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恒基兆業發展有限公司
HENDERSON INVESTMENT LIMITED
Incorporated in Hong Kong with limited liability
(Stock Code : 97)

2020 FINAL RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

PROFIT AND NET ASSET VALUE ATTRIBUTABLE TO SHAREHOLDERS

The Group's profit attributable to equity shareholders for the year ended 31 December 2020 amounted to HK\$127 million, representing an increase of HK\$65 million, or 105% over that of HK\$62 million in the previous year. Earnings per share were HK4.2 cents (2019 : HK 2.0 cents).

Despite the COVID-19 pandemic, the increase in profit during this financial year was mainly attributable to (i) the increase in customers' demand for food and daily necessities at the Group's supermarkets, (ii) the rent concessions received from certain landlords, (iii) the receipt of wage subsidies from the Government's "Employment Support Scheme", and (iv) the non-recurrence of the one-off negative factors affecting the Group's performance in the year 2019 (including social unrest and closing costs of a store).

At 31 December 2020, the net asset value attributable to equity shareholders amounted to HK\$1,347 million or HK\$0.44 per share (2019: HK\$1,288 million or HK\$0.42 per share).

DIVIDENDS

The Board recommends the payment of a final dividend of HK 1.0 cent per share to shareholders whose names appear on the Register of Members of the Company on Wednesday, 9 June 2021, and such final dividend will not be subject to any withholding tax in Hong Kong. Including the interim dividend of HK 1.0 cent per share already paid, the total dividend for the year ended 31 December 2020 will amount to HK 2.0 cents per share (2019: HK 3.0 cents per share).

The proposed final dividend is expected to be distributed to shareholders on Wednesday, 16 June 2021.

BUSINESS REVIEW

Following on from the previous year's local social unrest, the global COVID-19 pandemic further weakened consumer sentiment in Hong Kong during the year under review. In addition, the corresponding precautionary measures brought tourism to a standstill and seriously disrupted various consumption activities. According to The Census and Statistics Department, the value of total retail sales in Hong Kong for 2020 decreased by 24.3% compared to a year earlier.

The Group currently operates six department stores using the name "Citistore" (hereinafter collectively referred to as "Citistore"), as well as three department stores cum supermarkets or supermarket using the name "APITA" or "UNY" (hereinafter collectively referred to as "UNY").

(I) Citistore

There are six department stores using the name "Citistore" in Hong Kong, which are located in the following densely-populated residential districts in close proximity to the local transport hubs:

Citistore	Location	Total lettable area (square feet)
Tsuen Wan	KOLOUR • Tsuen Wan II, New Territories	138,860
Yuen Long	KOLOUR • Yuen Long, New Territories	54,809
Ma On Shan	MOSTown, New Territories	65,700
Tuen Mun	North Wing, The Trend Plaza, New Territories	17,683
Tseung Kwan O	MCP Central, New Territories	71,668
Tai Kok Tsui	Metro Harbour Plaza, Kowloon	39,645*
Total:		388,365

** Downsized from 84,667 square feet to 39,645 square feet since April 2019.*

During the year under review, Citistore implemented the following measures to mitigate the negative impact of the pandemic:

- Since the COVID-19 outbreak, it has taken swift and comprehensive precautionary measures (such as continuous cleaning and disinfection of the store areas) so as to provide a safe and worry-free environment for both customers and front-line staff. It has also shortened daily operating hours in response to a decrease in customer volume at its stores amid the pandemic.
- It stepped up its "Citi-Fun" promotional efforts and strengthened ties with its members by offering them additional shopping benefits. For instance, by offering bonus points for spending both online and offline in Citistore, members were encouraged to shop through its online shopping platform. The "Citi-Fun" customer loyalty programme has been well received since its launch in 2017 and the resultant customer response to these efforts during the pandemic has been positive, with "Citi-Fun" membership numbers increasing to over 350,000 by the end of December 2020.

- Its Ma On Shan store, which was revamped in June 2020, collaborated with a pet welfare organisation to launch a 3-week dog adoption programme in October 2020, with the aim of promoting adoption of abandoned pets. Pet lovers' response was positive and over 160 adoption applications were received. It also generated extensive publicity from the media. Citistore's brand awareness was thus enhanced.
- Due to travel bans and social distancing measures, people were stranded at home causing a lower demand for certain products (such as travel-related items, apparel and cosmetics). Therefore, Citistore optimised the merchandise mix and offered more household groceries.

Due to the pandemic, Citistore recorded a year-on-year decrease of 14% in total sales proceeds derived from the sales of own goods, as well as concessionaire sales and consignment sales for the year ended 31 December 2020. The breakdown is as follows:

	For the year ended 31 December		Change
	2020 HK\$ million	2019 HK\$ million	
Proceeds from sales of own goods	383	404	-5%
Proceeds from concessionaire and consignment sales	1,132	1,364	-17%
Total:	1,515	1,768	-14%

Sales of Own Goods

During the year under review, Citistore's sales of own goods decreased by 5% to HK\$383 million with a lower gross margin of 31% (2019: 33%) due to intensified price competition in the sluggish retail market.

	For the year ended 31 December	
	2020 HK\$ million	2019 HK\$ million
Sales of own goods	383	404
Gross profit (after netting the cost of inventories sold)	120	133
Gross margin	31%	33%

Concessionaire and Consignment Sales

Citistore's concessionaire sales are conducted by concessionaires operating from their own shop spaces within Citistore's stores under licence agreements, whilst consignment sales comprise the sales of consignors' products on consignment basis in designated shelves or areas. Citistore charges these concessionaire and consignment counters on the basis of revenue sharing or basic commission (if any), whichever is higher, as its commission income. During the year under review, the total commission income derived from these concessionaire and consignment counters decreased by 16% year-on-year to HK\$342 million, resulting from the decrease in the sales proceeds generated by both counters as shown below:

	For the year ended 31 December	
	2020	2019
	HK\$ million	HK\$ million
Sales proceeds from concessionaire counters	347	496
Sales proceeds from consignment counters	785	868
Total:	1,132	1,364
Commission income from concessionaire and consignment counters	342	406

Citistore's Profit Contribution

With the decrease in gross profit of HK\$13 million from the sales of own goods, as well as the decrease in commission income from concessionaire and consignment counters in the aggregate amount of HK\$64 million, Citistore's profit after taxation for the year under review still increased by HK\$18 million or 24% year-on-year to HK\$94 million. The main reasons are Citistore's receipt of the wage subsidies of HK\$32 million from the "Employment Support Scheme" under the Government's Anti-epidemic Fund, as well as the decrease in its total operating expenses of HK\$53 million (which included the rent concessions of HK\$23 million granted by certain landlords).

(II) UNY

There are currently two department stores cum supermarkets and one supermarket in the following densely-populated residential districts:

Location		Total lettable area (square feet)
<u><i>Store-cum-supermarket</i></u>		
APITA	Cityplaza, Taikoo Shing, Hong Kong Island	118,691
UNY Lok Fu	Lok Fu Place, Lok Fu, Kowloon	70,045*
<u><i>Supermarket</i></u>		
UNY Yuen Long	KOLOUR • Yuen Long, New Territories	19,795
Total:		208,531

** Downsized from 112,464 square feet to 70,045 square feet since June 2019.*

During the year under review, the following initiatives were rolled out:

- Business operations were extended to the New Territories in June 2020 with the opening of a new “UNY” Japanese supermarket in Yuen Long, offering customers fresh Japanese produce and food products as well as daily necessities. Many new concepts were introduced by this supermarket, catering to the various needs of its customers.
- Following the completion of the four-month phased renovations at the Lok Fu store in the previous year, the store at Taikoo Shing also carried out minor renovations during the year under review. The revamped store has been well-received by the customers as it offers a more enjoyable shopping experience with the addition of further proprietary brands. Besides, “Well-Being Space” was newly introduced in this store offering exquisite products from Japan to satisfy the needs of health-conscious, style-savvy urbanities. It also organises various creative events and workshops, thereby enriching its customers’ lifestyle experience.
- The product mix of imported fresh food in the supermarkets was enhanced. “Style One”, a house-brand of Japanese groceries and snacks was introduced. Meanwhile, in view of the emerging trend for online food purchases, UNY launched its own online food ordering and delivery services in mid-2020 for its freshly made sushi, sashimi and other delicacies.

Due to the pandemic, the public maintained social distance and stayed at home, resulting in an increase in purchasing of food and daily necessities at supermarkets. In turn, the supermarkets at the Taikoo Shing and Lok Fu stores recorded improved sales. As mentioned above, a new “UNY” supermarket in Yuen Long was opened in June 2020. Despite the closure of the “PIAGO” store at Telford Plaza in the first quarter of 2019, as well as the downsizing of the Lok Fu store since mid-2019, UNY recorded a year-on-year increase of 19% in total proceeds derived from the sales of own goods and consignment sales for the year ended 31 December 2020. The breakdown is as follows:

	For the year ended 31 December		
	2020	2019	
	HK\$ million	HK\$ million	Change
Proceeds from sales of own goods	1,021	816	+25%
Proceeds from consignment sales	326	313	+4%
Total:	1,347	1,129	+19%

Sales of Own Goods

	For the year ended 31 December	
	2020	2019
	HK\$ million	HK\$ million
Sales of own goods	1,021	816
Gross profit (after netting the cost of inventories sold)	311	246
Gross margin	30%	30%

Consignment Sales

	For the year ended 31 December	
	2020	2019
	HK\$ million	HK\$ million
Sales proceeds from consignment counters	326	313
Commission income from consignment counters and administration fee income	76	74

UNY's Profit Contribution

After deducting operating expenses, UNY recorded a profit after taxation of HK\$33 million during the year under review (2019: loss after taxation of HK\$22 million). Included therein was UNY's receipt of the wage subsidies of HK\$22 million from the Hong Kong Government's "Employment Support Scheme" in this financial year, whilst the loss for the previous year was mainly due to the rental expenditure in the amount of HK\$22 million incurred on the "PIAGO" premises after its closure.

The after-tax profit contribution from Citistore and UNY amounted to HK\$127 million in aggregate for the year ended 31 December 2020. While the income and expenditures of the Group's head office offset each other, the Group's profit attributable to equity shareholders during the year under review also amounted to HK\$127 million, representing an increase of HK\$65 million or 105% over that of HK\$62 million in the previous year.

CORPORATE FINANCE

Given its strong financial position, the Group had no bank borrowings (2019: HK\$Nil) and its cash and bank balances amounted to HK\$415 million (2019: HK\$363 million) at 31 December 2020.

PROSPECTS

While the impacts of the pandemic are expected to ease with the rollout of mass COVID-19 vaccinations, the economic outlook is still subject to uncertainty. It is expected that the Group's department store business will remain challenging, whilst the Group's supermarket business should stay resilient.

The Group will continue to scrutinise the performance of its stores and strategically adjust its store network. Citistore Tai Kok Tsui is planned to be closed during 2021. In order to meet the changing market demands, the Group is now looking for appropriate locations to open new household specialty stores. Together with the strengthening of the online businesses for both Citistore and UNY, the Group will provide its shoppers with diversified consumption channels, thereby improving its overall results.

APPRECIATION

Mr. Lee Tat Man stepped down from his position of Executive Director of the Company on 8 June 2020. On behalf of the Board, I would like to express my sincere gratitude to Mr. Lee Tat Man for his invaluable contribution to the Company over the past 40 years.

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

Lee Ka Shing
Chairman

Hong Kong, 23 March 2021

BUSINESS RESULTS

Consolidated Statement of Profit or Loss for the year ended 31 December 2020

	Note	2020 HK\$ million	2019 HK\$ million
Revenue	3	1,829	1,707
Direct costs		(1,581)	(1,464)
		248	243
Other revenue	4	11	12
Other income/(expense), net	5	57	(8)
Selling and marketing expenses		(30)	(33)
Administrative expenses		(108)	(98)
Profit from operations		178	116
Finance costs on lease liabilities	6(c)	(36)	(44)
Profit before taxation	6	142	72
Income tax	7	(15)	(10)
Profit attributable to equity shareholders of the Company for the year		127	62
		HK cents	HK cents
Earnings per share			
– Basic and diluted	10	4.2	2.0

Details of dividends payable to equity shareholders of the Company are set out in note 9.

**Consolidated Statement of Profit or Loss and
Other Comprehensive Income**
for the year ended 31 December 2020

	2020	2019
	HK\$ million	HK\$ million
Profit attributable to equity shareholders of the Company for the year	127	62
Other comprehensive income for the year:		
Item that will not be reclassified to profit or loss:		
– Investments in listed securities designated as financial assets at fair value through other comprehensive income: net movement in the fair value reserve (non-recycling)	(8)	(3)
Total comprehensive income attributable to equity shareholders of the Company for the year	119	59

Consolidated Statement of Financial Position

at 31 December 2020

	Note	2020 HK\$ million	2019 HK\$ million
Non-current assets			
Fixed assets		110	118
Right-of-use assets	11	552	699
Trademarks		41	42
Investments in listed securities designated as financial assets at fair value through other comprehensive income		45	53
Goodwill	12	1,072	1,072
Deferred tax assets		26	26
		1,846	2,010
Current assets			
Inventories		121	110
Trade and other receivables	13	48	63
Cash and bank balances		415	363
		584	536
Current liabilities			
Trade and other payables	14	380	382
Lease liabilities	15	261	222
Amounts due to affiliates		1	1
Current taxation		4	21
		646	626
Net current liabilities		(62)	(90)
Total assets less current liabilities		1,784	1,920
Non-current liabilities			
Lease liabilities	15	413	608
Provision for reinstatement costs		17	17
Deferred tax liabilities		7	7
		437	632
NET ASSETS		1,347	1,288

Consolidated Statement of Financial Position

at 31 December 2020 (continued)

	Note	2020 HK\$ million	2019 HK\$ million
CAPITAL AND RESERVES			
Share capital		612	612
Reserves		735	676
TOTAL EQUITY		<u>1,347</u>	<u>1,288</u>

Notes:

1 Basis of preparation

The statutory financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong and the applicable requirements of the Hong Kong Companies Ordinance (Cap. 622). The statutory financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial information relating to the years ended 31 December 2020 and 2019 included in this preliminary announcement of annual results do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622) and will deliver the financial statements for the year ended 31 December 2020 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include reference to any matters to which the auditor drew attention by way of emphasis of matter without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap.622).

The measurement basis used in the preparation of the statutory financial statements is the historical cost basis as modified by the revaluation of investments in listed securities designated as financial assets at fair value through other comprehensive income.

At 31 December 2020, the Group was in a net current liabilities position of HK\$62 million (2019: HK\$90 million). This was mainly due to the recognition of the current portion of lease liabilities of HK\$261 million (2019: HK\$222 million) in adopting HKFRS 16, *Leases*. Taking into account the expected cash flows from operations, the available cash and bank balances and the investments in unpledged listed securities, the Group's management believes that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

2 Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs and HKASs and a revised Conceptual Framework that are first effective for the current accounting period of the Group and the Company, which are relevant to the Group's consolidated financial statements for the current accounting period:

- Amendments to HKFRS 3, *Definition of a business*
- Amendments to HKAS 1 and HKAS 8, *Definition of material*
- Revised Conceptual Framework

The directors of the Company ("Directors") have assessed and considered that none of the abovementioned amendments has any material impact on the Group's financial position at 31 December 2020 or the Group's financial performance for the year then ended.

Also, the Group as a lessee has early adopted the amendment to HKFRS 16, *COVID-19-related rent concessions*, in the Group's consolidated financial statements for the current accounting period. Under the amendment, the Group has applied the practical expedient to all qualifying COVID-19-related rent concessions to elect not to assess whether such rent concessions are lease modifications and account for such rent concessions as if they were not lease modifications.

During the year ended 31 December 2020, the Group recognised a credit before tax of HK\$23 million in profit or loss to reflect changes in lease payments (see note 15) that arose from rent concessions to which the Group as a lessee has applied the practical expedient.

While the amendment requires retrospective application with the cumulative effect of initially applying this amendment recognised as an adjustment to the opening balance of equity at the beginning of the reporting period in which the lessee first applies the amendment, there is no impact on the opening balances of the Group's consolidated statement of financial position at 1 January 2020.

Save as disclosed above, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments to HKFRSs and HKASs, which are not yet effective for the financial year ended 31 December 2020 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for annual periods beginning on or after
Amendments to HKAS 16, <i>Property, plant and equipment</i> :	
<i>Proceeds before intended use</i>	1 January 2022
Amendments to HKAS 37, <i>Provisions, contingent liabilities and contingent assets : Onerous contracts – costs of fulfilling a contract</i>	1 January 2022
Amendments to HKFRS 3, <i>Business combinations</i> :	
<i>Reference to the Conceptual Framework</i>	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022
Amendments to HKAS 1, <i>Classification of liabilities as current or non-current</i>	1 January 2023

2 Changes in accounting policies (continued)

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

3 Revenue

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

	2020 HK\$ million	2019 HK\$ million
Sales of goods	1,404	1,220
Commission income from consignment counters (note (i))	304	329
Commission income from concessionaire counters (note (i))	108	146
Promotion income	7	7
Administration fee income	6	5
	<u>1,829</u>	<u>1,707</u>

Note:

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

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

	2020 HK\$ million	2019 HK\$ million
Receipts from sales of goods by consignment counters	1,111	1,181
Receipts from sales of goods by concessionaire counters	347	496
	<u>1,458</u>	<u>1,677</u>

4 Other revenue

	2020 HK\$ million	2019 HK\$ million
Sponsorship fees	2	2
Rental income for antenna sites	3	3
Sundry income	6	7
	<u>11</u>	<u>12</u>

5 Other income/(expense), net

	2020 HK\$ million	2019 HK\$ million
Bank interest income	4	8
Dividend income	1	3
Net gain on disposal of a subsidiary (note (i))	-	2
Rental expenditure of a shop premise which ceased business operation	-	(22)
Government subsidies (note (ii))	55	-
Fixed assets written off	(3)	-
Others	-	1
	<u>57</u>	<u>(8)</u>

Notes:

- (i) This related to the Group's disposal during the corresponding year ended 31 December 2019 of a wholly-owned subsidiary with the sole asset as a garage carparking space in Hong Kong of an insignificant carrying value at a cash consideration of HK\$2 million.
- (ii) Included in the amount of government subsidies recognised for the year ended 31 December 2020 is an amount of HK\$54 million, being the aggregate amount of approved subsidies from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by the Government of the Hong Kong Special Administrative Region of the People's Republic of China ("HKSAR Government"), for the Group's subsidiaries, namely Citistore and Unicorn Stores (HK) Limited ("UNY HK"), in the amounts of HK\$32 million and HK\$22 million respectively. The aforementioned amounts of approved subsidies were duly received by Citistore and UNY HK in two tranches during the year ended 31 December 2020, and were applied towards the payroll costs for the months of June 2020, July 2020 and August 2020 (under the first tranche) and for the months of September 2020, October 2020 and November 2020 (under the second tranche) respectively. There were no unfilled conditions or other contingencies attaching to these grants.

6 Profit before taxation

Profit before taxation is arrived at after charging:

	2020 HK\$ million	2019 HK\$ million
(a) Directors' emoluments: Directors' fees, salaries, allowances and benefits-in-kind	<u>1</u>	<u>1</u>
(b) Staff costs (other than Directors' emoluments): Salaries, wages and other benefits	257	238
Contributions to defined contribution retirement plans	<u>12</u>	<u>11</u>
(c) Other items: Amortisation of trademarks	1	2
Depreciation		
– on fixed assets	45	35
– on right-of-use assets (note (ii))(note 11)	228	216
Auditors' remuneration		
– audit services	2	2
– other services	-	-
Finance costs on lease liabilities (note (ii)) (note 15)	36	44
Expenses relating to short-term leases (note (ii))	3	29
Other charges in respect of rental premises		
– net of rent concessions (notes (i) and (ii))	71	94
Cost of inventories sold	<u>973</u>	<u>841</u>

Notes:

- (i) Included contingent rental expenses of HK\$Nil (2019: HK\$2 million) during the year.
- (ii) For the purpose of comparison between the two financial years ended 31 December 2020 and 31 December 2019, the depreciation charge on right-of-use assets of HK\$228 million (2019: HK\$216 million), the finance cost on lease liabilities of HK\$36 million (2019: HK\$44 million) and the rental and related expenses of HK\$74 million (2019: HK\$123 million) are aggregated which amounted to HK\$338 million for the year ended 31 December 2020 (2019: HK\$383 million). The year-on-year decrease of HK\$45 million is mainly attributable to the decrease in turnover rentals payable by Citistore due to the decrease in revenue during the year ended 31 December 2020, as well as the grant to Citistore by the landlords of the store outlets of rent concessions in 2020 in the aggregate amount of HK\$23 million.

7 Income tax

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

	2020 HK\$ million	2019 HK\$ million
Current tax – Hong Kong		
– provision for the year	14	17
– under-provision in respect of prior years	1	-
Deferred taxation		
– origination and reversal of temporary differences	-	(7)
	<u>15</u>	<u>10</u>

Provision for Hong Kong Profits Tax has been made at 16.5% (2019: 16.5%) on the estimated assessable profits for the year, taking into account a one-off reduction of 100% (2019: 100%) of the tax payable for the year of assessment 2019/20 subject to a ceiling of HK\$20,000 (2018/19: HK\$20,000) for each business allowed by the HKSAR Government.

8 Segment reporting

No segmental information for the year ended 31 December 2020 is presented as the Group's revenue and trading results for the year were generated solely from its department stores and supermarket-cum-stores operations in Hong Kong, the revenue of which amounted to HK\$1,829 million (2019: HK\$1,707 million) during the year and the pre-tax profit from operation (after finance costs on lease liabilities) of which amounted to HK\$142 million (2019: HK\$65 million) during the year.

Geographical information

Since all of the Group's revenue was generated in Hong Kong during the years ended 31 December 2020 and 31 December 2019, and all of the Group's fixed assets, right-of-use assets, trademarks and goodwill at 31 December 2020 and 31 December 2019 were located in Hong Kong, no geographical information on the aforementioned items is presented in accordance with HKFRS 8, *Operating segments*.

9 Dividends

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

	2020 HK\$ million	2019 HK\$ million
Interim dividend declared and paid of HK1 cent (2019: HK2 cents) per share	30	61
Final dividend proposed after the end of the reporting period of HK1 cent (2019: HK1 cent) per share	30	30
	<u>60</u>	<u>91</u>

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

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

	2020 HK\$ million	2019 HK\$ million
Final dividend in respect of the previous financial year, approved and paid during the year of HK1 cent (2019: HK2 cents) per share	30	61

10 Earnings per share – basic and diluted

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$127 million (2019: HK\$62 million) and 3,047,327,395 (2019: 3,047,327,395) ordinary shares, being the number of ordinary shares in issue throughout the year.

11 Right-of-use assets

	2020 HK\$ million	2019 HK\$ million
Cost:		
At 1 January	1,494	1,406
Transfer from fixed assets	-	3
Addition for the year (note 15)	92	156
Change in basic rent due to modification of certain lease terms (note 15)	(15)	(71)
Reassessment of lease term	(1)	-
Lease payment made before lease commencement	1	-
Reinstatement cost	4	-
Write back on expiry of leases	(2)	-
At 31 December	1,573	1,494
Accumulated depreciation:		
At 1 January	(795)	(579)
Charge for the year (note 6(c))	(228)	(216)
Write back on expiry of leases	2	-
At 31 December	(1,021)	(795)
Net book value:		
At 31 December	552	699

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

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

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

12 Goodwill

	2020 HK\$ million	2019 HK\$ million
Citistore Goodwill (as defined below)	810	810
UNY HK Goodwill (as defined below)	262	262
	<u>1,072</u>	<u>1,072</u>

(a) *Citistore Goodwill*

On 1 December 2014, the Company completed its acquisition of the entire issued share capital of Camay Investment Limited and its subsidiaries, namely Citistore and Puretech Investment Limited (the “Citistore Acquisition”). As a result of the Citistore Acquisition, goodwill (the “Citistore Goodwill”) was recognised in the Group’s consolidated statement of financial position at 1 December 2014 under the acquisition method of accounting in accordance with HKFRS 3 (Revised), *Business combinations*. The Citistore Goodwill is allocated to the Group’s department stores operation under Citistore and is tested for impairment at the end of the reporting period.

Impairment assessment is carried out by determining the fair value less cost of disposal of the cash-generating unit under Citistore. The fair value less cost of disposal is represented by the net present value of future forecast post-tax net cash inflows (excluding the rental expenditures of the store outlets and other rental premises for each of the future five forecast years ending 31 December 2021, 2022, 2023, 2024 and 2025 recognised as lease liabilities at 31 December 2020) of the cash-generating unit which is determined on the basis of the discounted cashflow model and management’s expectations of market development and management’s plan on the opening of new stores, and the following assumptions:

- (i) an average increase of 4.9% in the forecast receipts from gross sales annually over the future five forecast years ending 31 December 2021, 2022, 2023, 2024 and 2025;
- (ii) a terminal value into perpetuity in accordance with the perpetual growth model, which is determined based on an annual forecast net cash inflow subsequent to the year ending 31 December 2025 and assuming a terminal perpetual annual growth rate of 2%; and
- (iii) an estimated cost of disposal which is determined based on the Group’s experience with disposal of assets/businesses and in line with industry benchmarks.

The abovementioned forecast changes in the receipts from gross sales in each of the future five forecast years ending 31 December 2021, 2022, 2023, 2024 and 2025 are based on the expectations of the Group’s management of their plans and market development as at 31 December 2020. A post-tax discount rate of 11% (2019: 11%), which represents the Group’s current market assessment of the risks specific to the cash-generating unit under Citistore, is used to determine the discount factor under the discounted cashflow model.

The Directors have assessed that there was no impairment on the Citistore Goodwill at 31 December 2020.

12 **Goodwill** (continued)

(a) **Citistore Goodwill** (continued)

At 31 December 2020, in relation to the cash-generating unit under Citistore, the recoverable amount calculated based on fair value less cost of disposal (after deducting the carrying amounts of the fixed assets, trademarks, right-of-use assets and negative working capital of Citistore at 31 December 2020) exceeded the carrying value. If the post-tax discount rate had been 1% higher, the Directors have assessed that it would not result in an impairment loss on the Citistore Goodwill. If the forecast receipts from gross sales for each of the future five forecast years ending 31 December 2021, 2022, 2023, 2024 and 2025 had been 6% lower, there would be a potential implication for impairment on the Citistore Goodwill in the estimated amount of HK\$188 million. In this regard, by adopting a 6% decrease in the forecast receipts from gross sales of Citistore for each of the future five forecast years ending 31 December 2025 in the aforementioned sensitivity analysis, consideration has been given to, among others, (i) the feature of Citistore's business operation of department stores in Hong Kong ; (ii) the sensitivity of Citistore's business operation to the economic and market conditions in Hong Kong; and (iii) Citistore's actual versus budgeted financial performances in the past years.

(b) **UNY HK Goodwill**

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

Impairment assessment is carried out by determining the fair value less cost of disposal of the cash-generating unit under UNY HK. The fair value less cost of disposal is represented by the net present value of future forecast post-tax net cash inflows (excluding the rental expenditures of the store outlets and other rental premises for each of the future five forecast years ending 31 December 2021, 2022, 2023, 2024 and 2025 recognised as lease liabilities at 31 December 2020) of the cash-generating unit which is determined on the basis of the discounted cashflow model and management's expectations of market development and management's plan on the opening of new stores, and the following assumptions:

- (i) an average increase of 12.8% in the forecast receipts from gross sales annually over the future five forecast years ending 31 December 2021, 2022, 2023, 2024 and 2025;
- (ii) a terminal value into perpetuity in accordance with the perpetual growth model, which is determined based on an annual forecast net cash inflow subsequent to the year ending 31 December 2025 and assuming a terminal perpetual annual growth rate of 2%; and
- (iii) an estimated cost of disposal which is determined based on the Group's experience with disposal of assets/businesses and in line with industry benchmarks.

12 Goodwill (continued)

(b) UNY HK Goodwill (continued)

The abovementioned forecast changes in the receipts from gross sales in each of the future five forecast years ending 31 December 2021, 2022, 2023, 2024 and 2025 are based on the expectations of the Group's management of their plans and market development as at 31 December 2020. A post-tax discount rate of 11% (2019: 11%), which represents the Group's current market assessment of the risks specific to the cash-generating unit under UNY HK, is used to determine the discount factor under the discounted cashflow model.

The Directors have assessed that there was no impairment on the UNY HK Goodwill at 31 December 2020.

At 31 December 2020, in relation to the cash-generating unit under UNY HK, the recoverable amount calculated based on fair value less cost of disposal (after deducting the carrying amounts of the fixed assets, right-of-use assets and negative working capital of UNY HK at 31 December 2020) exceeded the carrying value. If the post-tax discount rate had been 1% higher or if the forecast receipts from gross sales for each of the future five forecast years ending 31 December 2021, 2022, 2023, 2024 and 2025 had been 2% lower, the Directors have assessed that it would not result in an impairment loss on the UNY HK Goodwill. In this regard, by adopting a 2% decrease in the forecast receipts from gross sales of UNY HK for each of the future five forecast years ending 31 December 2025 in the aforementioned sensitivity analysis, consideration has been given to, among others, (i) the feature of UNY HK's business operation of supermarket-cum-stores in Hong Kong; (ii) the sensitivity of UNY HK's business operation to the economic and market conditions in Hong Kong; and (iii) UNY HK's actual versus budgeted financial performances in the past years.

13 Trade and other receivables

	2020 HK\$ million	2019 HK\$ million
Trade debtors	11	12
Deposits, prepayments and other receivables	37	51
	<u>48</u>	<u>63</u>

At 31 December 2020, all of the trade and other receivables were expected to be recovered or recognised as expense within one year, except for various deposits of HK\$27 million (2019: HK\$25 million) which are expected to be recovered after more than one year.

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

	2020 HK\$ million	2019 HK\$ million
Current or under 1 month overdue	<u>11</u>	<u>12</u>

14 Trade and other payables

	2020 HK\$ million	2019 HK\$ million
Trade creditors	276	281
Contract liabilities (<i>note</i>)	14	14
Accrued expenses and other payables	81	75
Deposits received	9	12
	<hr/> 380 <hr/>	<hr/> 382 <hr/>

Note: During the year ended 31 December 2020, HK\$10 million (2019: HK\$9 million) that was included in the contract liabilities balance at the beginning of the year was recognised as revenue. Most of the contract liabilities at 31 December 2020 and 2019 were expected to be recognised within one year.

At 31 December 2020, all of the trade and other payables were interest-free and repayable within one year or on demand except for an amount of HK\$1 million (2019: HK\$3 million) which was expected to be settled after more than one year.

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

	2020 HK\$ million	2019 HK\$ million
Due within 1 month or on demand	235	242
Due after 1 month but within 3 months	41	39
	<hr/> 276 <hr/>	<hr/> 281 <hr/>

15 Lease liabilities

	2020 HK\$ million	2019 HK\$ million
At 1 January	830	966
Addition for the year (note 11)	92	156
Change in basic rent due to modification of certain lease terms (note 11)	(15)	(71)
Reassessment of lease term	(1)	-
Effects of rent concession and reduction	(23)	(13)
Lease payments made during the year	(245)	(252)
Finance costs on lease liabilities for the year (note 6(c))	36	44
At 31 December	674	830

	2020 HK\$ million	2019 HK\$ million
Represented by:		
Amount classified under current liabilities		
- contractual maturity within 1 year	261	222
Amount classified under non-current liabilities		
- contractual maturity after 1 year and within 2 years	207	237
- contractual maturity after 2 years and within 5 years	205	356
- contractual maturity after 5 years	1	15
	413	608
Total carrying amount of lease liabilities	674	830

Finance cost is determined and recognised on the basis of the Group's estimated incremental borrowing rate of 4.8% per annum on the carrying balance of the lease liability of each Remaining Lease (see note 11) at initial recognition, adjusted for lease modification/reassessment of the lease term for certain leases, and after deducting the lease payments made for such Remaining Lease during the year ended 31 December 2020 and during the corresponding year ended 31 December 2019. The Directors considered the Group's estimated incremental borrowing rate, as referred to above, to be appropriate in view of the market environment and economic conditions under which each Remaining Lease operates.

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

Included in lease liabilities at 31 December 2020 is an amount of HK\$460 million (2019: HK\$539 million) relating to the lease liabilities payable to affiliates.

16 Review of results

The financial results for the year ended 31 December 2020 have been reviewed with no disagreement by the Audit Committee of the Company.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Company's auditor, PricewaterhouseCoopers Hong Kong, to the amounts set out in the Group's consolidated financial statements for the year then ended. The work performed by PricewaterhouseCoopers Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers Hong Kong on the preliminary announcement.

FINANCIAL REVIEW

The following discussions should be read in conjunction with the Company's audited consolidated financial statements for the year ended 31 December 2020.

Material acquisitions and disposals

The Group did not undertake any significant acquisition or disposal of assets or subsidiaries during the year ended 31 December 2020.

Results of operations

During the year ended 31 December 2020, the Group was engaged in the operation of (i) department stores in Hong Kong under Citistore (Hong Kong) Limited ("Citistore", a wholly-owned subsidiary of the Company); and (ii) supermarket-cum-stores in Hong Kong under Unicorn Stores (HK) Limited ("UNY HK", a wholly-owned subsidiary of the Company).

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

Citistore

The Group recognised the following financial performance of Citistore for the year ended 31 December 2020 as compared with the corresponding year ended 31 December 2019:

	Note	Year ended 31 December		Increase /	Increase /
		2020	2019	(Decrease)	(Decrease)
		HK\$ million	HK\$ million	HK\$ million	%
Revenue					
- Sales of goods		383	404	(21)	-5%
- Commission income derived from consignment counters		234	260	(26)	-10%
- Commission income derived from concessionaire counters		108	146	(38)	-26%
- Promotion income		7	7	-	-
	(i)	732	817	(85)	-10%
Direct costs					
- Cost of inventories sold		(263)	(271)	8	-3%
- Rental and related expenses	(ii)	(32)	(52)	20	-38%
- Staff salaries and related expenses		(105)	(112)	7	-6%
- Depreciation charge on fixed assets		(22)	(23)	1	-4%
- Depreciation charge on right-of-use assets	(ii)	(124)	(136)	12	-9%
- Others		(33)	(35)	2	-6%
		(579)	(629)	50	-8%
Other revenue		8	9	(1)	-11%
Other income	(iii)	32	-	32	n/a
Selling and marketing expenses		(10)	(17)	7	-41%
Administrative expenses		(53)	(57)	4	-7%
Profit from operations		130	123	7	+6%
Finance costs on lease liabilities	(ii)	(23)	(32)	9	-28%
Profit before taxation		107	91	16	+18%
Income tax charge		(13)	(15)	2	-13%
Profit after taxation attributable to equity shareholders of the Company		94	76	18	+24%

Notes:

- (i) *The outbreak of the COVID-19 pandemic since early January 2020 had affected business and economic activities in Hong Kong, including the retail sector. Accordingly, it had resulted in a reduction in customers' patronage at Citistore's store outlets during the year ended 31 December 2020 compared with that for the corresponding year ended 31 December 2019. To maximise Citistore's operating efficiency, since 10 February 2020 and up to 31 December 2020, Citistore's outlets (except for the Tai Kok Tsui store) have shortened their daily operating hours, and therefore the operating business hours of Citistore's store outlets had been shortened by a total of 3,123.5 hours for the year ended 31 December 2020.*

Furthermore, during the year ended 31 December 2020, Citistore has granted concessions on the commissions payable by the operators of the consignment counters and concessionaire counters, in the form of reductions in the basic commissions payable by such operators to Citistore and/or the percentage of the sales revenue of the consignment counters and concessionaire counters which forms the basis on which variable commissions are payable by such operators to Citistore. The financial impact arising from the grant of the aforementioned

concessions, as well as the adverse effect on Citistore's revenue performance due to the COVID-19 pandemic, have together resulted in a decrease in the aggregate commission income of HK\$64 million, or 16%, to Citistore for the year ended 31 December 2020.

Both the above have collectively resulted in a year-on-year decrease in revenue of HK\$85 million, or 10%, during the year ended 31 December 2020.

- (ii) Under HKFRS16 "Leases", the "practical expedient" is applicable to the short-term leases of a reporting entity whose expiry dates are within one year from the date of initial adoption of HKFRS16 or lease commencement.

On the other hand, for each tenancy lease of Citistore other than the short-term leases in relation to which the "practical expedient" under HKFRS16 has been applied (as mentioned above), Citistore has recognised the following:

- right-of-use assets in the statement of financial position measured at their carrying amounts (as if HKFRS 16 had been applied since the commencement date of the tenancy lease). Accordingly, Citistore recognised the related depreciation charge on the right-of-use assets in the aggregate amount of HK\$129 million (2019: HK\$140 million), which comprised amounts of HK\$124 million (2019: HK\$136 million) classified under "Direct costs" and HK\$5 million (2019: HK\$4 million) classified under "Administrative expenses", in the statement of profit or loss for the year ended 31 December 2020; and
- lease liabilities in the statement of financial position, which are interest-bearing at Citistore's estimated incremental borrowing rate. Accordingly, Citistore recognised the related finance cost on the lease liabilities in the amount of HK\$23 million (2019: HK\$32 million) in the statement of profit or loss for the year ended 31 December 2020.

Based on the above, for the purpose of comparison between the two financial years ended 31 December 2020 and 31 December 2019, the rental and related expenses of HK\$34 million (2019: HK\$54 million) which comprised HK\$32 million (2019: HK\$52 million) classified under "Direct costs" and HK\$2 million (2019: HK\$2 million) classified under "Administrative expenses", the depreciation charge on right-of-use assets of HK\$129 million (2019: HK\$140 million) (see above) and the finance cost on the lease liabilities of HK\$23 million (2019: HK\$32 million) (see above) are aggregated which amounted to HK\$186 million for the year ended 31 December 2020 (2019: HK\$226 million). The year-on-year decrease of HK\$40 million is mainly attributable to the decrease in turnover rentals payable by Citistore due to the decrease in revenue during the year ended 31 December 2020, as well as the grant to Citistore by the landlords of the store outlets of rent concessions in 2020 in the aggregate amount of HK\$23 million.

- (iii) Other income for the year ended 31 December 2020 represents the subsidy from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by the Government of the Hong Kong Special Administrative Region of the People's Republic of China ("HKSAR Government"), which was received in two tranches by Citistore during the year ended 31 December 2020 (the "Citistore ESS Subsidy") in the aggregate amount of HK\$32 million (2019: Nil). The Citistore ESS Subsidy was applied towards the payroll costs of Citistore's eligible staff members for the months of June 2020, July 2020 and August 2020 (under the first-tranche) and for the months of September 2020, October 2020 and November 2020 (under the second tranche).

Goodwill on acquisition in the amount of HK\$810 million (2019: HK\$810 million) (the "Citistore Goodwill"), which arose from the Group's acquisition of Citistore in 2014, was recognised in the Group's consolidated statement of financial position at 31 December 2020. The Citistore Goodwill was tested for impairment at 31 December 2020 by determining the fair value less cost of disposal of Citistore as a cash-generating unit in comparison with the carrying amount of the Citistore Goodwill at 31 December 2020. The directors of the Company have assessed that there was no impairment on the carrying amount of the Citistore Goodwill at 31 December 2020 (2019: No impairment).

UNY HK

During the year ended 31 December 2020, UNY HK opened a new supermarket at Yuen Long, the New Territories, Hong Kong, which commenced business operation in June 2020.

The Group recognised the following financial performance of UNY HK for the year ended 31 December 2020 as compared with the corresponding year ended 31 December 2019:

		Year ended 31 December		<i>Increase /</i>	<i>Increase /</i>
		2020	2019	<i>(Decrease)</i>	<i>(Decrease)</i>
	<i>Note</i>	HK\$ million	HK\$ million	<i>HK\$ million</i>	<i>%</i>
Revenue					
- Sales of goods		1,021	816	205	+25%
- Commission income derived from consignment counters		70	69	1	+1%
- Administration fee income		6	5	1	+20%
	(iv)	1,097	890	207	+23%
Direct costs					
- Cost of inventories sold		(710)	(570)	(140)	+25%
- Rental and related expenses	(v)	(38)	(66)	28	-42%
- Staff salaries and related expenses		(93)	(76)	(17)	+22%
- Depreciation charge on fixed assets		(19)	(8)	(11)	+138%
- Depreciation charge on right-of-use assets	(v)	(96)	(74)	(22)	+30%
- Others		(46)	(41)	(5)	+12%
		(1,002)	(835)	(167)	+20%
Other revenue	(vi)	3	3	-	-
Other income	(vii)	23	-	23	n/a
Other expense	(viii)	(3)	(21)	18	-86%
Selling and marketing expenses		(20)	(16)	(4)	+25%
Administrative expenses		(50)	(35)	(15)	+43%
Profit/(loss) from operations		48	(14)	62	+443%
Finance costs on lease liabilities	(v)	(13)	(12)	(1)	+8%
Profit/(loss) before taxation		35	(26)	61	+235%
Income tax (charge)/credit		(2)	4	(6)	+150%
Profit/(loss) after taxation attributable to equity shareholders of the Company		33	(22)	55	+250%

Notes:

- (iv) The year-on-year increase in revenue of HK\$207 million, or 23%, is mainly attributable to the year-on-year increase in revenue contributions from the APITA supermarket-cum-store at Taikoo Shing, the UNY supermarket-cum-store at Lok Fu and the new UNY supermarket at Yuen Long, despite the loss of revenue contribution from the PIAGO supermarket-cum-store at Kowloon Bay (which ceased business operation on 31 March 2019) during the year ended 31 December 2020.

- (v) *Under HKFRS16, the “practical expedient” is applicable to the short-term leases of a reporting entity whose expiry dates are within one year from the date of initial adoption of HKFRS16 or lease commencement.*

On the other hand, for each tenancy lease of UNY HK other than the short-term leases in relation to which the “practical expedient” under HKFRS16 has been applied (as mentioned above), UNY HK has recognised the following:

- *right-of-use assets in the statement of financial position measured at their carrying amounts (as if HKFRS 16 had been applied since the commencement date of the tenancy lease). Accordingly, UNY HK recognised the related depreciation charge on the right-of-use assets in the aggregate amount of HK\$99 million (2019: HK\$76 million), which comprised amounts of HK\$96 million (2019: HK\$74 million) classified under “Direct costs” and HK\$3 million (2019: HK\$2 million) classified under “Administrative expenses”, in the statement of profit or loss for the year ended 31 December 2020; and*
- *lease liabilities in the statement of financial position, which are interest-bearing at UNY HK’s estimated incremental borrowing rate. Accordingly, UNY HK recognised the related finance cost on the lease liabilities in the amount of HK\$13 million (2019: HK\$12 million) in the statement of profit or loss for the year ended 31 December 2020.*

Based on the above, for the purpose of comparison between the two financial years ended 31 December 2020 and 31 December 2019, the rental and related expenses of HK\$40 million (2019: HK\$69 million) which comprised HK\$38 million (2019: HK\$66 million) classified under “Direct costs” and HK\$2 million (2019: HK\$3 million) classified under “Administrative expenses”, the depreciation charge on right-of-use assets of HK\$99 million (2019: HK\$76 million) (see above) and the finance cost on the lease liabilities of HK\$13 million (2019: HK\$12 million) (see above) are aggregated which amounted to HK\$152 million for the year ended 31 December 2020 (2019: HK\$157 million). The year-on-year decrease of HK\$5 million is mainly attributable to the savings of HK\$10 million on the rental expenses of the PIAGO supermarket-cum-store at Kowloon Bay for the period from 1 January 2019 to 31 March 2019 which resulted from the cessation of its business operation on 31 March 2019 and therefore did not recur in 2020.

- (vi) *Other revenue included the management fee income of HK\$3 million earned during the year ended 31 December 2020 (2019: HK\$1 million) in respect of management services provided by UNY HK to a fellow subsidiary of the Company engaged in the operation of a health concept retail shop.*
- (vii) *Other income for the year ended 31 December 2020 mainly represents the subsidy from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by the HKSAR Government, which was received in two tranches by UNY HK during the year ended 31 December 2020 (the “UNY ESS Subsidy”) in the aggregate amount of HK\$22 million (2019: Nil). The UNY ESS Subsidy was applied towards the payroll costs of UNY HK’s eligible staff members for the months of June 2020, July 2020 and August 2020 (under the first-tranche) and for the months of September 2020, October 2020 and November 2020 (under the second tranche).*
- (viii) *Other expense in the amount of HK\$3 million for the year ended 31 December 2020 represents the net book value of fixed assets, mainly office equipment and systems, which were written off due to UNY HK’s office system upgrade at the end of the year.*

Other expense in the amount of HK\$21 million for the corresponding year ended 31 December 2019 mainly comprised the rental expenditure of the shop premises of the PIAGO supermarket-cum-store at Kowloon Bay, whose business operation ceased on 31 March 2019, in the amount of HK\$22 million for the period from 1 April 2019 to 20 October 2019 (being the expiry date of the tenancy lease).

Goodwill on acquisition in the amount of HK\$262 million (2019: HK\$262 million) (the “UNY HK Goodwill”), which arose from the Group’s acquisition of UNY HK in 2018, was recognised in the Group’s consolidated statement of financial position at 31 December 2020. The UNY HK Goodwill was tested for impairment at 31 December 2020 by determining the fair value less cost of disposal of UNY HK as a cash-generating unit in comparison with the carrying amount of the UNY HK Goodwill at 31 December 2020. The directors of the Company have assessed that there was no impairment on the carrying amount of the UNY HK Goodwill at 31 December 2020 (2019: No impairment).

(b) Overall

Aggregating the abovementioned profits after tax of the department stores and supermarket cum-stores operations in Hong Kong and the profit after tax at corporate level of HK\$Nil million (2019 : HK\$8 million), the Group recorded total profit after tax attributable to equity shareholders in the amount of HK\$127 million for the year ended 31 December 2020 (2019: HK\$62 million), representing a year-on-year increase of HK\$65 million, or 105%.

Finance costs on bank borrowing

During the year ended 31 December 2020 and excluding the finance costs on the lease liabilities recognised by the Group under HKFRS16, the Group did not recognise any finance costs (including other borrowing costs) on bank borrowing (2019 : HK\$64,910).

Financial resources, liquidity and loan maturity profile

At 31 December 2020, the Group did not have any bank borrowing (2019: Nil).

At 31 December 2020, the Group had cash and bank balances of HK\$415 million (2019: HK\$363 million). Excluding the Group’s lease liabilities recognised under HKFRS 16 of HK\$674 million at 31 December 2020 (2019: HK\$830 million), the Group had net cash and bank balances of HK\$415 million at 31 December 2020 (2019: HK\$363 million).

For the year ended 31 December 2020, the Group’s profit from operations (including bank interest income but excluding finance costs) before taxation amounted to HK\$178 million (2019: HK\$116 million). Based on the Group’s finance costs related to bank borrowings (and excluding the finance costs on the lease liabilities recognised under HKFRS 16) of HK\$Nil for the year ended 31 December 2020 (2019: HK\$64,910) as referred to in the paragraph headed “Finance costs on bank borrowing” above, the interest cover for the Group was nil for the year ended 31 December 2020 (2019: 1,787 times).

Based on the Group’s net cash and bank balances of HK\$415 million at 31 December 2020, the Group has adequate financial resources in meeting the funding requirements for its ongoing operations as well as its future expansion.

Treasury and financial management

The Group's financing and treasury activities are centrally managed at the corporate level. At 31 December 2020 and 31 December 2019, the Group was not a contractual party to any arrangements in relation to any derivative financial instruments for speculative or hedging purposes. The Group monitors closely its interest rate exposure and foreign exchange rate exposure and will consider hedging these exposures should the need arise.

Apart from the foregoing, the Group did not have any material exposures to interest rates or foreign exchange rates at 31 December 2020 and 31 December 2019.

Charge on assets

Except for a pledged bank deposit in the amount of HK\$101,562 at 31 December 2019 held by UNY HK in favour of a bank for the purpose of a corporate credit card issued to it by such bank but which arrangement was cancelled during the year ended 31 December 2020, no other assets of the Group had been charged to any other parties at 31 December 2020 and 31 December 2019.

Capital commitments

At 31 December 2020, the Group had capital commitments in relation to fixed assets contracted but not provided for in the amount of HK\$15 million (2019: HK\$4 million).

Contingent liabilities

At 31 December 2020 and 31 December 2019, the Group did not have any contingent liabilities.

Employees and remuneration policy

At 31 December 2020, the Group had 1,118 (2019: 934) full-time employees and 147 (2019: 254) part-time employees. The increase in the Group's headcount of full-time employees is mainly due to the increase in the full-time employees of UNY HK during the year ended 31 December 2020 resulting from the opening of a new supermarket at Yuen Long which commenced business operation in June 2020.

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

Total staff costs for the year ended 31 December 2020 amounted to HK\$270 million (2019: HK\$250 million). The increase in the Group's total staff costs for the year ended 31 December 2020 is mainly due to the increase in the staff costs of UNY HK during the year ended 31 December 2020 resulting from the opening of a new supermarket at Yuen Long which commenced business operation in June 2020.

OTHER INFORMATION

Closure of Register of Members

1. Book Close for determining the entitlement to attend and vote at the annual general meeting

The Register of Members of the Company will be closed from Thursday, 27 May 2021 to Tuesday, 1 June 2021, both days inclusive, during which period no transfer of shares will be registered, for the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting. In order to be entitled for attending and voting at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 26 May 2021.

2. Book Close for determining the qualification for the proposed final dividend

The Register of Members of the Company will be closed from Monday, 7 June 2021 to Wednesday, 9 June 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Standard Limited at the aforementioned address not later than 4:30 p.m. on Friday, 4 June 2021.

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

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

Audit Committee

The Audit Committee met in March 2021 and reviewed the risk management and internal control systems, and the annual report for the year ended 31 December 2020.

Corporate Governance

During the year ended 31 December 2020, the Company complied with the applicable code provisions set out in the Corporate Governance Code (the "CG Code") as stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), with the exception that the roles of the chairman and the chief executive officer of the Company have not been segregated as required by code provision A.2.1 of the CG Code. The Company is of the view that it is in the best interest of the Company to let Mr Lee Ka Shing act in the dual capacity as the Chairman and Managing Director given Mr Lee's in-depth expertise and knowledge in business and the Group. Although the roles of the chairman and the chief executive officer of the Company have not been segregated, powers and authorities have not been over-concentrated as all major decisions are made in consultation with Board members and senior management who possess the relevant knowledge and expertise, as well as appropriate Board committees. Hence, the current arrangements are subject to adequate checks and balances notwithstanding the deviation.

Model Code for Securities Transactions by Directors

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

Forward-Looking Statements

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

On behalf of the Board

Lee Ka Shing

Chairman

Hong Kong, 23 March 2021

As at the date of this announcement, the Board comprises: (1) executive directors: Lee Ka Shing (Chairman and Managing Director), Lee Ka Kit, Lam Ko Yin, Colin and Li Ning; and (2) independent non-executive directors: Kwong Che Keung, Gordon, Ko Ping Keung, Wu King Cheong and Au Siu Kee, Alexander.