approved and adopted by the shareholders at the annual general meeting of the Company in view of the termination of the 2010 Share Option Scheme.

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

(i) Purpose of the Share Option Schemes

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

(ii) Qualifying participants

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

(iii) Maximum number of shares

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

The total number of shares available for issue under the 2020 Share Option Scheme is 63,893,897, representing approximately 8.23% of the issued shares of the Company as at the date of this Report.

Share Options (continued)

(iv) Limit for each participant

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

(v) Option period

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

(vi) Amount payable on application or acceptance

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

(vii) Subscription price

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

(viii) The remaining life of the Share Option Schemes

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

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

Share Options (continued)

Details of the movements of share options under the 2010 Share Option Scheme and the 2020 Share Option Scheme during the year ended 31 December 2021 are as follows:

Grantees	Number of share options				Exercise price HK$	Grant date	Exercisable period
	As at 1/1/2021	Granted (Note 1)	Lapsed (Note 2)	As at 31/12/2021			
2010 Share Option Scheme							
Continuous contract employees	400,000	–	(300,000)	100,000	4.19	29/3/2017	1/4/2020–31/3/2023
	350,000	–	–	350,000	3.88	8/3/2018	1/4/2020–31/3/2023
	70,000	–	–	70,000	3.87	14/3/2019	1/4/2020–31/3/2023
Other participants	160,000	–	(160,000)	–	4.19	29/3/2017	1/4/2020–31/3/2023
	100,000	–	(100,000)	–	3.88	8/3/2018	1/4/2020–31/3/2023
	1,080,000	–	(560,000)	520,000			
2020 Share Option Scheme							
Continuous contract employees	–	12,232,000	(66,000)	12,166,000	0.764	11/11/2021	1/4/2023–31/3/2026
Other participants	–	200,000	–	200,000	0.764	11/11/2021	1/4/2023–31/3/2026
	–	12,432,000	(66,000)	12,366,000			

Notes:

1. *During the year, share options to subscribe for a total of 12,432,000 shares were granted on 11 November 2021 under the 2020 Share Option Scheme. The closing price of the share immediately before the date on which the options were granted was HK$0.77.*

2. *Share options to subscribe for 560,000 shares and 66,000 shares under the 2010 Share Option Scheme and the 2020 Share Option Scheme respectively lapsed during the year following the cessation of employment of certain grantees.*

3. *No share options under the 2010 Share Option Scheme and the 2020 Share Option Scheme were exercised, cancelled or expired during the year.*

4. *The above options granted are recognised as expenses in the consolidated financial statements in accordance with the Company's accounting policy as set out in this Annual Report.*

5. *The value of the options granted during the year is HK$1,166,000 based on the Black-Scholes Valuation model. The significant inputs into the model were share price of HK$0.76 at the grant date, exercise price shown above, standard deviation of expected share price returns of 33.7%, expected life of options of three years, expected dividend paid out rate of 7.5% and annual risk-free interest rate of 0.4%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the last two years. The Black-Scholes Valuation model is developed to estimate the fair value of European share options. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.*

Save as disclosed above, as at 31 December 2021, none of the Directors, chief executives or substantial shareholders of the Company or their respective associates had been granted any other share options.

Directors

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

Non-executive Directors
William FUNG Kwok Lun
Anthony LO Kai Yiu*
ZHANG Hongyi*
Sarah Mary LIAO Sau Tung*
Godfrey Ernest SCOTCHBROOK
Benedict CHANG Yew Teck
Sabrina FUNG Wing Yee (appointed on 28 May 2021)
Terence FUNG Yue Ming (appointed on 28 May 2021)
Victor FUNG Kwok King (retired on 26 May 2021)

Executive Director
Richard YEUNG Lap Bun

* *Independent Non-executive Directors*

In accordance with Article 87 of the Company's Articles of Association, Mr Godfrey Ernest Scotchbrook, Mr Zhang Hongyi and Mr Richard Yeung Lap Bun will retire at the forthcoming annual general meeting. Mr Godfrey Ernest Scotchbrook and Mr Richard Yeung Lap Bun, being eligible, will offer themselves for re-election while Mr Zhang Hongyi decided not to stand for re-election and will retire from the Board with effect from the conclusion of the forthcoming annual general meeting. In addition, in accordance with Article 86(3) of the Company's Articles of Association, Ms Sabrina Fung Wing Yee and Mr Terence Fung Yue Ming, who were appointed as Directors subsequent to the 2021 annual general meeting, will be subject to re-election at the forthcoming annual general meeting.

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

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

Directors' Service Contracts

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

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

Directors' Interests in Transactions, Arrangements and Contracts

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a Director or an entity connected with such Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year except as disclosed under "Connected Transactions" stated below and note 31(f) and note 33 "Related Party Transactions" to the consolidated financial statements.

Permitted Indemnity Provisions

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year ended 31 December 2021. The Company has maintained liability insurance to provide appropriate cover for the Directors and directors of its subsidiaries.

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

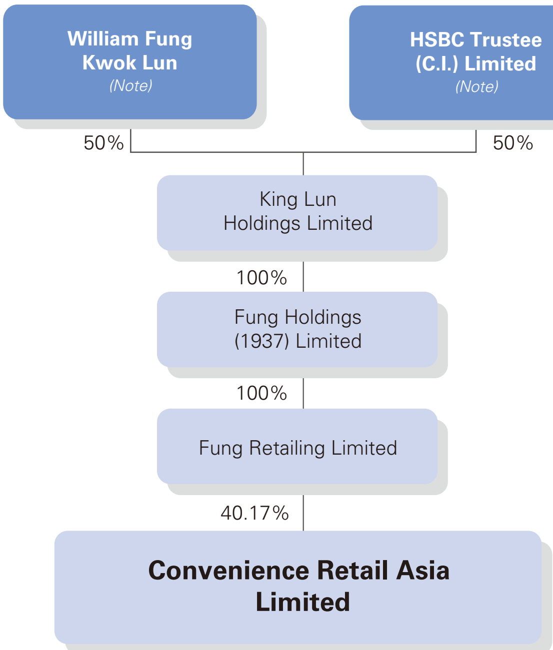
As at 31 December 2021, the Directors and chief executives of the Company and their associates had the following interests in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules and/or the Code for Securities Transactions by Directors and Relevant Employees adopted by the Company:

Long positions in shares and underlying shares of the Company

	Number of shares			
Name of Directors	**Personal interests**	**Corporate/ Trust interests**	**Total interests**	**Approximate percentage of interests**
William Fung Kwok Lun	13,500,000	311,792,000 *(Note)*	325,292,000	41.91%
Anthony Lo Kai Yiu	2,276,000	–	2,276,000	0.29%
Sabrina Fung Wing Yee	–	311,792,000 *(Note)*	311,792,000	40.17%
Richard Yeung Lap Bun	24,396,000	–	24,396,000	3.14%

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

As at 31 December 2021, the interests of Dr William Fung Kwok Lun and Ms Sabrina Fung Wing Yee in the shares of the Company are summarised in the following chart:



Note:

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

Save as disclosed above, as at 31 December 2021, none of the Directors, chief executives of the Company and their associates had any other interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations. Besides, at no time during the year, the Directors and chief executives of the Company (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company or its associated corporations required to be disclosed pursuant to the SFO.

Interests and Short Positions of Shareholders in Shares and Underlying Shares

At 31 December 2021, other than the interests of the Directors or chief executives of the Company as disclosed above, the following persons had notified the Company of their interests in shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Interests in shares of the Company

Name of shareholders	Number of shares	Nature of interests/ Holding capacity	Approximate percentage of interests
HSBC Trustee (C.I.) Limited	311,792,000	Trustee *(Note 1)*	40.17%
King Lun Holdings Limited	311,792,000	Interest of controlled corporation *(Note 1)*	40.17%
Aggregate of Standard Life Aberdeen plc affiliated investment management entities (together "SL & Aberdeen plc")	93,020,000	Investment manager *(Note 2)*	11.98%
FIL Limited	71,204,000	Interest of controlled corporation *(Note 3)*	9.17%
Pandanus Partners L.P.	71,204,000	Interest of controlled corporation *(Note 3)*	9.17%
Pandanus Associates Inc.	71,204,000	Interest of controlled corporation *(Note 3)*	9.17%
Aberdeen Standard Asia Focus PLC	46,826,000	Beneficial owner	6.03%
Aberdeen Asian Income Fund Limited	39,556,000	Beneficial owner	5.10%
Fidelity China Special Situations plc	39,120,000	Beneficial owner	5.04%

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

Interests in shares of the Company (continued)

Notes:

1. *These shares were held by FRL. King Lun indirectly owns 100% interests in FRL through its wholly-owned subsidiary, FH 1937. All of HSBC Trustee (C.I.) Limited, King Lun, FH 1937 and FRL are deemed to have interests in these shares pursuant to the SFO. Please refer to Note in the above section headed "Interests and Short Positions of Directors in Shares, Underlying Shares and Debentures".*

2. *SL & Aberdeen plc held the shares on behalf of accounts (under discretionary or segregated mandates) managed by SL & Aberdeen plc.*

3. *Pandanus Associates Inc. is a general partner of Pandanus Partners L.P., who owns or control one-third or more of voting rights in FIL Limited.*

Save as disclosed above, as at 31 December 2021, the Company had not been notified of any other interests or short positions in shares or underlying shares of the Company being held by any other shareholders as recorded in the register required to be kept under section 336 of the SFO.

Sufficiency of Public Float

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

Major Customers and Suppliers

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

–	the largest supplier	9%
–	five largest suppliers combined	22%

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

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

Connected Transactions

Continuing Connected Transactions

During the year, the Group had various transactions with related parties (details are set out in note 31(f) and note 33 to the consolidated financial statements on pages 129 and 131 to 132), such as certain reimbursement of office and administrative expenses between the Group and FH 1937 (the controlling shareholder of the Company) and its associates, also constituted connected transactions of the Company which are fully exempted under Rule 14A.98 of the Listing Rules. In addition, the following transactions constituted continuing connected transactions (exempt from independent shareholders' approval requirements) of the Company:

	HK$'000
Properties leasing and/or licensing arrangements with FH 1937 and its associates *(Note)*	7,201

Note:

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

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

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

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

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

Contracts with Controlling Shareholders

Save as disclosed under "Connected Transactions" above and note 31(f) and note 33 "Related Party Transactions" to the consolidated financial statements, no other contracts of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries were entered into or existed during the year.

Management Contracts

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

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation of the financial statements for each financial period which gives a true and fair view of the financial position of the Group and of the financial performance and cash flows for that period. In preparing these financial statements for the year ended 31 December 2021, the Directors have selected suitable and relevant accounting policies and applied them consistently as stated in note 2 to the consolidated financial statements; made judgments and estimates that are prudent and reasonable; and have prepared the financial statements on the going concern basis. The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

Auditor

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

On behalf of the Board
William FUNG Kwok Lun
Chairman

Hong Kong, 17 March 2022

Independent Auditor's Report

pwc

羅兵咸永道

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

Opinion

What we have audited

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

- the consolidated balance sheet as at 31 December 2021;
- the consolidated profit and loss account for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include 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 as 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 disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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.

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

Key Audit Matter

Impairment assessment of goodwill and trademarks with indefinite lives

Refer to note 4b, 4c and note 18 to the consolidated financial statements.

The Group carried goodwill and trademarks balances of HK$247 million and HK$110 million, respectively, as of 31 December 2021, which relate to the acquisition of the Saint Honore bakery business.

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

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

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

How our audit addressed the Key Audit Matter

We obtained the valuation models (fair value less cost to sell calculations and royalty relief valuation method) used by management for the impairment assessment of goodwill and trademarks.

We obtained an understanding of the assessment process of impairment assessments of goodwill and trademarks and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors.

We evaluated the methodologies and tested the accuracy of the underlying calculations using internal valuation experts to assist us.

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

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

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

We assessed the adequacy of the disclosures related to the impairment assessments of goodwill and trademarks in the context of HKFRSs disclosure requirements.

Based on the audit procedure performed, we found the Group's judgements and assumptions used in the impairment assessments to be supported by 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 the Audit Committee for the Consolidated Financial Statements

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ms. Wan Sau Mei.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 March 2022

Consolidated Profit and Loss Account

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Continuing Operations			
Revenue	*5*	**1,361,840**	1,191,701
Cost of sales	*6*	**(678,891)**	(553,236)
Gross profit		**682,949**	638,465
Other income	*5*	**34,618**	24,531
Store expenses	*6*	**(441,083)**	(453,073)
Distribution costs	*6*	**(66,292)**	(59,422)
Administrative expenses	*6*	**(122,529)**	(83,045)
Core operating profit		**87,663**	67,456
Non-core operating gains	*7*	**5,132**	–
Operating profit		**92,795**	67,456
Interest expenses, net	*8*	**(4,853)**	(4,532)
Profit before income tax		**87,942**	62,924
Income tax expenses	*9*	**(13,543)**	(1,774)
Profit for the year from Continuing Operations		**74,399**	61,150
Discontinued Operations			
Profit for the year/period from Discontinued Operations	*31a*	**5,971**	3,079,296
Profit attributable to shareholders of the Company		**80,370**	3,140,446
Earnings per share (HK cents)			
Basic/diluted earnings per share	*10*		
Continuing Operations		**9.6**	8.0
Included Discontinued Operations		**10.4**	410.7

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Profit attributable to shareholders of the Company	**80,370**	3,140,446
Other comprehensive income/(loss):		
Item that will not be reclassified subsequently to profit or loss		
Actuarial gains/(losses) on post employment benefit obligation, net of tax	**434**	(7,097)
Item that may be reclassified subsequently to profit or loss		
Exchange differences	**219**	2,229
Total comprehensive income attributable to shareholders of the Company	**81,023**	3,135,578
Total comprehensive income attributable to shareholders of the Company arises from:		
Continuing Operations	**75,052**	60,181
Discontinued Operations	**5,971**	3,075,397
	81,023	3,135,578

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

Consolidated Balance Sheet

As at 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Assets			
Non-current assets			
Fixed assets	*14*	**173,577**	158,356
Right-of-use assets	*15*	**228,231**	189,698
Investment properties	*16*	**5,961**	29,866
Lease premium for land	*17*	**72,768**	63,962
Intangible assets	*18*	**357,465**	357,465
Rental and other long-term deposits		**40,646**	27,752
Deferred tax assets	*19*	**10,580**	15,628
		889,228	842,727
Current assets			
Inventories	*20*	**43,127**	32,776
Rental deposits		**19,913**	18,492
Trade receivables	*21*	**45,290**	16,395
Other receivables, deposits and prepayments		**32,157**	38,138
Taxation recoverable		**324**	–
Restricted bank deposit	*22*	**245**	239
Cash and cash equivalents	*22*	**290,285**	373,143
		431,341	479,183
Non-current assets classified as assets held for sale	*23*	**–**	22,256
		431,341	501,439
Total assets		**1,320,569**	1,344,166

Consolidated Balance Sheet (continued)

As at 31 December 2021

	Note	**2021 HK$'000**	2020 HK$'000
Equity			
Share capital	*27*	**77,624**	77,624
Reserves	*28*	**566,724**	501,230
Total equity		**644,348**	578,854
Liabilities			
Non-current liabilities			
Lease liabilities	*26*	**115,859**	92,832
Long service payment liabilities	*29*	**5,069**	5,729
Deferred tax liabilities	*19*	**8,865**	9,264
		129,793	107,825
Current liabilities			
Trade payables	*24*	**80,146**	67,276
Other payables and accruals	*25*	**173,924**	308,836
Lease liabilities	*26*	**118,901**	112,204
Taxation payable		**8,236**	5,236
Cake coupons		**165,221**	163,935
		546,428	657,487
Total equity and liabilities		**1,320,569**	1,344,166

On behalf of the Board

William FUNG Kwok Lun
Director

Richard YEUNG Lap Bun
Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to shareholders of the Company							
	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Capital reserves HK$'000	Employee share-based compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total equity HK$'000
At 1 January 2020	76,256	200,756	177,087	20,002	20,173	(2,131)	233,651	725,794
Profit attributable to shareholders of the Company	–	–	–	–	–	–	3,140,446	3,140,446
Exchange differences	–	–	–	–	–	2,229	–	2,229
Actuarial losses on post employment benefit obligation								
Gross	–	–	–	–	–	–	(8,460)	(8,460)
Tax	–	–	–	–	–	–	1,363	1,363
Total comprehensive income for the year	–	–	–	–	–	2,229	3,133,349	3,135,578
Issue of new shares	1,368	54,695	–	–	–	–	–	56,063
Employee share option benefit	–	8,169	–	–	(19,567)	–	12,214	816
Transfer to retained earnings	–	–	(177,087)	–	–	–	177,087	–
Dividends paid	–	(263,620)	–	–	–	–	(3,075,777)	(3,339,397)
	1,368	(200,756)	(177,087)	–	(19,567)	–	(2,886,476)	(3,282,518)
At 31 December 2020	77,624	–	–	20,002	606	98	480,524	578,854
At 1 January 2021	**77,624**	**–**	**–**	**20,002**	**606**	**98**	**480,524**	**578,854**
Profit attributable to shareholders of the Company	**–**	**–**	**–**	**–**	**–**	**–**	**80,370**	**80,370**
Exchange differences	**–**	**–**	**–**	**–**	**–**	**219**	**–**	**219**
Actuarial gain on post employment benefit obligation	**–**	**–**	**–**	**–**	**–**	**–**	**434**	**434**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**219**	**80,804**	**81,023**
Employee share option benefit	**–**	**–**	**–**	**–**	**(246)**	**–**	**242**	**(4)**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**(15,525)**	**(15,525)**
	–	**–**	**–**	**–**	**(246)**	**–**	**(15,283)**	**(15,529)**
At 31 December 2021	**77,624**	**–**	**–**	**20,002**	**360**	**317**	**546,045**	**644,348**

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

Consolidated Cash Flow Statement

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Continuing Operations			
Cash flows from operating activities			
Cash generated from operations	*30*	**208,519**	364,901
Hong Kong profits tax paid		**(1,193)**	(2,196)
Overseas income tax paid		**(5,016)**	(5,912)
Net cash generated from operating activities		**202,310**	356,793
Cash flows from investing activities			
Purchase of fixed assets		**(50,087)**	(28,417)
Proceeds from disposal of non-current assets classified as assets held for sale		**27,067**	–
Proceeds from disposal of investment property		**5,579**	–
Proceeds from disposal of fixed assets		**19**	150
Net proceeds from disposal of Discontinued Operations	*31e*	**–**	2,697,992
Fund transfer from Discontinued Operations		**–**	468,272
Payment of transaction costs, expenses and other closing adjustments in relation to disposal of Discontinued Operations in prior year		**(102,628)**	–
Interest received		**1,047**	1,078
Net cash (used in)/from investing activities		**(119,003)**	3,139,075
Cash flows from financing activities			
Proceeds from issuance of shares		**–**	56,063
Payment of lease liabilities		**(136,995)**	(135,830)
(Increase)/Decrease in rental deposits		**(14,315)**	553
Dividends paid		**(15,525)**	(3,339,397)
Net cash used in financing activities		**(166,835)**	(3,418,611)
(Decrease)/Increase in cash and cash equivalents from Continuing Operations		**(83,528)**	77,257
Decrease in cash and cash equivalents from Discontinued Operations	*31c*	**–**	(348,661)
Decrease in cash and cash equivalents		**(83,528)**	(271,404)
Cash and cash equivalents at 1 January		**373,143**	642,639
Effect of foreign exchange rate changes		**670**	1,908
Cash and cash equivalents at 31 December	*22*	**290,285**	373,143

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

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

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

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

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

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 17 March 2022.

On 21 December 2020, the Group has disposed of certain subsidiaries which are principally engaged in the operation of a chain of convenience stores in Hong Kong under the brand name of Circle K and the operation is presented as Discontinued Operations. Details of the Discontinued Operations are set out in note 31 to the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and under historical cost convention.

As at 31 December 2021, the Group had net current liabilities of HK$115,087,000 (2020: HK$156,048,000). In preparing these financial statements, the Group's management has taken into account all information that could reasonably be expected to be available and has ascertained that the Group has obtained adequate financial resources to support the Group to continue in operational existence for the foreseeable future. Based on the Group's history of its operating performance, availability of banking facilities and its expected future working capital requirements, the Group's management is of the opinion that the Group will be able to meet its liabilities as and when they fall due within the next twelve months and therefore have prepared the financial statements on a going concern basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

The Group has adopted the following amended standards of HKFRS which are mandatory for accounting periods beginning on or after 1 January 2021 and relevant to its operations:

HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Amendment	Interest Rate Benchmark Reform Phase 2

The adoption of amended standards of HKFRS does not have material impact on the consolidated financial statements and does not result in substantial changes to the Group's accounting policies, except the impacts of the early adoption of HKFRS 16 Amendment: COVID-19-Related Rent Concessions beyond 30 June 2021 is disclosed in note 2b.

The Group has not early adopted the following new standard, amendments to standards and interpretation of HKFRS that have been issued and are mandatory for the Group's accounting periods beginning on or after 1 January 2022.

HKAS 1 Amendment	Classification of Liabilities as Current or Non-current
HKAS 1 Amendment and HKFRS Practice Statement 2	Disclosure of Accounting Policies
HKAS 8 Amendment	Definition of Accounting Estimates
HKAS 12 Amendment	Deferred Tax related to Assets and Liabilities from a Single Transaction
HKAS 16 Amendment	Property, Plant and Equipment – Proceeds before Intended Use
HKAS 37 Amendment	Onerous Contracts – Cost of Fulfilling a Contract
HKFRS 3 Amendment	Reference to the Conceptual Framework
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 17 and Amendments to HKFRS 17	Insurance Contracts
Hong Kong Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020 Cycle
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Change in accounting policy

The Group has early adopted HKFRS 16 Amendment: COVID-19-Related Rent Concessions beyond 30 June 2021, which is effective for annual reporting period on or after 1 April 2021, for the Group's reporting period commencing 1 January 2021. The amendment allows lessee to elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. Such practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- the revised lease payments are substantially the same as, or less than the consideration for the lease immediately preceding the change;
- reduction in lease payments relates to payment due on or before 30 June 2022; and
- there is no substantive change to the other terms and conditions of the lease.

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

(c) Consolidation

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

(i) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Consolidation (continued)

(i) *Subsidiaries* (continued)

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

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

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

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

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

(ii) *Transactions with non-controlling interests*

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Consolidation (continued)

(iii) Discontinued Operation

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

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

(d) Segment reporting

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

(e) Foreign currency translation

(i) Functional and presentation currency

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Foreign currency translation (continued)

(ii) Transactions and balances

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

(iii) Group companies

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

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates; and

(iii) all resulting exchange differences are recognised in other comprehensive income.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Fixed assets and lease premium for land

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

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

Equipment, furniture and fixtures	10% to $33^1/_3$%
Motor vehicles	15% to 25%

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investment properties

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

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

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

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

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

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

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

(h) Intangible assets

(i) Goodwill

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Intangible assets (continued)

(i) *Goodwill* (continued)

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

(ii) *Trademarks*

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

(i) Impairment of non-financial assets

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

(j) Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial assets (continued)

Classification

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

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

Recognition and measurement

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

Impairment

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Inventories

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

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

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

(m) Share capital

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

(n) Trade payables

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

(o) Current and deferred income tax

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Current and deferred income tax (continued)

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

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

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

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

(p) Employee benefits

(i) Employee leave entitlements

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Employee benefits (continued)

(ii) Profit sharing and bonus plans

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

(iii) Pension obligations

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

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

(iv) Long service payment liabilities

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Employee benefits (continued)

(v) Share-based compensation

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

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

(q) Provisions

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Revenue recognition

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

(i) Sales of goods are recognised when a product is sold to the customer. Payments that are related to cake coupons not yet redeemed by the customers are deferred and shown as contract liability under the current liability "cake coupons" in the consolidated balance sheet. Cake coupons surrendered in exchange for products or upon expiry during the period are recognised as revenue in the consolidated profit and loss account using the weighted average cake coupon sale value. The Group recognises the expected breakage amount of cake coupons as revenue in proportion to the pattern of rights exercised by the customer.

(ii) Sales of services are recognised in the accounting period in which the services are rendered.

(iii) Interest income is recognised on a time proportion basis using the effective interest method.

(t) Leases

Leases with a remaining lease term of less than 12 months were classified as operating leases in note 32b. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Leases (continued)

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

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

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

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

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

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

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

(u) Government grant

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

(v) Dividend distribution

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

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

(i) Foreign exchange risk

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

(ii) Credit risk

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

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

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

3. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(iii) Liquidity risk

The Group is exposed to liquidity risk of being unable to raise sufficient funds to meet its financial obligations when they fall due. To manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents, bank deposits and banking facilities considered to be adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. All of the Group's financial liabilities, including trade payables of HK$80,146,000 (2020: HK$67,276,000) and other payables and accruals of HK$173,924,000 (2020: HK$308,836,000) are contractually maturing within one year.

(iv) Interest rate risk

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

If the interest rates had been increased/decreased by 0.5% with all other variables held constant, the Group's net profit would have been increased/decreased by HK$807,000 (2020: HK$1,252,000) for the year ended 31 December 2021.

(b) Capital risk management

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

(b) Estimated impairment of intangible assets

The Group tests annually whether goodwill and trademarks have suffered any impairment, in accordance with the accounting policy stated in note 2h. The recoverable amounts of goodwill and trademarks are determined based on fair value less costs to sell calculations and royalty relief valuation method. These calculations require the use of estimates *(note 18)*.

(c) Estimated useful lives of trademarks

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

(d) Determination of the lease term

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(d) Determination of the lease term (continued)

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

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

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

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

(e) Income taxes

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(e) Income taxes (continued)

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

5. REVENUE, OTHER INCOME AND SEGMENT INFORMATION

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

	2021 **HK$'000**	2020 HK$'000
Revenue		
Bakery sales revenue	**1,230,566**	1,077,163
Eyewear sales revenue	**131,274**	114,538
	1,361,840	1,191,701
Other income		
Transitional services income *(note i)*	**25,906**	–
Service and miscellaneous income	**8,712**	16,451
Government subsidies *(note ii)*	**–**	8,080
	34,618	24,531

Notes:

(i) The transitional services income was received from the disposed convenience store business in respect of certain administrative and general services provided.

(ii) The government subsidies were granted under the Anti-epidemic Fund for helping the retail industry stay afloat during the challenge of COVID-19 in 2020.

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

Segment information

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

The management considers the business principally from the perspective of product/service and geographic. From a product/service perspective, management assesses the performance of bakery and eyewear businesses. For bakery segment, revenues are mainly comprised of sale of bakery and festival products. The eyewear segment was formerly grouped under developing businesses, and its revenues are mainly derived from the sale of eyewear products. The management considers it is mature and identifies it as one named operating segment. Geographically, the management considers the performance of retailing business in Hong Kong and others, and on the Chinese Mainland.

The segment information provided to the management for the reportable segments for the years ended 31 December 2021 and 2020 are as follows:

	2021			
	Bakery		Eyewear	
Continuing Operations	HK & Others HK$'000	Chinese Mainland HK$'000	HK HK$'000	Group HK$'000
Total segment revenue	1,167,105	92,336	131,274	1,390,715
Inter-segment revenue	(28,875)	–	–	(28,875)
Revenue from external customers	1,138,230	92,336	131,274	1,361,840
Other income	33,164	776	678	34,618
	1,171,394	93,112	131,952	1,396,458
Core operating profit	74,020	1,385	12,258	87,663
				87,663
Core operating profit/(loss) (included interest expenses on lease liabilities)	70,214	(157)	11,570	81,627
				81,627
Continuing Operations				
Depreciation	(124,212)	(17,963)	(26,122)	(168,297)
Depreciation (excluded depreciation on right-of-use assets)	(35,478)	(2,275)	(4,734)	(42,487)

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

Segment information (continued)

	2020			
	Bakery		Eyewear	
Continuing Operations	HK & Others	Chinese Mainland	HK	Group
	HK$'000	HK$'000	HK$'000	HK$'000
Total segment revenue	1,018,608	86,916	114,538	1,220,062
Inter-segment revenue	(28,361)	–	–	(28,361)
Revenue from external customers	990,247	86,916	114,538	1,191,701
Other income	20,822	2,667	1,042	24,531
	1,011,069	89,583	115,580	1,216,232
Core operating profit				
Continuing Operations	62,400	1,902	3,154	67,456
Discontinued Operations				226,037
				293,493
Core operating profit (included interest expenses on lease liabilities)				
Continuing Operations	58,927	584	2,348	61,859
Discontinued Operations				214,119
				275,978
Continuing Operations				
Depreciation	(135,266)	(17,820)	(27,812)	(180,898)
Depreciation (excluded depreciation on right-of-use assets)	(36,184)	(3,731)	(5,564)	(45,479)

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

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

Segment information (continued)

The reconciliation of the total reportable segments' core operating profit (included interest expenses on lease liabilities) to the profit before income tax can be referred to the consolidated profit and loss account and interest expenses, net from Continuing Operations in note 8, as the reconciliation items are not included in the measure of the segments' performance by the management.

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

The segment assets and liabilities as at 31 December 2021 and 2020 are as follows:

	2021			
	Bakery		Eyewear	
	HK & Others HK$'000	Chinese Mainland HK$'000	HK HK$'000	Group HK$'000
Total segment assets	1,025,430	98,879	69,454	1,193,763
Total segment assets include:				
Additions to segment non-current assets	166,995	24,462	32,833	224,290
Total segment liabilities	578,793	29,343	50,984	659,120

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

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

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

Segment information (continued)

Reportable segment assets are reconciled to total assets as follows:

	2021 **HK$'000**	2020 HK$'000
Segment assets for reportable segments	**1,193,763**	1,091,798
Unallocated:		
Deferred tax assets	**10,580**	15,628
Taxation recoverable	**324**	–
Corporate bank deposits	**115,902**	236,740
Total assets per consolidated balance sheet	**1,320,569**	1,344,166

Reportable segment liabilities are reconciled to total liabilities as follows:

	2021 **HK$'000**	2020 HK$'000
Segment liabilities for reportable segments	**659,120**	750,812
Unallocated:		
Deferred tax liabilities	**8,865**	9,264
Taxation payable	**8,236**	5,236
Total liabilities per consolidated balance sheet	**676,221**	765,312

The Group is domiciled in Hong Kong. The result of its revenue of Continuing Operations from external customers in Hong Kong is HK$1,115,712,000 (2020: HK$955,769,000), and the total of revenue of Continuing Operations from external customers from other regions is HK$246,128,000 (2020: HK$235,932,000) for the year ended 31 December 2021.

The total of non-current assets other than deferred tax assets located in Hong Kong is HK$740,032,000 (2020: HK$715,430,000), and the total of these non-current assets located in other regions is HK$138,616,000 (2020: HK$111,669,000) as at 31 December 2021.

As of 31 December 2021, cake coupons related to contracts with customers is HK$165,221,000 (2020: HK$163,935,000). During the year, revenue recognised in the consolidated profit and loss account related to carried-forward cake coupons is HK$28,546,000 (2020: HK$34,138,000).

6. EXPENSES BY NATURE FROM CONTINUING OPERATIONS

	2021 HK$'000	2020 HK$'000
Auditor's remuneration		
Audit services	**1,354**	1,278
Non-audit services	**333**	545
Cost of inventories sold	**422,174**	341,873
Delivery charges	**33,214**	27,621
Depreciation of owned fixed assets *(note 14)*	**39,079**	41,403
Depreciation of right-of-use assets *(note 15)*	**125,810**	135,419
Depreciation of investment properties *(note 16)*	**1,054**	963
Depreciation of lease premium for land *(note 17)*	**2,354**	3,113
Impairment of fixed assets *(note 14)*	**–**	2,533
Impairment of right-of-use assets *(note 15)*	**–**	12,487
Employee benefit expense *(note 12)*	**456,525**	432,939
Losses on disposal of fixed assets/right-of-use assets	**793**	2,356
Short-term and variable lease payments *(note)*	**16,766**	8,935
Utilities	**37,224**	29,055
Foreign exchange gains	**(1,713)**	(1,991)
Other expenses	**173,828**	110,247
Total cost of sales, store expenses, distribution costs and administrative expenses	**1,308,795**	1,148,776

Note:

Rent concessions related to the COVID-19 pandemic has been credited to store expenses of HK$2,945,000 (2020: HK$5,902,000) for the year ended 31 December 2021.

7. NON-CORE OPERATING GAINS

The non-core operating gains are the disposal gains of an asset held for sales which is an office property and an investment property which is a retail property. Both properties are located in Guangzhou, the Chinese Mainland.

8. INTEREST EXPENSES, NET FROM CONTINUING OPERATIONS

	2021 HK$'000	2020 HK$'000
Interest income on bank deposits	**1,183**	1,065
Interest expenses on lease liabilities	**(6,036)**	(5,597)
	(4,853)	(4,532)

9. INCOME TAX EXPENSES FROM CONTINUING OPERATIONS

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for 2021 and 2020. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates prevailing in the countries in which the Group operates.

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

	2021 **HK$'000**	2020 HK$'000
Current income tax		
Hong Kong profits tax	**3,656**	1,494
Overseas profits tax	**5,209**	5,218
Deferred income tax charge/(credit) *(note 19)*	**4,678**	(4,938)
	13,543	1,774

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

	2021 **HK$'000**	2020 HK$'000
Profit before income tax	**87,942**	62,924
Calculated at a taxation rate of 16.5%	**14,510**	10,383
Effect of different taxation rates in other jurisdictions	**38**	(1,306)
Income not subject to taxation	**(212)**	(10,654)
Expenses not deductible for tax purposes	**393**	3,012
Tax losses not recognised	**278**	921
Reversal of previously recognised tax losses	**–**	375
Utilisation of tax losses previously not recognised	**(1,115)**	(620)
Over provision in prior year	**(349)**	(337)
	13,543	1,774

10. EARNINGS PER SHARE

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

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

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

	2021 **HK$'000**	2020 HK$'000
Profit attributable to shareholders of the Company		
Continuing Operations	**74,399**	61,150
Discontinued Operations	**5,971**	3,079,296
	80,370	3,140,446
	Number of shares	Number of shares
Weighted average number of ordinary shares in issue	**776,244,974**	764,670,385
Adjustment for:		
Share options	**–**	–
Weighted average number of ordinary shares for diluted earnings per share	**776,244,974**	764,670,385

11. DIVIDENDS

	2021 HK$'000	2020 HK$'000
Interim dividend, proposed of 2 HK cents (2020: 6 HK cents) per share	**15,525**	45,816
Final dividend, proposed of 5 HK cents (2020: nil HK cents) per share	**38,812**	–
Special dividend, proposed of nil HK cents (2020: 385 HK cents) per share	**–**	2,988,543
	54,337	3,034,359

At a meeting held on 17 March 2022, the Directors proposed a final divided of 5 HK cents per share. This proposed dividend is not reflected as dividend payable in these consolidated financial statement.

12. EMPLOYEE BENEFIT EXPENSE FROM CONTINUING OPERATIONS

	2021 HK$'000	2020 HK$'000
Wages and salaries *(note d)*	**444,418**	418,758
Annual leave benefit	**(573)**	(284)
Employee share option benefit	**97**	376
Pension costs – defined contribution plan *(notes b & c)*	**12,479**	13,867
Long service payment costs *(note 29)*	**104**	222
	456,525	432,939

Notes:

(a) The employee benefit expense includes directors' and senior management's emoluments *(note 13)*.

(b) Forfeited contributions totalling HK$3,813,000 (2020: HK$2,726,000) were utilised during the year leaving no balance at the year-end to reduce future contributions (2020: nil).

(c) Contributions totalling HK$2,345,000 (2020: HK$2,673,000) were payable to the independently administered fund at the year-end.

(d) The Government has launched the Employment Support Scheme (ESS) under the Anti-epidemic Fund to provide time-limited financial support to employers for paying wages of employees. The Group has received subsidies of HK$60,407,000 from the ESS for the period of June to November 2020. The net wages and salaries after offsetting by ESS subsidies was HK$418,758,000 for the year ended 31 December 2020.

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2021 is set out below:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Estimated money value of other benefits *(note i)* HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Victor Fung Kwok King *(note ii)*	124	–	–	–	–	124
William Fung Kwok Lun	316	–	–	–	–	316
Richard Yeung Lap Bun *(notes iii & ix)*	200	3,960	3,400	63	11	7,634
Godfrey Ernest Scotchbrook	270	–	–	–	–	270
Anthony Lo Kai Yiu	390	–	–	–	–	390
Benedict Chang Yew Teck	270	–	–	–	–	270
Zhang Hongyi	370	–	–	–	–	370
Sarah Mary Liao Sau Tung	385	–	–	–	–	385
Sabrina Fung Wing Yee	119	–	–	–	–	119
Terence Fung Yue Ming	124	–	–	–	–	124
	2,568	3,960	3,400	63	11	10,002

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

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

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

Notes:

(i) Other benefits include leave pay, share options and insurance premium.

(ii) Dr Victor Fung Kwok King retired as Non-executive Director of the Company on 26 May 2021.

(iii) Mr Richard Yeung Lap Bun is the Chief Executive Officer of the Company.

(iv) Mr Pak Chi Kin has resigned as Executive Director and Chief Operating Officer of the Company on 21 December 2020.

(v) Mr Malcolm Au Man Chung retired as Independent Non-executive Director of the Company on 29 April 2020.

(vi) No Director waived or agreed to waive any of their emoluments in respect of the years ended 31 December 2021 and 2020.

(vii) During the year, no emoluments have been paid by the Group to the Directors as remuneration to accept office as director, or as remuneration in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2020: nil).

(viii) No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2020: nil).

(ix) At the recommendation of the Remuneration Committee and approved by the Board, Mr Richard Yeung Lap Bun and Mr Pak Chi Kin were granted bonus of HK$51,000,000 and HK$10,200,000 respectively in relation to their performance and services to the Disposal of Discontinued Operations in 2020 and the amounts are included in the transaction costs on the Disposal of Discontinued Operations as set out in note 31e and are paid in 2021.

13. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2020: two) Director(s) whose emoluments are analysed in note 13a. The emoluments payable to the remaining four (2020: three) individuals during the year are as follows:

	2021	2020
	HK$'000	HK$'000
Salaries, housing allowances, other allowances and benefit in kind	**6,720**	5,551
Share options benefit	**52**	–
Discretionary bonuses	**2,984**	6,494
Pension costs – defined contribution plan	**72**	54
	9,828	12,099

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

	Number of individuals	
	2021	2020
HK$1,000,001-HK$2,000,000	**1**	–
HK$2,000,001-HK$3,000,000	**2**	1
HK$3,000,001-HK$4,000,000	**1**	1
HK$6,000,001-HK$7,000,000	**–**	1

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

(c) Senior management's emoluments

The emoluments of the senior management included one Director (2020: two Directors) whose emoluments are analysed in note 13a. The emoluments payable to the remaining three (2020: two) senior executives fell within the bands between HK$1,000,001 and HK$4,000,000 during the year of 2021 and between HK$3,000,001 and HK$7,000,000 during the year of 2020.

14. FIXED ASSETS

	Land and properties HK$'000	Leasehold improvements HK$'000	Equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2020					
Cost	74,226	321,975	632,896	16,260	1,045,357
Accumulated depreciation	(25,696)	(265,372)	(499,316)	(8,792)	(799,176)
Net book amount	48,530	56,603	133,580	7,468	246,181
Year ended 31 December 2020					
Opening net book amount	48,530	56,603	133,580	7,468	246,181
Continuing Operations					
Transfer to non-current assets classified as assets held for sale	(3,031)	–	–	–	(3,031)
Transfer to investment properties	(6,194)	–	–	–	(6,194)
Additions	–	8,470	16,123	3,824	28,417
Disposals	–	(447)	(2,254)	–	(2,701)
Depreciation *(note 6)*	(1,388)	(15,470)	(22,606)	(1,939)	(41,403)
Impairment *(note 6)*	–	(655)	(1,878)	–	(2,533)
Exchange differences	200	114	143	–	457
Discontinued Operations					
Additions	–	19,498	42,466	–	61,964
Disposals	–	(27)	(447)	–	(474)
Depreciation *(note 31a)*	(58)	(4,662)	(16,880)	–	(21,600)
Impairment *(note 31a)*	–	(458)	–	–	(458)
Disposal of Discontinued Operations *(note 31d)*	(1,288)	(29,105)	(69,876)	–	(100,269)
Closing net book amount	36,771	33,861	78,371	9,353	158,356
At 31 December 2020					
Cost	58,939	222,722	312,065	17,109	610,835
Accumulated depreciation and impairment	(22,168)	(188,861)	(233,694)	(7,756)	(452,479)
Net book amount	36,771	33,861	78,371	9,353	158,356

14. FIXED ASSETS (continued)

	Land and properties HK$'000	Leasehold improvements HK$'000	Equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2021					
Opening net book amount	36,771	33,861	78,371	9,353	158,356
Continuing Operations					
Transfer from investment properties	6,609	–	–	–	6,609
Additions	–	20,555	28,454	1,078	50,087
Disposals	–	(546)	(1,915)	–	(2,461)
Depreciation *(note 6)*	(1,315)	(14,050)	(21,712)	(2,002)	(39,079)
Exchange differences	–	27	38	–	65
Closing net book amount	42,065	39,847	83,236	8,429	173,577
At 31 December 2021					
Cost	69,665	240,455	324,873	17,899	652,892
Accumulated depreciation and impairment	(27,600)	(200,608)	(241,637)	(9,470)	(479,315)
Net book amount	42,065	39,847	83,236	8,429	173,577

As at 31 December 2021 and 2020, freehold land of HK$11,561,000 included in land and properties is located outside Hong Kong.

Depreciation and impairment of Continuing Operations of HK$15,085,000 (2020: HK$14,589,000) has been charged in cost of sales, HK$19,134,000 (2020: HK$23,674,000) in store expenses, HK$2,048,000 (2020: HK$1,921,000) in distribution costs and HK$2,812,000 (2020: HK$3,752,000) in administrative expenses.

As at 31 December 2021, certain properties with aggregate net book amount of HK$1,409,000 have been pledged as securities for the undrawn bank facilities of the Group.

15. RIGHT-OF-USE ASSETS

	2021 **HK$'000**	2020 HK$'000
Opening net book amount	**189,698**	704,655
Continuing Operations		
Additions	**164,326**	125,774
Disposals	**(1,492)**	(2,530)
Remeasurement	**643**	(6,691)
Depreciation *(note 6)*	**(125,810)**	(135,419)
Impairment *(note 6)*	**–**	(12,487)
Exchange differences	**866**	1,870
Discontinued Operations		
Additions	**–**	374,045
Remeasurement	**–**	(572)
Depreciation *(note 31a)*	**–**	(345,836)
Impairment *(note 31a)*	**–**	(9,521)
Disposal of Discontinued Operations *(note 31d)*	**–**	(503,590)
Closing net book amount	**228,231**	189,698

Depreciation and impairment of Continuing Operations of HK$2,699,000 (2020: HK$2,504,000) has been charged in cost of sales, HK$114,868,000 (2020: HK$135,526,000) in store expenses, HK$509,000 (2020: HK$486,000) in distribution costs and HK$7,734,000 (2020: HK$9,390,000) in administrative expenses.

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

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

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

16. INVESTMENT PROPERTIES

	2021 HK$'000	2020 HK$'000
At 1 January	**29,866**	24,289
Transfer (to)/from fixed assets and lease premium for land	**(17,769)**	6,194
Disposal	**(5,118)**	–
Depreciation *(note 6)*	**(1,054)**	(963)
Exchange differences	**36**	346
Net book amount	**5,961**	29,866
At 31 December		
Cost	**9,980**	46,482
Accumulated depreciation	**(4,019)**	(16,616)
Net book amount	**5,961**	29,866

Depreciation expense of HK$1,054,000 (2020: HK$963,000) has been charged in administrative expenses.

The fair value of investment properties reflects rental income from current leases and assumptions about rental income from future leases in light of the current market conditions. The fair value of the properties is approximately HK$61,000,000 (2020: HK$238,000,000) as at 31 December 2021 based on management's estimation with reference to the latest market transaction. The fair value measurement at 31 December 2021 is using significant other observable inputs, which is categorised within level 2 of the fair value measurement hierarchy.

As at 31 December 2021, the investment properties have been pledged as securities for the undrawn bank facilities of the Group.

17. LEASE PREMIUM FOR LAND

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

	2021 **HK$'000**	2020 HK$'000
At 1 January	**63,962**	123,153
Continuing Operations		
Transfer to non-current assets classified as assets held for sale	**–**	(19,225)
Transfer from investment properties	**11,160**	–
Depreciation *(note 6)*	**(2,354)**	(3,113)
Exchange differences	**–**	1,260
Discontinued Operations		
Depreciation *(note 31a)*	**–**	(1,570)
Disposal of Discontinued Operations *(note 31d)*	**–**	(36,543)
At 31 December	**72,768**	63,962
Located in:		
Hong Kong	**53,376**	43,714
Macau	**8,419**	8,690
Chinese Mainland	**10,973**	11,558
	72,768	63,962

As at 31 December 2021, certain lease premium for land with aggregate net book amount of HK$10,345,000 have been pledged as securities for the undrawn bank facilities of the Group.

18. INTANGIBLE ASSETS

	Goodwill **HK$'000**	**Trademarks** **HK$'000**	**Group** **HK$'000**
At 31 December 2021 and 2020			
Cost and net book amount	247,465	110,000	357,465

18. INTANGIBLE ASSETS (continued)

(a) Impairment test for trademarks

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

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

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

	2021	2020
Revenue growth rate *(note i)*	**3%-18%**	6%-17%
Long-term growth rate *(note ii)*	**2%**	2%
Discount rate *(note iii)*	**9%**	9%
Royalty rate *(note iv)*	**2%**	2%

Notes:

(i) Management determined budgeted revenue growth rate over a five-year budget period by reference to the past performance and its expectations for the market development.

(ii) The long-term growth rate used does not exceed the long-term growth rate for the bakery business in which it operates and is used to extrapolate cash flow beyond the budget period.

(iii) The discount rate used is post-tax discount rate applied to the cash flow projections which reflects specific risks relating to the relevant segment.

(iv) The royalty rate used is a hypothetical rate on revenue estimated by management for licensing the trademark.

The Group does not have to recognise any impairment loss as at 31 December 2021 based on the impairment assessment performed.

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

18. INTANGIBLE ASSETS (continued)

(b) Impairment test for goodwill

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

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

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

	2021	2020
Revenue growth rate *(note i)*	**3%-18%**	6%-14%
Gross margin *(note ii)*	**49%-50%**	51%-53%
Long-term growth rate *(note iii)*	**2%**	2%
Discount rate *(note iv)*	**9%**	9%

Notes:

(i) Management determined budgeted revenue growth rate over a five-year budget period by reference to the past performance and its expectations for the market development.

(ii) The budgeted gross margin over the five-year budget period is approximately 50% and is estimated by management with reference to the past performance and its expectations for the market development.

(iii) The long-term growth rate used does not exceed the long-term growth rate for the bakery business in which it operates and is used to extrapolate cash flow beyond the budget period.

(iv) The discount rate used is post-tax discount rate applied to the cash flow projections which reflects specific risks relating to the relevant operating segment.

The Group does not have to recognise any impairment loss as at 31 December 2021 based on the impairment assessment performed.

If the gross margin decreased by 2% during the five-year budget period or the discount rate applied in the fair value less costs to sell calculation increased by 1%, the goodwill's recoverable amount would still be greater than its carrying value and no impairment would be noted.

19. DEFERRED TAXATION

Movements on the net deferred tax assets are as follows:

	2021 **HK$'000**	2020 HK$'000
At 1 January	**(6,364)**	(3,214)
Continuing Operations		
Charged/(credited) to the consolidated profit and loss account *(note 9)*	**4,678**	(4,938)
Credited directly to other comprehensive income	**–**	(593)
Exchange differences	**(29)**	(115)
Discontinued Operations		
Charged to the consolidated profit and loss account	**–**	18
Disposal of Discontinued Operations *(note 31d)*	**–**	2,478
At 31 December	**(1,715)**	(6,364)

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

Deferred tax assets	**Tax losses**		**Accelerated tax depreciation**		**Others**		**Total**	
	2021 **HK$'000**	2020 HK$'000	**2021** **HK$'000**	2020 HK$'000	**2021** **HK$'000**	2020 HK$'000	**2021** **HK$'000**	2020 HK$'000
At 1 January	**(14,146)**	(11,567)	**(296)**	(1,318)	**(1,872)**	(2,846)	**(16,314)**	(15,731)
Continued Operations								
Charged/(credited) to the consolidated profit and loss account	**3,826**	(2,263)	**(652)**	(296)	**1,195**	(1,094)	**4,369**	(3,653)
Exchange differences	**(28)**	(112)	**–**	–	**(1)**	(3)	**(29)**	(115)
Credited directly to other comprehensive income	**–**	(593)	**–**	–	**–**	–	**–**	(593)
Discontinued Operations								
Charged/(credited) to the consolidated profit and loss account	**–**	(3,555)	**–**	1,289	**–**	(755)	**–**	(3,021)
Disposal of Discontinued Operations	**–**	3,944	**–**	29	**–**	2,826	**–**	6,799
At 31 December	**(10,348)**	(14,146)	**(948)**	(296)	**(678)**	(1,872)	**(11,974)**	(16,314)

Deferred tax liabilities	**Decelerated tax depreciation**		**Fair value gain**		**Others**		**Total**	
	2021 **HK$'000**	2020 HK$'000	**2021** **HK$'000**	2020 HK$'000	**2021** **HK$'000**	2020 HK$'000	**2021** **HK$'000**	2020 HK$'000
At 1 January	**4,289**	6,595	**5,661**	5,910	**–**	12	**9,950**	12,517
Continued Operations								
Charged/(credited) to the consolidated profit and loss account	**477**	(1,024)	**(249)**	(249)	**81**	(12)	**309**	(1,285)
Discontinued Operations								
Charged to the consolidated profit and loss account	**–**	3,039	**–**	–	**–**	–	**–**	3,039
Disposal of Discontinued Operations	**–**	(4,321)	**–**	–	**–**	–	**–**	(4,321)
At 31 December	**4,766**	4,289	**5,412**	5,661	**81**	–	**10,259**	9,950

19. DEFERRED TAXATION (continued)

	2021 HK$'000	2020 HK$'000
Deferred tax assets		
Deferred tax assets to be recovered after 12 months	**(7,459)**	(10,881)
Deferred tax assets to be recovered within 12 months	**(4,515)**	(5,433)
	(11,974)	(16,314)
Deferred tax liabilities		
Deferred tax liabilities to be settled after 12 months	**9,330**	9,415
Deferred tax liabilities to be settled within 12 months	**929**	535
	10,259	9,950

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

	2021 HK$'000	2020 HK$'000
Deferred tax assets	**(10,580)**	(15,628)
Deferred tax liabilities	**8,865**	9,264

The Group did not recognise deferred income tax assets amounting to HK$8,706,000 (2020: HK$10,644,000) in respect of tax losses amounting to HK$46,349,000 (2020: HK$54,078,000) that can be carried forward against future taxable income. These unrecognised tax losses have no expiry dates except for the unrecognised tax losses as below:

	2021 HK$'000	2020 HK$'000
Within 1 year	**2,947**	7,252
Over 1 year but within 5 years	**9,502**	12,995
	12,449	20,247

Deferred income tax liabilities of HK$421,000 (2020: HK$298,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of a subsidiary. Such unremitted earnings are to be reinvested and amounted to HK$8,418,000 (2020: HK$5,954,000) at 31 December 2021.

20. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials and packing materials	**26,794**	19,015
Finished goods	**16,333**	13,761
	43,127	32,776

The cost of sales of the Continuing Operations for the year ended 31 December 2021 amounted to HK$678,891,000 (2020: HK$553,236,000), which included inventories written off of HK$638,000 (2020: HK$577,000).

21. TRADE RECEIVABLES

Majority of the Group's revenue are retail cash sales. The Group's credit terms on trade receivables on income from customers mainly range from 30 days to 60 days. Trade receivables are non-interest bearing. The carrying amounts of trade receivables approximate their fair values. At 31 December 2021, the aging analysis by invoice date of trade receivables is as follows:

	2021 HK$'000	2020 HK$'000
0-30 days	**26,204**	12,686
31-60 days	**13,808**	1,899
61-90 days	**3,967**	1,002
Over 90 days	**1,311**	808
	45,290	16,395

There is no provision (2020: HK$74,000) as of 31 December 2021. The individually impaired receivables are mainly due from customers, which are in financial difficulties. It was assessed that a portion of the receivables is expected to be recovered.

21. TRADE RECEIVABLES (continued)

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

	2021	2020
	HK$'000	HK$'000
HK dollar (HK$)	**41,268**	13,610
Renminbi (RMB)	**1,655**	807
Patacas (MOP)	**2,367**	1,978
	45,290	16,395

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

	2021	2020
	HK$'000	HK$'000
At 1 January	**74**	607
Disposal of Discontinued Operations	**–**	(533)
Receivables written off	**(74)**	–
At 31 December	**–**	74

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

22. CASH AND CASH EQUIVALENTS

	2021 HK$'000	2020 HK$'000
Cash at bank and in hand	**105,486**	136,642
Bank deposits	**184,799**	236,501
Cash and cash equivalents	**290,285**	373,143
Restricted bank deposit	**245**	239
Total cash and bank balances	**290,530**	373,382

The maximum exposure to credit risk relates to the cash at bank and bank deposits held at financial institutions of HK$287,311,000 (2020: HK$369,516,000).

As at 31 December 2021, bank and restricted bank deposits of HK$185,044,000 (2020: HK$236,740,000) bear effective interest rate of approximately 0.7% (2020: 0.9%) per annum. These deposits have an average maturity of 30 days (2020: 36 days).

As at 31 December 2021, certain cash and bank balances of HK$34,492,000 (2020: HK$34,454,000) are kept on the Chinese Mainland. The remittance of funds out of the Chinese Mainland is subject to rules and regulations of foreign exchange control promulgated by the Chinese Mainland government.

At 31 December 2021, the Group's total bank balances and cash are denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
HK dollar (HK$)	**180,417**	329,371
Renminbi (RMB)	**96,110**	34,605
Patacas (MOP)	**14,003**	9,406
	290,530	373,382

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

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

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

24. TRADE PAYABLES

At 31 December 2021, the aging analysis by invoice date of the trade payables is as follows:

	2021 HK$'000	2020 HK$'000
0-30 days	**48,520**	35,964
31-60 days	**27,576**	25,173
61-90 days	**596**	1,408
Over 90 days	**3,454**	4,731
	80,146	67,276

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

	2021 HK$'000	2020 HK$'000
HK dollar (HK$)	**29,546**	35,964
Renminbi (RMB)	**44,092**	25,173
Patacas (MOP)	**1,245**	1,408
Japanese Yen (JPY)	**5,263**	4,731
	80,146	67,276

25. OTHER PAYABLES AND ACCRUALS

The Group's other payables and accruals as at end of the year are balances related mainly to continuing operations in respect of provision of employee benefits, marketing and advertising activities, procurement of fixed assets and other costs incurred in the ordinary course of business. The balance included payables and accruals related to the disposal of Discontinued Operations *(note 31)* amounts to HK$17,400,000 (2020: HK$133,235,000).

26. LEASE LIABILITIES

	2021 **HK$'000**	2020 HK$'000
At 1 January	**205,036**	713,047
Continuing Operations		
Additions	**161,216**	124,824
Disposals	**(1,507)**	(2,729)
Remeasurement	**643**	(6,691)
Payments	**(136,995)**	(135,830)
Interest expenses	**6,036**	5,597
Exchange differences	**913**	1,998
Rent concessions	**(582)**	(4,199)
Discontinued Operations		
Additions	**–**	373,286
Remeasurement	**–**	(572)
Payments	**–**	(335,350)
Interest expenses	**–**	11,918
Rent concessions	**–**	(20,366)
Disposal of Discontinued Operations *(note 31d)*	**–**	(519,897)
At 31 December	**234,760**	205,036
Current lease liabilities	**118,901**	112,204
Non-current lease liabilities	**115,859**	92,832
	234,760	205,036

26. LEASE LIABILITIES (continued)

At 31 December 2021, the maturities of non-current lease liabilities are as follows:

	2021 **HK$'000**	2020 HK$'000
Over 1 year but within 2 years	**69,750**	64,688
Over 2 years but within 5 years	**43,447**	27,107
Over 5 years	**2,662**	1,037
	115,859	92,832

27. SHARE CAPITAL

	2021 **Shares of HK$0.10 each**		2020 Shares of HK$0.10 each	
	No. of shares	**HK$'000**	No. of shares	HK$'000
Authorised:				
At 31 December	**2,000,000,000**	**200,000**	2,000,000,000	200,000
Issued and fully paid:				
At 1 January	**776,244,974**	**77,624**	762,564,974	76,256
Issue of shares on exercise of share options	**–**	**–**	13,680,000	1,368
At 31 December	**776,244,974**	**77,624**	776,244,974	77,624

Share options

(i) *2010 and 2020 Share Option Schemes*

Share options were granted under the 2010 and 2020 Share Option Schemes which were approved and adopted by the shareholders at the annual general meeting of the Company.

Summary of the major terms of the abovementioned 2010 and 2020 Share Option Schemes are set out in the "Share Options" section of the Directors' Report.

27. SHARE CAPITAL (continued)

Share options (continued)

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

	2021		2020	
	Number of options	**Weighted average exercise price HK$**	Number of options	Weighted average exercise price HK$
At 1 January	**1,080,000**	**4.04**	29,892,000	4.80
Granted	**12,432,000**	**0.76**	–	–
Lapsed	**(626,000)**	**3.78**	(200,000)	4.04
Exercised	**–**	**–**	(13,680,000)	4.10
Expired	**–**	**–**	(14,932,000)	5.52
At 31 December	**12,886,000**	**0.89**	1,080,000	4.04
Exercisable	**520,000**	**3.94**	1,080,000	4.04

For the year ended 31 December 2021, no share option was exercised. The weighted average share price at the date of share options exercised was HK$4.5 in 2020. The options outstanding at 31 December 2021 and 2020 had a weighted average remaining contractual life of 4.1 years and 2.3 years respectively.

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

Expiry date	Exercise price HK$	**2021 Number of options**	2020 Number of options
1 April 2023	4.19	**100,000**	560,000
1 April 2023	3.88	**350,000**	450,000
1 April 2023	3.87	**70,000**	70,000
1 April 2026	0.76	**12,366,000**	–
		12,886,000	1,080,000

27. SHARE CAPITAL (continued)

Share options (continued)

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

The fair value of options granted are determined by using the Black-Scholes valuation model. During the year, the weighted average fair value of options granted was HK$0.09 per option. The significant inputs into the models for the share options granted in 2021 were as follows:

Expected volatility	33.7%
Expected life	3 years
Risk free rate	0.4%
Expected dividends	7.5%

Expected volatility was determined by calculating the historical volatility of the Group's daily share price over the previous 2 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

28. RESERVES

	Share premium HK$'000	Merger reserve HK$'000	Capital reserves HK$'000	Employee share-based compensation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2020	200,756	177,087	20,002	20,173	(2,131)	233,651	649,538
Profit attributable to shareholders of the Company	–	–	–	–	–	3,140,446	3,140,446
Exchange differences	–	–	–	–	2,229	–	2,229
Actuarial losses on post employment benefit obligation							
Gross	–	–	–	–	–	(8,460)	(8,460)
Tax	–	–	–	–	–	1,363	1,363
Issue of new shares	54,695	–	–	–	–	–	54,695
Employee share option benefit	8,169	–	–	(19,567)	–	12,214	816
Transfer to retained earnings	–	(177,087)	–	–	–	177,087	–
Dividends paid	(263,620)	–	–	–	–	(3,075,777)	(3,339,397)
At 31 December 2020	–	–	20,002	606	98	480,524	501,230
At 1 January 2021	**–**	**–**	**20,002**	**606**	**98**	**480,524**	**501,230**
Profit attributable to shareholders of the Company	**–**	**–**	**–**	**–**	**–**	**80,370**	**80,370**
Exchange differences	**–**	**–**	**–**	**–**	**219**	**–**	**219**
Actuarial gain on post employment benefit obligation	**–**	**–**	**–**	**–**	**–**	**434**	**434**
Employee share option benefit	**–**	**–**	**–**	**(246)**	**–**	**242**	**(4)**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(15,525)**	**(15,525)**
At 31 December 2021	**–**	**–**	**20,002**	**360**	**317**	**546,045**	**566,724**

29. LONG SERVICE PAYMENT LIABILITIES

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

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

	2021 **HK$'000**	2020 HK$'000
At 1 January	**5,729**	14,599
Continuing Operations		
Expenses recognised in the consolidated profit and loss account – as shown below	**104**	222
Benefit paid	**(330)**	(1,186)
Actuarial (gains)/losses recognised in other comprehensive income	**(434)**	3,790
Discontinued Operations		
Expenses recognised in the consolidated profit and loss account	**–**	146
Benefit paid	**–**	(2,190)
Actuarial losses recognised in other comprehensive income	**–**	4,670
Disposal of Discontinued Operations *(note 31d)*	**–**	(14,322)
At 31 December	**5,069**	5,729

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

	2021 **HK$'000**	2020 HK$'000
Service cost	**87**	135
Interest cost	**17**	87
Total, included in employee benefit expense *(note 12)*	**104**	222

Of the total charge, HK$26,000 (2020: HK$53,000), HK$67,000 (2020: HK$140,000), HK$4,000 (2020: HK$10,000) and HK$7,000 (2020: HK$19,000) were included in cost of sales, store expenses, distribution costs and administrative expenses respectively.

29. LONG SERVICE PAYMENT LIABILITIES (continued)

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

	2021	2020
Discount rate	**0.3%**	0.3%
Long-term rate of salary increases		
Full time staff	**2.5%**	2.5%
Part time staff	**2.5%**	2.5%
Long-term rate of increase of maximum amount of long service payment/wages and minimum mandatory provident fund relevant income	**2.5%**	2.5%

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Cash generated from Continuing Operations

	2021 **HK$'000**	2020 HK$'000
Profit for the year	**74,399**	61,150
Adjustments for:		
Income tax expenses	**13,543**	1,774
Interest income	**(1,183)**	(1,065)
Lease interest expenses	**6,036**	5,597
Depreciation of fixed assets	**39,079**	41,403
Depreciation of right-of-use assets	**125,810**	135,419
Depreciation of investment properties	**1,054**	963
Depreciation of lease premium for land	**2,354**	3,113
Impairment of fixed assets	**–**	2,533
Impairment of right-of-use assets	**–**	12,487
Employee share option benefit	**97**	376
Losses on disposal of fixed assets/right-of-use assets	**793**	2,356
Gain on disposal of properties	**(5,132)**	–
Rent concessions	**(582)**	(4,199)
Long service payment costs	**104**	222
Foreign exchange gains	**(660)**	(1,540)
	255,712	260,589
Changes in working capital		
Inventories	**(10,351)**	452
Trade receivables, other receivables, deposits and prepayments	**(24,633)**	25,771
Trade payables, other payables and accruals	**(13,165)**	84,622
Long service payment liabilities	**(330)**	(1,186)
Cake coupons	**1,286**	(5,347)
	208,519	364,901

31. DISCONTINUED OPERATIONS

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

The consolidated results of Discontinued Operations are presented in the consolidated profit and loss account and consolidated cash flow statement in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". The profit of HK$5,971,000 for the year ended 31 December 2021 represented a net reversal of provision of costs and expenses on disposal.

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

	For the period ended 21 December 2020 HK$'000
Revenue	4,717,057
Cost of sales	(3,413,478)
Gross profit	1,303,579
Other income	117,086
Store expenses	(939,153)
Distribution costs	(115,062)
Administrative expenses	(140,413)
Core operating profit	226,037
Interest expenses, net	(10,349)
Profit before income tax and gain on disposal	215,688
Income tax expenses	(15,364)
Profit before gain on disposal	200,324
Gain on disposal of Discontinued Operations *(note 31e)*	2,878,972
Profit for the period from Discontinued Operations	3,079,296

Notes:

(i) Transactions of purchases, other income, store expenses and administrative expenses with Continuing Operations amounting to HK$137,571,000 were not yet eliminated for the period ended 21 December 2020.

(ii) The government subsidies amounted to HK$10,120,000 were granted under the Anti-epidemic Fund for helping the retail industry stay afloat during the challenge of COVID-19 for the period ended 21 December 2020.

31. DISCONTINUED OPERATIONS (continued)

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

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

	For the period ended 21 December 2020 HK$'000
Auditor's remuneration	
Audit services	802
Non-audit services	307
Cost of inventories sold	3,376,774
Delivery charges	60,171
Depreciation of fixed assets *(note 14)*	21,600
Depreciation of right-of-use assets *(note 15)*	345,836
Depreciation of lease premium for land *(note 17)*	1,570
Impairment of fixed assets *(note 14)*	458
Impairment of right-of-use assets *(note 15)*	9,521
Employee benefit expense *(note i)*	434,306
Foreign exchange gains	(62)
Losses on disposal of fixed assets	474
Short-term and variable lease payment *(note ii)*	38,907
Utilities	40,412
Other expenses	277,030
Total cost of sales, store expenses, distribution costs and administrative expenses	4,608,106

Notes:

(i) The Government has launched the Employment Support Scheme (ESS) under the Anti-epidemic Fund to provide time-limited financial support to employers for paying wages of employees. The Discontinued Operations has received subsidies of HK$116,399,000 from the ESS for the period of June to November 2020. The net employee benefit expense after offsetting by ESS subsidies was HK$434,306,000 for the period ended 21 December 2020.

(ii) Rent concessions related to the COVID-19 pandemic has been credited to store expenses of HK$32,123,000 for the period ended 21 December 2020.

31. DISCONTINUED OPERATIONS (continued)

(b) Loss recognised in Other Comprehensive Income relating to the Discontinued Operations

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

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

	For the period ended 21 December 2020 HK$'000
Net cash generated from operating activities	512,008
Net cash used in investing activities	(60,058)
Net cash used in financing activities	(800,611)
Decrease in cash and cash equivalents	(348,661)

31. DISCONTINUED OPERATIONS (continued)

(d) Disposal of Discontinued Operations

Analysis of assets and liabilities over which control was lost as at 21 December 2020:

	2020 HK$'000
Fixed assets *(note 14)*	100,269
Right-of-use assets *(note 15)*	503,590
Lease premium for land *(note 17)*	36,543
Financial asset at fair value through other comprehensive income	1,895
Deferred tax assets *(note 19)*	2,478
Inventories	184,478
Trade receivables, rental deposits, other receivables, deposits and prepayments	237,867
Cash and cash equivalents	173,737
Trade payables, other payables and accruals	(819,309)
Taxation payable	(1,821)
Amounts due to group companies, net	(20,234)
Lease liabilities *(note 26)*	(519,897)
Long service payment liabilities *(note 29)*	(14,322)
Net liabilities disposed	(134,726)

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

	2020 HK$'000
Initial consideration received	2,790,000
Cash and cash equivalents adjustment for the consideration	173,737
Transaction costs, employee benefit expenses directly attributable to the transaction and other closing adjustments *(note)*	(219,491)
Net liabilities disposed	134,726
	2,878,972
Initial consideration received	2,790,000
Transaction costs, employee benefit expenses directly attributable to the transaction and other closing adjustments paid	(92,008)
Net proceeds received	2,697,992

Note:

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

31. DISCONTINUED OPERATIONS (continued)

(f) Related Party Transactions

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

	Note	2020 HK$'000
Expenses		
Reimbursement of office and administrative expenses	*(i)*	
Subsidiaries/fellow subsidiaries of a substantial shareholder		906
Associate of a substantial shareholder		269
Rental payable	*(ii)*	
Fellow subsidiaries of a substantial shareholder		2,550
Associate of a substantial shareholder		385

Notes:

(i) Reimbursements payable to subsidiaries/fellow subsidiaries/associate of a substantial shareholder in respect of office and administrative expenses incurred, are charged on an actual cost recovery basis.

(ii) Rentals are payable to fellow subsidiaries/associate of a substantial shareholder in accordance with the terms of agreements.

32. COMMITMENTS

(a) Capital commitments

The Group had commitments to make payments in respect of the acquisition of fixed assets. Capital expenditure contracted but not yet provided as at 31 December 2021 is HK$8,293,000 (2020: HK$3,053,000).

(b) Operating leases commitments

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

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

	2021 **HK$'000**	2020 HK$'000
Within 1 year	**678**	3,207

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

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

	2021 **HK$'000**	2020 HK$'000
Within 1 year	**800**	1,450
Over 1 year but within 5 years	**–**	191
	800	1,641

33. RELATED PARTY TRANSACTIONS FOR CONTINUING OPERATIONS

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

(a) Related party transactions

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

	Note	**2021** **HK$'000**	2020 HK$'000
Income			
Service income and reimbursement of office and administrative expenses	*(i)*		
Subsidiary of a substantial shareholder		**81**	183
Associate of a substantial shareholder		**19**	36
Sales of products	*(ii)*		
Subsidiary of a substantial shareholder		**232**	457
Expenses			
Reimbursement of office and administrative expenses	*(iii)*		
Subsidiaries of a substantial shareholder		**2,745**	14,396
Associate of a substantial shareholder		**916**	1,243
Rental payable	*(iv)*		
Associate of a substantial shareholder		**7,201**	10,137

33. RELATED PARTY TRANSACTIONS FOR CONTINUING OPERATIONS (continued)

(b) Key management personnel compensation

	2021 HK$'000	2020 HK$'000
Fees	**2,568**	2,717
Bonuses	**56,612**	69,040
Salaries and other allowances	**9,126**	10,946
Employee share option benefit	**40**	–
Pension costs – defined contribution plan	**64**	72
	68,410	82,775

(c) Year-end balances with related parties

	2021 HK$'000	2020 HK$'000
Amounts due from:		
Subsidiary of a substantial shareholder	**21**	46
Associate of a substantial shareholder	**7**	8
Amounts due to:		
Subsidiaries of a substantial shareholder	**(217)**	(11,336)
Associate of a substantial shareholder	**–**	(271)

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

Notes:

(i) Service income and reimbursements receivable from subsidiary/associate of a substantial shareholder in respect of office and administrative expenses incurred are charged on an actual cost recovery basis and in accordance with the terms of agreements.

(ii) Sales of products to subsidiary of a substantial shareholder were carried out in ordinary course of business and terms mutually agreed between the Group and the subsidiary.

(iii) Reimbursements payable to subsidiaries/associate of a substantial shareholder in respect of office and administrative expenses incurred, are charged on an actual cost recovery basis.

(iv) Rentals are payable to associate of a substantial shareholder in accordance with the terms of agreements.

34. BALANCE SHEET AND MOVEMENT OF RESERVES OF THE COMPANY

(a) Balance sheet of the Company

	2021 HK$'000	2020 HK$'000
Assets		
Non-current assets		
Investment in subsidiaries	**647,769**	647,769
Fixed assets	**2,763**	5,670
Right-of-use assets	**7,098**	12,867
Rental deposit	**1,800**	295
Deferred tax assets	**645**	296
	660,075	666,897
Current assets		
Amounts due from subsidiaries	**140,882**	91,325
Rental deposit	**–**	2,513
Other receivables, deposits and prepayments	**2,267**	15,294
Cash and cash equivalents	**12,503**	44,466
	155,652	153,598
Total assets	**815,727**	820,495
Equity		
Share capital	**77,624**	77,624
Reserves	**479,632**	491,462
Total equity	**557,256**	569,086
Liabilities		
Non-current liabilities		
Lease liability	**1,379**	7,178
Long service payment liabilities	**–**	433
	1,379	7,611
Current liabilities		
Amounts due to subsidiaries	**218,018**	58,044
Other payables and accruals	**33,276**	180,116
Lease liability	**5,798**	5,638
	257,092	243,798
Total equity and liabilities	**815,727**	820,495

On behalf of the Board

William FUNG Kwok Lun
Director

Richard YEUNG Lap Bun
Director

34. BALANCE SHEET AND MOVEMENT OF RESERVES OF THE COMPANY (continued)

(b) Movement of reserves of the Company

	Share premium HK$'000	Capital reserve HK$'000	Employee share-based compensation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2020	200,756	12,792	20,173	252,656	486,377
Profit attributable to shareholders of the Company	–	–	–	3,297,674	3,297,674
Actuarial losses on post employment benefit obligation					
Gross	–	–	–	(89)	(89)
Tax	–	–	–	15	15
Issue of new shares	54,695	–	–	–	54,695
Employee share option benefit	8,169	–	(19,567)	3,585	(7,813)
Dividends paid	(263,620)	–	–	(3,075,777)	(3,339,397)
At 31 December 2020	–	12,792	606	478,064	491,462
At 1 January 2021	**–**	**12,792**	**606**	**478,064**	**491,462**
Profit attributable to shareholders of the Company	**–**	**–**	**–**	**3,317**	**3,317**
Actuarial losses on post employment benefit obligation	**–**	**–**	**–**	**434**	**434**
Employee share option benefit	**–**	**–**	**(246)**	**190**	**(56)**
Dividends paid	**–**	**–**	**–**	**(15,525)**	**(15,525)**
At 31 December 2021	**–**	**12,792**	**360**	**466,480**	**479,632**

35. PRINCIPAL SUBSIDIARIES

As at 31 December 2021, the Company has interests in the following principal subsidiaries:

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

\# *The legal name of the company is in Portuguese.*

* *The legal name of the company is in Chinese.*

Note:

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

Five-Year Financial Summary

The following table summarises the results, assets and liabilities of the Group for the five years ended 31 December 2021.

	2021 **HK$'000**	2020 HK$'000	2019 HK$'000 (Restated)	2018 HK$'000 (Restated)	2017 HK$'000 (Restated)
Revenue *(note)*	**1,361,840**	1,191,701	1,197,453	1,102,140	1,021,204
Core operating profit (included interest expenses on lease liabilities) *(note)*	**81,627**	61,859	38,824	39,388	29,184
Profit attributable to shareholders of the Company					
Continuing Operations	**74,399**	61,150	33,213	32,985	21,745
Discontinued Operations	**5,971**	3,079,296	174,361	150,218	128,566
	80,370	3,140,446	207,574	183,203	150,311
Total assets	**1,320,569**	1,344,166	2,647,519	1,808,351	1,756,791
Total liabilities	**(676,221)**	(765,312)	(1,921,725)	(1,117,541)	(1,106,116)
Total equity	**644,348**	578,854	725,794	690,810	650,675

Note:

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

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