Lifestyle
International Holdings Ltd.
利 福 國 際 集 團 有 限 公 司

LIFESTYLE INTERNATIONAL HOLDINGS LIMITED
利福國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1212)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

HIGHLIGHTS

	2021	2020	Change
Revenue (*HK$ millions*)	2,289.6	1,993.0	14.9%
(Loss)/profit attributable to owners of the Company (*HK$ millions*)	(1,305.0)	138.5	-1,042.2%
(Losses)/earnings per share *(HK$)*	(0.87)	0.09	-1,042.2%

FINAL RESULTS

The board of directors ("Board") of Lifestyle International Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2021, together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	3	**2,289,573**	1,993,024
Cost of sales		**(615,445)**	(519,387)
Gross profit		**1,674,128**	1,473,637
Other income, gains and losses		**128,507**	218,878
Selling and distribution costs		**(558,336)**	(578,107)
Administrative expenses		**(126,705)**	(114,634)
Interest income and investment (losses)/gains	5	**(1,900,119)**	34,559
Fair value changes on investment properties		**(32,025)**	(418,056)
Finance costs	6	**(358,594)**	(369,314)
(Loss)/profit before taxation		**(1,173,144)**	246,963
Taxation	7	**(131,856)**	(108,453)
(Loss)/profit for the year	8	**(1,305,000)**	138,510
(Loss)/profit for the year attributable to owners of the Company		**(1,305,000)**	138,510
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss:			
Exchange differences arising from translation of foreign operation		**987**	(1,911)
Fair value change on financial assets at fair value through other comprehensive income		**113,198**	(132,779)
Other comprehensive income/(loss) for the year (net of tax)		**114,185**	(134,690)
Total comprehensive (loss)/income for the year		**(1,190,815)**	3,820
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(1,190,815)**	3,820
		(1,190,815)	3,820
(Losses)/earnings per share – Basic and diluted	10	**(HK$0.87)**	HK$0.09

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	**31 December 2021** **HK$'000**	31 December 2020 HK$'000
Non-current assets			
Investment properties		**8,547,270**	8,068,559
Property, plant and equipment		**7,218,764**	6,541,161
Financial assets at fair value through other comprehensive income	12	**1,448,979**	1,320,281
Financial assets at fair value through profit or loss	12	**28,950**	16,538
Deposits		**142,478**	82,839
Deferred tax assets		**89,260**	87,451
		17,475,701	16,116,829
Current assets			
Inventories		**26,771**	25,795
Trade and other receivables	*11*	**76,907**	644,878
Financial assets at fair value through profit or loss	*12*	**1,586,662**	4,814,485
Cash and cash equivalents		**3,817,144**	4,175,789
		5,507,484	9,660,947
Current liabilities			
Trade and other payables	*13*	**1,073,299**	662,249
Contract liabilities	*14*	**116,805**	121,824
Lease liabilities		**83,191**	86,574
Tax payable		**53,770**	105,162
Bank borrowings – due within one year		**6,058,201**	9,628,937
Bonds - due within one year		**1,599,864**	-
Financial liabilities at fair value through profit or loss	*12*	**25,030**	220,836
		9,010,160	10,825,582

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
AS AT 31 DECEMBER 2021

	31 December 2021 *HK$'000*	31 December 2020 *HK$'000*
Non-current liabilities		
Bank borrowings – due after one year	**3,670,800**	3,874,125
Bonds – due after one year	**7,371,436**	6,836,181
Lease liabilities	**57,136**	136,697
Deferred tax liabilities	**219,344**	260,067
	11,318,716	11,107,070
	2,654,309	3,845,124
Capital and reserves		
Share capital	**7,510**	7,510
Reserves	**2,646,799**	3,837,614
Equity attributable to owners of the Company	**2,654,309**	3,845,124

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

For the year ended 31 December 2021, the Group reported a consolidated loss of approximately HK$1,305 million which was mainly caused by the net investment loss of approximately HK$1,900 million recognised on the Group's financial assets at fair value through profit or loss ("FVPL") investments.

As at 31 December 2021, the Group's consolidated current liabilities exceeded its current assets by approximately HK$3,503 million. The Group's consolidated current liabilities as at 31 December 2021 included (i) borrowings due within the next twelve months of approximately HK$6,058 million, comprising approximately HK$3,891 million drawn under the HK$9,000 million secured project loan facility ("Kai Tak Loan") due for repayment in July 2022 and approximately HK$2,167 million drawn under a short term uncommitted working capital loan facility of US$725 million; and (ii) approximately HK$1,600 million of unsecured guaranteed bonds repayable in October 2022.

The Group generally finances its expansion with cash from its operations and debts. In June 2021, the Group successfully raised US$350 million (equivalent to approximately HK$2,730 million) through the issue of a 5-year unsecured guaranteed bond and in July 2021, refinanced the 5-year HK$8,000 million loan facility for another 5 years to July 2026. As at 31 December 2021, the Group had cash balances of approximately HK$3,817 million and unutilized loan facility amounted to approximately HK$12,843 million of which HK$3,484 million is uncommitted and HK$5,109 million is from Kai Tak Loan. The Group closely monitors its liquidity position and subsequent to the date of statement of financial position, management has embarked on the following financing initiatives to further enhance its liquidity position:

- In January 2022, an extension request has been served to lenders of the HK$9,000 million Kai Tak Loan for an extension of the final maturity date from July 2022 to January 2024 to align with the expected completion of the Group's Kai Tak commercial complex development in 2023. Management is confident that the entire facility amount of HK$9,000 million would be able to be extended to January 2024 and the Group has to date already obtained agreement in principle from some of the existing lenders.

- In February 2022, the Group entered into a facility agreement with a syndicate of banks for a loan facility amounting to £125 million with its London-based property as collateral. The funds would be applied to early repay part of the short-term working capital loan drawn under the US$725 million facility.

The directors of the Company are of the opinion, having taken into account the financing initiatives mentioned above; cash flows projection for the year 2022 prepared by management which have taken into account the potential impact of the COVID-19 pandemic on the Group's operations; and the cash and the unutilized banking facilities available as at the year end, that the Group will have adequate liquidity and financial resources to meet in full its financial obligations and working capital requirements in the next twelve months from the balance sheet date. Accordingly, the Group's consolidated financial statements have been prepared on a going concern basis.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform — Phase 2

The Group has assessed the impact of the adoption of these amended standards and considered that there was no significant impact on the Group's results and financial position.

3. REVENUE

Revenue represents the amount received and receivable for goods sold by the Group to the customers (net of discounts), income from concessionaire sales, income from "After Purchase Order" ("APO") sales, service income and rental income during the year, and is analysed as follows:

	2021	2020
	HK$'000	*HK$'000*
Recognised at a point in time		
Sales of goods – direct sales	**809,066**	687,039
Recognised over time		
Income from concessionaire sales	**999,334**	919,561
Income from APO sales	**239,957**	267,826
Service income	**90,329**	70,519
Revenue from contracts with customers	**2,138,686**	1,944,945
Rental income	**150,887**	48,079
Total revenue	**2,289,573**	1,993,024

4. SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment under HKFRS 8 "Operating Segments" which focuses on the operation of department stores, property development and investment in Hong Kong and the United Kingdom. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies that conform to HKFRSs, that are regularly reviewed by the chief operating decision makers ("CODM") (i.e. the executive directors of the Company). The CODM regularly reviews revenue analysis and profit for the year of the Group as a whole to make decisions about resource allocation. Accordingly, no separate segment information other than entity level information is prepared.

All the Group's non-current assets are based in Hong Kong, except the completed investment property amounted to approximately HK$2,727,270,000 as at 31 December 2021 (31 December 2020: HK$2,468,559,000) which is based in the United Kingdom. The Group has no customers that contributed over 10% of the total revenue of the Group for the current year (2020: Same).

5. INTEREST INCOME AND INVESTMENT (LOSSES)/GAINS

	2021	2020
	HK$'000	*HK$'000*
Interest income on bank deposits	**8,573**	105,605
Dividend income from FVPL	**19,467**	24,796
Dividend income from financial assets at fair value through other comprehensive income ("FVOCI")	**31,942**	2,323
Interest income from financial assets/liabilities at FVPL	**204,881**	190,073
Fair value change of financial assets/liabilities at FVPL (Note)	**(2,164,982)**	(288,238)
	(1,900,119)	34,559

Note: The fair value change was mainly attributable to the fair value loss recorded from holdings of certain equity and debt securities issued by certain property development groups based in mainland China.

6. FINANCE COSTS

	2021	2020
	HK$'000	*HK$'000*
Interest expenses on:		
Bank borrowings	**153,308**	252,538
Bonds	**380,387**	324,037
Lease liabilities	**5,486**	10,069
	539,181	586,644
Less: Amounts capitalised in construction in progress and investment property under development	**(180,587)**	(217,330)
	358,594	369,314

Borrowing costs capitalised are interest expenses incurred for financing the development of qualifying assets. The capitalisation rate used to determine the amounts of borrowing costs eligible for the capitalisation is 2.4% (2020: 2.7%) per annum.

7. TAXATION

	2021	2020
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**161,951**	192,184
United Kingdom Corporate Income Tax	**13,665**	1,526
	175,616	193,710
Overprovision in prior years:		
Hong Kong Profits Tax	**(1,228)**	(14,576)
Deferred tax credit	**(42,532)**	(70,681)
	131,856	108,453

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Pursuant to the rules and regulations of the United Kingdom, the Group is subject to corporate income tax at 19% on the estimated assessable profit of the subsidiary which carried on business in the United Kingdom (2020: 19%).

8. (LOSS)/PROFIT FOR THE YEAR

	2021	2020
	HK$'000	*HK$'000*
(Loss)/profit for the year has been arrived at after charging/(crediting):		
Directors' remuneration:		
Fees	**2,600**	2,600
Salaries and allowances	**7,790**	6,320
Bonus	**-**	-
Retirement benefits scheme contributions	**36**	36
	10,426	8,956
Staff costs, excluding directors' remuneration		
Salaries and wages	**214,372**	203,774
Retirement benefits scheme contributions, net of forfeited contributions for staff	**8,725**	8,322
Total staff costs	**233,523**	221,052
Auditor's remuneration	**2,650**	2,287
Depreciation of property, plant and equipment	**222,361**	252,336
Reversal of rental expenses relating to variable lease payments	**-**	(9,461)
Gain on disposal of property, plant and equipment	**(55)**	(447)
Cost of inventories recognised as expenses	**615,445**	519,387
Provision for trade and other receivables, net	**20**	23
Provision for write-down of obsolete inventories	**221**	93

9. DIVIDENDS

	2021	2020
	HK$'000	*HK$'000*
Dividend paid in cash and recognised as distributions during the year:		
No final dividend for the prior year (2020: Nil)	**-**	-
No interim dividend for the current year (2020: Nil)	**-**	-
	-	-

Note: Subsequent to the end of the reporting period, the directors of the Company resolved not to recommend payment of a final dividend (2020: Same).

10. (LOSSES)/EARNINGS PER SHARE

Calculation of the basic and diluted (losses)/earnings per share attributable to owners of the Company is based on the following data:

	2021	2020
	HK$'000	*HK$'000*
(Losses)/earnings:		
(Losses)/earnings for the purpose of basic and diluted (losses)/earnings per share	**(1,305,000)**	138,510

	2021	2020
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (losses)/earnings per share	**1,501,916**	1,501,916

	2021	2020
Basic and diluted (losses)/earnings per share	**(HK$0.87)**	HK$0.09

The diluted (losses)/earnings per share for the year ended 31 December 2021 equals to the basic (losses)/earnings per share as there are no potential dilutive ordinary shares to issue during the year (2020: Same).

11. TRADE AND OTHER RECEIVABLES

The following is an aged analysis of trade receivables net of expected credit loss presented based on the invoice date:

	2021	2020
	HK$'000	*HK$'000*
0 – 30 days	**30,860**	20,736
31 – 60 days	**3,214**	3,394
61 – 90 days	**1,464**	498
Over 90 days	**1,813**	708
	37,351	25,336

The Group's retail sales to customers are mainly made in cash, through debit card or credit card payments. Its major trade receivables arising from credit card sales are normally settled in one to two business days in arrears and the rental income receivables are normally settled 30 days in arrears.

12. FINANCIAL ASSETS/ FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS/ OTHER COMPREHENSIVE INCOME

	2021	2020
	HK$'000	*HK$'000*
Non-current assets		
Financial assets at FVOCI:		
- Equity securities listed overseas	**1,043,379**	932,781
- Unlisted equity securities	**405,600**	387,500
	1,448,979	1,320,281
Financial assets at FVPL:		
- Club debentures	**28,950**	16,538
Current assets		
Financial assets at FVPL:		
- Equity securities listed in Hong Kong	**678,492**	891,939
- Equity securities listed overseas	**-**	54,701
- Listed debt securities	**563,084**	1,815,394
- Money market fund	**-**	1,542,853
- Unlisted debt securities	**177,840**	-
- Unlisted investment funds	**156,994**	430,008
- Unlisted equity-linked notes	**7,718**	76,304
- Warrant	**-**	54
- Target redemption forward contracts	**2,534**	3,232
	1,586,662	4,814,485
Current liabilities		
Financial liabilities at FVPL:		
- Interest rate swaps	**24,324**	220,807
- Target redemption forward contracts	**706**	29
	25,030	220,836

13. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2021	2020
	HK$'000	*HK$'000*
0 – 30 days	**20,179**	32,762
31 – 60 days	**19,003**	4,993
61 – 90 days	**297**	178
Over 90 days	**5,609**	2,866
	45,088	40,799

The average credit period of trade payables, concessionaire sales payables and APO sales payables is within 45 days from the invoice date. The Group has financial risk management policies in place to ensure that payables are settled within the credit time frame.

14. CONTRACT LIABILITIES

	2021	2020
	HK$'000	*HK$'000*
Gift certificates	**105,837**	114,881
Deferred advertising income	**4,923**	2,064
Reward points under customer loyalty program	**6,045**	4,879
	116,805	121,824

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

The world economy staged an uneven recovery in 2021 from the pandemic lows, underpinned by varying pace of vaccinations and divergent economic stimulus across countries. Yet, prolonged travel restrictions and COVID-19 containment measures across the globe to control the spread of virus hindered the pace of recovery.

China's economy continued its recovery trajectory but the sequential growth momentum slowed by fresh outbreaks of COVID-19 variants and supply chain disruptions. The world's second largest economy saw its gross domestic product expand 8.1% last year, up from 2.3% in 2020. Total retail sales of consumer goods in China rose 12.5% for the year, compared with a decline of 3.9% in 2020.

Hong Kong, the Group's home market, swung to growth in 2021 after two successive years of contraction thanks to the continued revival of global economic activity and stable local pandemic situation. The city's GDP expanded by 6.4% in 2021, compared with a 6.1% contraction in 2020. Hong Kong's retail sales rebounded on improving consumer sentiment backed by easing COVID-19 restrictions and improving job market, while the government's consumption voucher scheme launched in the second half of the year also boosted consumer spending. However, inbound tourism remained virtually frozen, posing a constraint on the pace of economic recovery. Visitor arrivals to Hong Kong plunged 97.4% in 2021, compared with a decline of 93.6% in 2020. Visitations from mainland China reported a decline of 97.6% for the full year, compared with a 93.8% drop in 2020. For the whole year, retail sales in Hong Kong rose 8.1% year-on-year, compared with a decline of 24.3% in 2020. Sales of luxury goods categories, including jewelry and watches, rose 27.3% whereas department store sales decreased 3.3% year-on-year.

Financial Review 2021

In light of the evolving pandemic situation and standstill of tourism, the Group has stayed vigilant and agilely adjusted its business strategy to adapt to the changing market needs. As a leading retail operator in Hong Kong, the Group continuously optimised its operations and implemented compelling promotional offers to boost sales to local customers and capture the opportunities brought by the consumption voucher scheme. On the other hand, the Group agreed during the year with the tenant of its prime commercial property in London to extend the lease period by a further 18 months to May 2024, further securing a stable rental income stream for the Group in the foreseeable future.

Revenue and Sales Proceeds

For the year ended 31 December 2021, the Group's department store operations saw its revenue increased by 14.9% over the previous year to HK$2,289.6 million, while total gross sales proceeds, derived from direct, After Purchase Order ("APO") and concessionaire sales transactions, were up by 9.9% to approximately HK$6,236.7 million. The sales growth was a result of the improvement in customer foot traffic at the stores of the Group, thanks to the gradual relaxation of social distancing measures and the consumption vouchers disbursed by the Hong Kong government during the year. The increase in the Group's revenue was mainly attributable to the approximately 17.8% growth in direct sales; the approximately 4.4% increase in commission income derived from concessionaire and APO sales; and receipt of the full year rental income of approximately HK$120.0 million from the London-based commercial property the Group acquired and leased back to the seller on 20 November 2020.

Gross Profit and Concessionaire Rates

The Group's gross profit margin as a percentage of revenue saw a small decline to 73.1% from 73.9% in 2020 as the growth in direct sales was slightly higher than the percentage increase in commission deriving from APO and concessionaire sales transactions and other revenue items which gross margins are theoretically 100%. As retail sales grew during the year coupled with an increase in rental income, the Group's gross profit increased 13.6% to HK$1,674.1 million, from HK$1,473.6 million recorded a year earlier. On the other hand, the Group's blended average concessionaire rate in respect of the concessionaire sales transactions experienced a slight drop to 23.0% from last year's 23.4% as, while the Group faced pressure upon commission rates resulting from continued rental concessions and the repositioning of certain key brand partners, the sales growth during the year of branded luxury items, which concessionaire rates in general are lower, outperformed most other product categories and therefore weighed down the blended average rate.

Net Profit Attributable to Shareholders

For the year ended 31 December 2021, the Group recorded a net loss attributable to owners of the Company of HK$1,305.0 million, compared with a profit of HK$138.5 million as reported in 2020. The loss this year was mainly caused by the significant amount of investment loss to the tune of HK$1,900.1 million as compared to an investment income of HK$34.6 million recorded in 2020, but was cushioned by a smaller revaluation deficit on the Group's investment properties of HK$32.0 million as compared to last year's revaluation deficit of HK$418.1 million. The net profit attributable to the Group's core retail operations (before counting the fair value changes on financial assets and liabilities measured at fair value through profit and loss ("FA/L@FVTPL") and investment properties, and non-recurring items) would amount to approximately HK857.1 million, representing an increase of 7.0% from HK$801.2 million in 2020, primarily a result of an improvement in retail sales and the additional rental income from the Group's London-based property, but was off-set by a decrease in bank interest income and an exchange loss.

Selling and Distribution Costs

The aggregate selling and distribution costs of the Group decreased 3.4% as compared to the previous year and represented 9.0% (2020: 10.2%) of the aggregated gross sales proceeds. The decrease was mainly attributable to lower depreciation and amortisation charges during the year, with other marketing, selling and distribution costs remained relatively stable.

Administrative Expenses

The Group's general administrative expenses increased 10.5% as compared to last year as the Group's control measures on staff related costs and expenses were gradually uplifted amid an improving COVID-19 situation and operating environment.

Staff Costs

Staff costs (excluding those of the directors) of the Group increased 5.2% to approximately HK$223.1 million during the year under review following cost control measures being uplifted. While the annual general increment of salaries and wages for the Group's employees was largely in line with the market trend, remuneration reviews and bonuses are based on performance of individual staff and operating and financial performances of the Group. The Group's total number of headcounts remained the same as last year at 675 at the end of 2021.

Other Income, Gains and Losses

These comprise mainly management fee, credit card recharges, miscellaneous incomes received from the counters and tenants, and other sundry incomes and exchange gain/loss. The decrease in other income, gains and losses of the Group for the year was mainly attributable to an exchange loss of HK$34.9 million being recorded, as compared to an exchange gain of HK$45.9 million recorded in 2020, arising from translating the Group's US dollar ("US$ or USD") denominated bonds payable amid a strengthening USD against the HK dollar.

Net Investment (Loss)/Income

For the year 2021, the Group recorded a net investment loss of approximately HK$1,900.1 million, compared to a net investment income of HK$34.6 million in 2020. The net investment (loss)/income comprised mainly fair value changes, net exchange differences, interest and investment income received and receivable, and dividend income from a portfolio of FA/L@FVTPL which amounted to approximately HK$1,590.6 million (2020: HK$4,610.2 million) as at 31 December 2021.

Of the approximately HK$1,900.1 million net investment loss for the year, approximately HK$2,280.6 million represented unrealized loss on fair value changes attributable to the Group's holdings of certain equity and debt securities, with an aggregate fair value of HK$157.5 million and HK$740.9 million respectively as at 31 December 2021, which were issued by certain property development groups based in mainland China. As at 31 December 2021, the Group's aggregate FA/L@FVTPL grouped under current assets and current liabilities amounted to approximately HK$1,586.7 million and HK$25.0 million respectively.

Finance Costs

The Group's total finance costs consisted mainly of finance charges and interest expenses on bank loans and bonds payable. The aggregate amount of finance costs and interest incurred during the year, before capitalisation, was approximately HK$539.2 million (2020: HK$586.6 million). Notwithstanding additional bond interest being incurred for the bonds issued in June 2021, the overall interest incurred still saw a decrease when compared to last year as the HIBOR, to which the Group's floating rate loans are referenced, remained at extremely low level throughout the year. Finance costs charged to the profit and loss account for the year amounted to HK$358.6 million (2020: HK$369.3 million) after HK$180.6 million (2020: HK$217.3 million) of the borrowing costs relating to the Kai Tak Project has been capitalised.

Liquidity and Financial Resources

The Group's adjusted EBITDA (excluding fair value changes on the Group's FA/L@FVTPL and investment properties) for the year increased 2.1% to HK$1,518.8 million (2020: HK$1,487.8 million). The slight increase in the adjusted EBITDA was the net result of an increase in the Group's retail revenue as well as the full year rental income from the London-based property but was offset by a decrease in bank interest income of approximately HK$97.0 million amid an extremely low interest environment and an exchange loss of HK$34.9 million as opposed to last year's exchange gain of HK$45.9 million.

As at the end of 2021, before counting the Group's net FA/L@FVTPL of approximately HK$1,590.6 million (2020: HK$4,610.2 million), the Group's net debt (total borrowings less cash and cash equivalents) decreased to HK$14,883.2 million from HK$16,163.5 million a year earlier, with the cash and cash equivalents amounted to approximately HK$3,817.1 million (2020: HK$4,175.8 million). Of the cash kept at banks in Hong Kong, approximately 96.0% was denominated in US dollar and Hong Kong dollar and the remaining was denominated in other currencies including Pound Sterling (£) and Renminbi.

The Group had as at end of 2021 outstanding bank loans amounted to approximately HK$9,729.0 million (2020: HK$13,503.1 million) and bonds payable amounted to approximately HK$8,971.3 million (2020: HK$6,836.2 million) respectively. The outstanding bank loans comprised HK$3,750 million term loan drawn under the 5-year HK$8,000 million secured loan facility renewed during the year, which consists of HK$5,000 million term loan and HK$3,000 million revolving loan. The HK$5,000 million term loan is repayable semi-annually from December 2023 onward and the interest on this loan facility is calculated with reference to HIBOR. The Group's other outstanding bank loans consisted of also a term loan of HK$3,891 million drawn under the HK$9,000 million 5-year secured project loan facility for financing payment of part of the land premium of the Kai Tak Land. This HK$9,000 million project loan facility does not require repayment until the end of the 5-year term in July 2022 and bears interest also calculated with reference to HIBOR. To ensure this project loan facility will match the progress of the construction works of the Group's Kai Tak project, the Group has formally served a request letter to the lenders for an 18-month extension of this loan facility from July 2022 to Jan 2024. The remaining outstanding bank loans comprised short-term Japanese Yen ("JPY") and Sterling loans totaling JPY302.9 million (equivalent to approximately HK$20.5 million) and £204.2 million (equivalent to approximately HK$2,150.1 million) respectively drawn under an aggregate US$725 million facilities. This short-term loan facility is secured against certain of the Group's financial assets and cash deposits and bears interest calculated with reference to LIBOR.

Liquidity and Financial Resources (Continued)

As at 31 December 2021, the Group had unsecured guaranteed bonds payable of HK$8,971.3 million (US$1,155.4 million at maturity) which comprised a US$205.4 million 5-year bond (bearing interest at 4.25% and maturing in October 2022), a US$300 million 5-year bond (bearing interest at 4.875% and maturing in July 2024), a US$300 million 10-year bond (bearing interest at 4.5% and maturing in June 2025) and a US$350 million 5-year bond (bearing interest at 4.8% and maturing in June 2026). The Group during the year repurchased and subsequently cancelled an aggregate principal amount of US$81.5 million of the 4.25% unsecured guaranteed bonds due 2022 for a consideration of US$83.1 million, which repurchase was funded by proceeds from the US$350 million 4.8% unsecured guaranteed bond issued in June 2021.

As at 31 December 2021, the Group's net debt to equity ratio or net gearing (defined as total borrowings less cash and cash equivalents divided by equity attributable to owners of the Company) shot up to 560.7% (2020: 380.2%) which was mainly caused by the loss suffered by the Group for the year. Meanwhile, the relatively high level of net gearing was also due to the fact that the Group's self-owned store property in Causeway Bay, Hong Kong is stated at historical cost less depreciation and amortisation, thereby its fair market value has not been taken into account in the calculation of the equity attributable to owners of the Company.

As at the year end, the Group had aggregate unutilised banking facilities in the amount equivalent to approximately HK$12,843.4 million (2020: HK$8,091.5 million) of which approximately US$446.7 million (equivalent to HK$3,484.4 million) is uncommitted.

On 4 February 2022, the Group entered into a facility agreement with a syndicate of banks for a 5-year secured facility of up to £125.0 million (equivalent to approximately HK$1,308.8 million) for refinancing part of the cost of acquisition of the Group's London-based property. This facility bears interest calculated with reference to SONIA (Sterling Overnight Interbank Average Rate) and does not require repayment until the end of the 5-year term in March 2027.

Foreign Exchange Management

The functional currency of the Company and its major subsidiaries is Hong Kong dollar, in which most of the transactions are denominated. As described under the "Liquidity and Financial Resources" section above, certain monetary assets and liabilities of the Group are denominated in USD and Sterling. The Group currently does not require a sophisticated and comprehensive foreign currency hedging policy as the Hong Kong dollar, in which most of the Group's transactions are denominated, is pegged to the USD in which certain of the Group's borrowings and cash are denominated. While the Group's exposure to the Sterling borrowings is somewhat hedged by the holding of an investment property in London, the Group will continue to monitor closely and to look at different options with an aim to reduce the potential foreign exchange impact to the Group caused by future fluctuations of the Sterling.

Pledge of Assets

As at 31 December 2021, certain of the Group's leasehold land and buildings in Hong Kong with carrying value aggregating approximately HK$1,081.2 million (2020: HK$1,126.6 million), together with shares of certain subsidiaries of the Group, were pledged to secure the HK$8,000 million (2020: HK$8,000 million) loan facility granted to the Group, of which HK$3,750 million (2020: HK$7,000 million) was utilised.

In addition, the entire Kai Tak Project, comprising the land, construction in progress and investment property under development, with an aggregate carrying value of HK$11,380.1 million as at 31 December 2021 (2020: HK$10,193.4 million) was pledged to secure the HK$9,000 million loan facility granted to the Group, of which HK$3,891.0 million (2020: HK$3,891.0 million) was utilised as at the year end. Moreover, certain of the Group's financial assets with carrying value amounted to approximately HK$2,996.3 million at the year end (2020: HK$5,091.3 million) were pledged to secure loan facility aggregating approximately US$725 million (2020: US$725 million).

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 2021.

Material Acquisitions and Disposals

There were no material acquisitions and disposals during the year under review.

Review of Operations

The Hong Kong retail market saw during the year continuous improvement from last year's low base, however, the aggregate retail sales value remained far below the pre-pandemic level as inbound tourism remained frozen amid the lingering pandemic and cross-border closure. Facing the challenging local-centric market environment, the Group strived to capture local spending power and seized the consumption momentum fueled by the consumption voucher scheme through strengthening collaborations with business partners to offer comprehensive and alluring promotions, alongside continuous enhancement of the Group's omni-channel shopping experiences.

SOGO CWB

Adapting to the new normal, consumer sentiment continued to improve during the year amid a stable pandemic situation in Hong Kong and gradual recovery of the local economy. Leveraging on the Group's strong brand equity and successful marketing campaigns introduced to drive patronage and spending alongside a low comparison base, the flagship SOGO Causeway Bay store ("SOGO CWB") resumed growth with sales proceeds increased by 11.1% for the year, compared with a drop of 36.2% in 2020. The overall traffic footfall increased 11.1% with average ticket-size (excluding transactions from the Freshmart supermarket) increased 7.5% to HK$1,602. Stay-and-buy ratio however decreased by 3.3 percentage points to 37.0%.

Under the leadership of its seasoned management team, the Group collaborated with electronic payment gateways and business partners to roll out a series of appealing promotions and extended the store's iconic SOGO Thankful Week in the fall to 40 days to fully capitalising on the buoyant consumer spending stimulated by the consumption voucher scheme.

To stay competitive in the rapidly evolving retail market, the Group doubled down on digitalisation and further enhanced the overall experiences of its SOGO eStore, while continuing to strengthen customer loyalty and entice more customer spending by leveraging its well-received SOGO Rewards program. The Group also integrated live-streaming marketing into its physical store experience to drive footfall and to enhance connectivity with customers.

As the demand for airtime picked up on the back of an improving retailing environment, advertising income during the year from CVISION, the Group's outdoor advertising screen at the building façade of SOGO CWB, increased by around 50.0% from the previous year.

SOGO TST

While tourists remained largely absent because of the pandemic-induced travel restrictions, gradual improvement in consumer confidence underpinned by local economic recovery and the consumption voucher scheme rendered some support to the operations of the Group's tourist-dependent SOGO Tsim Sha Tsui ("SOGO TST"). Unlike the CWB store, in the absence of tourists, SOGO TST recorded only 1.6% sales increase during the year, compared with a 57.7% plunge in 2020.

Wa San Mai

Located at the same building as our SOGO CWB, business of our Wa San Mai restaurant was bolstered by an increase in customer patronage amid easing pandemic situation during the year, with its business receipts saw an increase of 22.3% year-on-year to approximately HK$56.4 million, as compared to a 22.6% decline in 2020.

London-based Property

For 2021, the gross rental income generated by the London-based commercial property, with a single tenant lease, amounted to £11.2 million, equivalents to approximately HK$120.0 million. During the year, the Group extended the lease period with the tenant for an additional 18 months to May 2024, further securing a stable rental income stream for the Group in the next two years.

Kai Tak Project

With a site area of approximately 14,159 square metres, the Group's Kai Tak Land is being developed into two blocks of commercial buildings to provide approximately 101,000 square metres of space mainly for retailing use. The commercial blocks will be housing a full-fledged SOGO department store and other facilities complementary to the operations of a department store as well as to use for the operation of a shopping mall and other entertaining and dining facilities.

Construction works of the Kai Tak Project during the year have been progressing smoothly as scheduled and the twin-towers complex are expected to be topped out by the second quarter of 2022. Preliminary leasing works have already been commenced and the Kai Tak retail complex is expected to be in business by the end of 2023. The Group believes that this twin-towers retail complex will become a landmark in the new Kai Tak development and East Kowloon area, further broadening and solidifying the Group's presence in the Hong Kong retailing market.

Outlook and Plan

Looking ahead, the Group holds a pessimistic view on the outlook of the Hong Kong's retail sector for 2022 as the ongoing COVID-19 resurgence casts a pall over the city's economy. The recent exponential outbreak of the Omicron variant prompted the Hong Kong government to impose the strictest social distancing measures that have seriously disrupted normal economic activities in the city and further pushed back the long-awaited border reopening. Prolonged uncertainties over the pandemic and stricter containment measures set to weigh on consumer sentiment and put pressure on the local economy and the retail industry in the near term. The local retail market might even slip back into a downturn this year if the city's most severe COVID-19 outbreak persists for a long time.

Meanwhile, the global economic recovery could slow down in 2022 as new waves of pandemic collide with growing inflationary pressures and ongoing supply chain disruptions. Heightening geopolitical tensions and monetary tightening in major economies would also pose risks to the global economic growth. Against the backdrop of a challenging macroeconomic environment, it is expected that the Hong Kong government will continue to introduce stimulus and relief measures to support employment and the local economy. Meanwhile, Hong Kong's further integration with the Greater Bay Area will also lend support to the economic growth of the city in the long run. Whilst it is hoped that rising vaccination rates in Hong Kong would help pave the way for the eventual opening-up of borders, the prospect of resuming quarantine-free cross-border travel anytime soon is dim. As the pandemic has reshaped the global retail landscape for good and significantly changed the consumer behaviours, full recovery of the local retail market to the pre-pandemic level appears distant even with the reopening of borders and resumption of travel.

Notwithstanding the headwinds, as a prominent retail operator in Hong Kong, the Group will strive to stay ahead of consumer needs and bolster its competitiveness in the ever-changing retail landscape through continuous enhancement in both digitalisation and service capabilities. The Group will continue to enhancing the store environment in order to provide customers with invigorating experiences. With our strong brand equity and competent management leadership, we believe the Group will be the forerunner in capitalising on the market opportunities when the pandemic recedes.

In an effort to serve our commitment to creating shareholder value and driving sustainable growth, the Group will continuously pursue synergistic business opportunities and lucrative strategic investments.

EMPLOYEES

As at 31 December 2021, the Group employed a total of 675 employees in Hong Kong. Staff costs (excluding directors' emoluments) amounted to HK$223.1 million (2020: HK$212.1 million) for the year. The Group ensures that pay levels of its employees are competitive and in line with market trend and its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 18 June 2021, the Company completed a tender offer to purchase for cash an aggregate principal amount of US$81,547,000 of the 4.25% guaranteed bonds due 2022 ("2022 Guaranteed Bonds") (bond code: 4571), representing approximately 28.42% of the outstanding principal amount of 2022 Guaranteed Bonds, for a total purchase consideration of approximately US$83,100,000.

After cancellation of the repurchased 2022 Guaranteed Bonds, the remaining outstanding aggregate principal amount of 2022 Guaranteed Bonds amounted to US$205,402,000 as at 31 December 2021.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2021.

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange for the year ended 31 December 2021.

FINAL DIVIDEND

The Board has not recommended the payment of a final dividend for the year ended 31 December 2021 (2020: nil).

REVIEW OF ANNUAL RESULTS

The Group's audited consolidated results for the year ended 31 December 2021 have been reviewed by the audit committee of the Company.

SCOPE OF WORK OF MESSRS. PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Group's auditors, Messrs. PricewaterhouseCoopers, to the amounts set out in the Group's drafted audited consolidated financial statements for the year. The work performed by Messrs. PricewaterhouseCoopers 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 Messrs. PricewaterhouseCoopers on this preliminary announcement.

ACKNOWLEDGEMENT

We would like to thank the management and all of our staff for their hard work and dedication, as well as our shareholders and customers for their continuous support to the Group.

On behalf of the Board
Lifestyle International Holdings Limited
Lau Kam Shim
Executive Director

Hong Kong, 4 March 2022

As at the date of this announcement, the Board comprises Mr. Lau Kam Sen and Ms. Lau Kam Shim as executive directors, Mr. Lau Luen Hung, Thomas, Mr. Doo Wai Hoi, William and Ms. Lau Yuk Wai, Amy as non-executive directors, and Mr. Lam Siu Lun, Simon, Mr. Shek Lai Him, Abraham, Mr. Hui Chiu Chung and Mr. Ip Yuk Keung as independent non-executive directors.