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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)

2021 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 2021 amounted to HK\$34 million, representing a decrease of HK\$93 million, or 73% from that of HK\$127 million in the previous year. Earnings per share were HK1.1 cents (2020 : HK 4.2 cents).

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

At 31 December 2021, the net asset value attributable to equity shareholders amounted to HK\$1,324 million or HK\$0.43 per share (2020: HK\$1,347 million or HK\$0.44 per share).

DIVIDENDS

The Board recommends the payment of a final dividend of HK 1.0 cent per share to shareholders whose names appear on the Register of Members of the Company on Friday, 10 June 2022, and such final dividend will not be subject to any withholding tax in Hong Kong. Including the interim dividend of HK 1.0 cent per share already paid, the total dividend for the year ended 31 December 2021 will amount to HK 2.0 cents per share (2020: HK 2.0 cents per share).

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

BUSINESS REVIEW

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

The Group's business activities are principally carried out by two wholly-owned subsidiaries: (i) Citistore (Hong Kong) Limited, which operates five department stores under the name of "Citistore" and five household specialty stores under the name of "Citilife" (hereinafter collectively referred to as "Citistore"); and (ii) Unicorn Stores (HK) Limited, which operates two department stores-cum-supermarkets under the name of "APITA" or "UNY" and two supermarkets under the name of "UNY" (hereinafter collectively referred to as "Unicorn").

(I) Citistore

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

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

| | Location | Total lettable area (square feet) |
|--|--|---|
| <u>Department store*</u> | | |
| Citistore's Tsuen Wan store | KOLOUR • Tsuen Wan II, New Territories | 138,860 |
| Citistore's Tuen Mun store | The Trend Plaza, New Territories | 17,683 |
| Citistore's Yuen Long store | KOLOUR • Yuen Long, New Territories | 54,809 |
| Citistore's Ma On Shan store | MOSTown, New Territories | 65,700 |
| Citistore's Tseung Kwan O store | MCP Central, New Territories | 71,668 |
| <u>Household speciality store</u> | | |
| Citilife's Shatin store | Shatin Plaza, New Territories | 1,626 |
| Citilife's Wong Tai Sin store | Temple Mall, Kowloon | 1,629 |
| Citilife's Tuen Mun store | Leung King Plaza, New Territories | 1,284 |
| Citilife's Cheung Sha Wan store | The Addition, Kowloon | 1,386 |
| Citilife's Tin Shui Wai store | T Town South, New Territories | 3,660 |
| Total: | | 358,305 |

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

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

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

Sales of Own Goods

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

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

Concessionaire and Consignment Sales

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

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

Citistore's Profit Contribution

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

(II) Unicorn

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

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

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

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

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

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

Sales of Own Goods

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

Consignment Sales

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

Unicorn's Profit Contribution

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

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

CORPORATE FINANCE

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

PROSPECTS

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

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

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

APPRECIATION

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

Dr Lee Ka Shing

Chairman

Hong Kong, 22 March 2022

BUSINESS RESULTS

Consolidated Statement of Profit or Loss

for the year ended 31 December 2021

| | Note | 2021 HK\$ million | 2020 HK\$ million |
|---|------|----------------------|----------------------|
| Revenue | 3 | 1,770 | 1,829 |
| Direct costs | | (1,582) | (1,581) |
| | | 188 | 248 |
| Other revenue | 4 | 11 | 11 |
| Other income, net | 5 | 5 | 57 |
| Selling and marketing expenses | | (30) | (30) |
| Administrative expenses | | (107) | (108) |
| Profit from operations | | 67 | 178 |
| Finance costs on lease liabilities | 6(c) | (26) | (36) |
| Profit before taxation | 6 | 41 | 142 |
| Income tax | 7 | (7) | (15) |
| Profit attributable to equity shareholders of the Company for the year | | 34 | 127 |
| | | HK cents | HK cents |
| Earnings per share | | | |
| – Basic and diluted | 10 | 1.1 | 4.2 |

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 2021

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

Consolidated Statement of Financial Position

at 31 December 2021

| | Note | 2021 HK\$ million | 2020 HK\$ million |
|--|------|----------------------|----------------------|
| Non-current assets | | | |
| Fixed assets | | 144 | 110 |
| Right-of-use assets | 11 | 413 | 552 |
| Trademarks | | 39 | 41 |
| Investments in listed securities designated as financial assets at fair value through other comprehensive income | | 48 | 45 |
| Goodwill | 12 | 1,072 | 1,072 |
| Deferred tax assets | | 30 | 26 |
| | | 1,746 | 1,846 |
| Current assets | | | |
| Inventories | | 134 | 121 |
| Trade and other receivables | 13 | 56 | 48 |
| Cash and bank balances | | 360 | 415 |
| | | 550 | 584 |
| Current liabilities | | | |
| Trade and other payables | 14 | 442 | 380 |
| Lease liabilities | 15 | 213 | 261 |
| Amounts due to affiliates | | 3 | 1 |
| Provision for reinstatement costs | | 12 | - |
| Current taxation | | 1 | 4 |
| | | 671 | 646 |
| Net current liabilities | | (121) | (62) |
| Total assets less current liabilities | | 1,625 | 1,784 |
| Non-current liabilities | | | |
| Lease liabilities | 15 | 289 | 413 |
| Provision for reinstatement costs | | 5 | 17 |
| Deferred tax liabilities | | 7 | 7 |
| | | 301 | 437 |
| NET ASSETS | | 1,324 | 1,347 |

Consolidated Statement of Financial Position

at 31 December 2021 (continued)

| | Note | 2021 HK\$ million | 2020 HK\$ million |
|-----------------------------|------|----------------------|----------------------|
| CAPITAL AND RESERVES | | | |
| Share capital | | 612 | 612 |
| Reserves | | 712 | 735 |
| TOTAL EQUITY | | 1,324 | 1,347 |

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 2021 and 2020 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 2020 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 2021 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 2021, the Group was in a net current liabilities position of HK\$121 million (2020: HK\$62 million). This was mainly due to the recognition of the current portion of lease liabilities of HK\$213 million (2020: HK\$261 million) 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 Group has applied the following amendment to HKFRS issued by the HKICPA that is first effective for the current accounting period of the Group and the Company, and which is relevant to the Group's consolidated financial statements for the current accounting period:

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

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

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

No rent concessions had been granted to the Group or its subsidiaries during the year ended 31 December 2021. During the corresponding year ended 31 December 2020, the Group early adopted and applied the practical expedient under the amendment to HKFRS 16, *COVID-19-related rent concessions* and recognised a credit before tax of HK\$23 million in profit or loss to reflect changes in lease payments that arose from rent concessions granted to the Group's subsidiaries as lessees during that year (also see note 15).

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments to HKFRSs and HKASs which are not yet effective for the financial year ended 31 December 2021 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

2 Changes in accounting policies (continued)

| | Effective for annual periods beginning on or after |
|---|--|
| Amendments to HKAS 16, <i>Property, plant and equipment: 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: Reference to the Conceptual Framework</i> | 1 January 2022 |
| Annual Improvements to HKFRSs 2018-2020 Cycle | 1 January 2022 |
| Amendments to HKAS 1, <i>Presentation of financial statements: Classification of liabilities as current or non-current</i> | 1 January 2023 |
| Amendments to HKAS 1, <i>Presentation of financial statements</i> and HKFRS Practice Statement 2, <i>Making materiality judgements: Disclosure of accounting policies</i> | 1 January 2023 |
| Amendments to HKAS 8, <i>Accounting policies, changes in Accounting estimates and errors: Definition of accounting estimates</i> | 1 January 2023 |
| Amendments to HKAS 12, <i>Income taxes: Deferred tax related to assets and liabilities arising from a single transaction</i> | 1 January 2023 |

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

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:

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

Note:

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

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

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

| | 2021 HK\$ million | 2020 HK\$ million |
|--|--------------------------|--------------------------|
| Receipts from sales of goods by consignment counters | 1,196 | 1,111 |
| Receipts from sales of goods by concessionaire counters | 369 | 347 |
| | <hr/> 1,565 <hr/> | <hr/> 1,458 <hr/> |

4 Other revenue

| | 2021 | 2020 |
|---------------------------------|--------------|--------------|
| | HK\$ million | HK\$ million |
| Sponsorship fees | 2 | 2 |
| Rental income for antenna sites | 3 | 3 |
| Sundry income | 6 | 6 |
| | <u>11</u> | <u>11</u> |

5 Other income, net

| | 2021 | 2020 |
|---|--------------|--------------|
| | HK\$ million | HK\$ million |
| Bank interest income | 1 | 4 |
| Dividend income from listed investments | 2 | 1 |
| Dividend income from unlisted investment (note i) | 2 | - |
| Government subsidies (note ii) | - | 55 |
| Fixed assets written off | - | (3) |
| | <u>5</u> | <u>57</u> |

Notes:

- (i) Being dividend income received by the Group during the year ended 31 December 2021 in respect of an unlisted investment which was written off by the Group in 2007.
- (ii) Included in the amount of government subsidies recognised for the corresponding year ended 31 December 2020 was an amount of HK\$54 million, being the aggregate amount of approved subsidies from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by the HKSAR Government, for the Group's subsidiaries, namely Citistore and Unicorn Stores (HK) Limited ("Unicorn"), in the amounts of HK\$32 million and HK\$22 million respectively. The aforementioned amounts of approved subsidies were duly received by Citistore and Unicorn during the corresponding year ended 31 December 2020 which were applied towards the payroll costs for the months of June 2020, July 2020, August 2020, September 2020, October 2020 and November 2020, and did not recur for the year ended 31 December 2021.

6 Profit before taxation

Profit before taxation is arrived at after charging:

| | 2021 | 2020 |
|---|--------------|--------------|
| | HK\$ million | 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 | 259 | 257 |
| Contributions to defined contribution retirement plans | <u>12</u> | <u>12</u> |
| (c) Other items: | | |
| Amortisation of trademarks | 2 | 1 |
| Depreciation | | |
| — on fixed assets | 44 | 45 |
| — on right-of-use assets (note (ii))(note 11) | 220 | 228 |
| Auditors' remuneration | | |
| — audit services | 2 | 2 |
| — other services | 1 | - |
| Finance costs on lease liabilities (note (ii)) (note 15) | 26 | 36 |
| Expenses relating to short-term leases (note (ii)) | 5 | 3 |
| Other charges in respect of rental premises | | |
| — net of rent concessions (notes (i) and (ii)) | 105 | 71 |
| Cost of inventories sold | <u>942</u> | <u>973</u> |

Notes:

- (i) Included contingent rental expenses of HK\$3 million (2020: HK\$Nil) during the year.
- (ii) For the purpose of comparison between the two financial years ended 31 December 2021 and 31 December 2020, the depreciation charge on right-of-use assets of HK\$220 million (2020: HK\$228 million), the finance cost on lease liabilities of HK\$26 million (2020: HK\$36 million) and the rental and related expenses of HK\$110 million (2020: HK\$74 million) are aggregated which amounted to HK\$356 million for the year ended 31 December 2021 (2020: HK\$338 million). The year-on-year increase of HK\$18 million is mainly attributable to (i) the financial effects of the UNY supermarket store at Yuen Long (which was opened in June 2020) for the whole year ended 31 December 2021 as compared with its financial effects for only part of the corresponding year ended 31 December 2020; (ii) the additional charges generated from the commencement of the tenancy leases during the year ended 31 December 2021 of the new UNY supermarket store at Tseung Kwan O, the new central warehouse operation in Tsing Yi and the new "Citilife" household specialty store outlets operated by Citistore.

7 Income tax

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

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

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

8 Segment reporting

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

Geographical information

Since all of the Group's revenue was generated in Hong Kong during the years ended 31 December 2021 and 31 December 2020, and all of the Group's fixed assets, right-of-use assets, trademarks and goodwill at 31 December 2021 and 31 December 2020 were located in Hong Kong, no geographical information on the aforementioned items is presented in accordance with HKFRS 8, *Operating segments*.

9 Dividends

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

| | 2021 HK\$ million | 2020 HK\$ million |
|---|----------------------|----------------------|
| Interim dividend declared and paid of HK1 cent (2020: HK1 cent) per share | 30 | 30 |
| Final dividend proposed after the end of the reporting period of HK1 cent (2020: HK1 cent) per share | 30 | 30 |
| | <u>60</u> | <u>60</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*

| | 2021 HK\$ million | 2020 HK\$ million |
|--|----------------------|----------------------|
| Final dividend in respect of the previous financial year, approved and paid during the year of HK1 cent (2020: HK1 cent) per share | 30 | 30 |

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\$34 million (2020: HK\$127 million) and 3,047,327,395 (2020: 3,047,327,395) ordinary shares, being the number of ordinary shares in issue throughout the year.

11 Right-of-use assets

| | 2021 HK\$ million | 2020 HK\$ million |
|---|----------------------|----------------------|
| Cost: | | |
| At 1 January | 1,573 | 1,494 |
| Addition for the year (note 15) | 129 | 92 |
| Change in basic rent due to modification of certain lease terms (note 15) | (47) | (15) |
| Reassessment of lease term (note 15) | (2) | (1) |
| Lease payment made before lease commencement | - | 1 |
| Reinstatement cost | 1 | 4 |
| Write back on expiry of leases | (27) | (2) |
| At 31 December | <u>1,627</u> | <u>1,573</u> |
| Accumulated depreciation: | | |
| At 1 January | (1,021) | (795) |
| Charge for the year (note 6(c)) | (220) | (228) |
| Write back on expiry of leases | 27 | 2 |
| At 31 December | <u>(1,214)</u> | <u>(1,021)</u> |
| Net book value: | | |
| At 31 December | <u><u>413</u></u> | <u><u>552</u></u> |

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

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

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

12 Goodwill

| | 2021 | 2020 |
|---------------------------------------|--------------|--------------|
| | HK\$ million | HK\$ million |
| Citistore Goodwill (as defined below) | 810 | 810 |
| Unicorn Goodwill (as defined below) | 262 | 262 |
| | <hr/> | <hr/> |
| | 1,072 | 1,072 |
| | <hr/> | <hr/> |

(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 recognised as lease liabilities at 31 December 2021) for the future five forecast years ending on 31 December 2022, 31 December 2023, 31 December 2024, 31 December 2025 and 31 December 2026 of the cash-generating unit which is determined on the basis of the discounted cashflow model and management’s expectations of market development and management’s plan on the opening of new stores, and the following assumptions:

- (i) an average increase of 6.4% in the forecast receipts from gross sales for each of the future five forecast years ending on 31 December 2022, 31 December 2023, 31 December 2024, 31 December 2025 and 31 December 2026;
- (ii) an average increase of 0.4 percentage point in the gross profit margin for each of the future five forecast years ending on 31 December 2022, 31 December 2023, 31 December 2024, 31 December 2025 and 31 December 2026;
- (iii) a terminal value into perpetuity in accordance with the perpetual growth model, which is determined based on the forecast net cash inflow for the period of twelve months subsequent to 31 December 2026 and assuming a terminal perpetual growth rate of 2% for each subsequent period of twelve months thereafter; and
- (iv) an estimated cost of disposal which is determined based on the Group’s experience with disposal of assets/businesses and in line with industry benchmarks.

12 **Goodwill** (continued)

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

The abovementioned forecast changes in the receipts from gross sales in each of the future five forecast years ending on 31 December 2022, 31 December 2023, 31 December 2024, 31 December 2025 and 31 December 2026 are based on the expectations of the Group's management of their plans and market development as at 31 December 2021. A post-tax discount rate of 11% (2020: 11%), which represents the Group's current market assessment of the risks specific to the cash-generating unit under Citistore, is used to determine the discount factor under the discounted cashflow model.

The Directors have assessed that there was no impairment on the Citistore Goodwill at 31 December 2021.

At 31 December 2021, in relation to the cash-generating unit under Citistore, the recoverable amount calculated based on fair value less cost of disposal (after deducting the carrying amounts of the fixed assets, trademarks, right-of-use assets and negative working capital of Citistore at 31 December 2021) exceeded the carrying value. If the post-tax discount rate had been 1% higher or if the forecast receipts from gross sales for each of the future five forecast years ending on 31 December 2022, 31 December 2023, 31 December 2024, 31 December 2025 and 31 December 2026 had been 3% lower, the Directors have assessed that it would not result in an impairment loss on the Citistore Goodwill. However, if the forecast gross profit margin for each of the future five forecast years ending on 31 December 2022, 31 December 2023, 31 December 2024, 31 December 2025 and 31 December 2026 had been 1.5% lower, there would be a potential implication for impairment on the Citistore Goodwill in an estimated amount of HK\$2 million. In this regard, by adopting a 3% decrease in the forecast receipts from gross sales of Citistore and a 1.5% decrease in the forecast gross profit margin for each of the future five forecast years ending on 31 December 2022, 31 December 2023, 31 December 2024, 31 December 2025 and 31 December 2026 in the aforementioned sensitivity analyses, consideration has been given to, among others, (i) the feature of Citistore's business operation of department stores in Hong Kong; (ii) the sensitivity of Citistore's business operation to the economic and market conditions in Hong Kong; and (iii) Citistore's actual versus budgeted financial performances in the past years.

(b) **Unicorn Goodwill**

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

12 **Goodwill** (continued)

(b) **Unicorn Goodwill** (continued)

Impairment assessment is carried out by determining the fair value less cost of disposal of the cash-generating unit under Unicorn. The fair value less cost of disposal is represented by the net present value of future forecast post-tax net cash inflows (excluding the rental expenditures of the store outlets and other rental premises recognised as lease liabilities at 31 December 2021) for the future five forecast years ending on 31 December 2022, 31 December 2023, 31 December 2024, 31 December 2025 and 31 December 2026 of the cash-generating unit which is determined on the basis of the discounted cashflow model and management's expectations of market development and management's plan on the opening of new stores, and the following assumptions:

- (i) an average increase of 18.7% in the forecast receipts from gross sales for each of the future five forecast years ending on 31 December 2022, 31 December 2023, 31 December 2024, 31 December 2025 and 31 December 2026;
- (ii) an average increase of 0.5 percentage point in the gross profit margin for each of the future five forecast years ending on 31 December 2022, 31 December 2023, 31 December 2024, 31 December 2025 and 31 December 2026;
- (iii) a terminal value into perpetuity in accordance with the perpetual growth model, which is determined based on the forecast net cash inflow for the period of twelve months subsequent to 31 December 2026 and assuming a terminal perpetual growth rate of 2% for each subsequent period of twelve months thereafter; and
- (iv) an estimated cost of disposal which is determined based on the Group's experience with disposal of assets/businesses and in line with industry benchmarks.

The abovementioned forecast changes in the receipts from gross sales in each of the future five forecast years ending on 31 December 2022, 31 December 2023, 31 December 2024, 31 December 2025 and 31 December 2026 are based on the expectations of the Group's management of their plans and market development as at 31 December 2021. A post-tax discount rate of 11% (2020: 11%), which represents the Group's current market assessment of the risks specific to the cash-generating unit under Unicorn, is used to determine the discount factor under the discounted cashflow model.

The Directors have assessed that there was no impairment on the Unicorn Goodwill at 31 December 2021.

12 Goodwill (continued)

(b) Unicorn Goodwill (continued)

At 31 December 2021, in relation to the cash-generating unit under Unicorn, the recoverable amount calculated based on fair value less cost of disposal (after deducting the carrying amounts of the fixed assets, right-of-use assets and negative working capital of Unicorn at 31 December 2021) exceeded the carrying value. If the post-tax discount rate had been 1% higher or if the forecast receipts from gross sales for each of the future five forecast years ending on 31 December 2022, 31 December 2023, 31 December 2024, 31 December 2025 and 31 December 2026 had been 3% lower, the Directors have assessed that it would not result in an impairment loss on the Unicorn Goodwill. However, if the forecast gross profit margin for each of the future five forecast years ending on 31 December 2022, 31 December 2023, 31 December 2024, 31 December 2025 and 31 December 2026 had been 1.5% lower, there would be a potential implication for impairment on the Unicorn Goodwill in an estimated amount of HK\$105 million. In this regard, by adopting a 3% decrease in the forecast receipts from gross sales of Unicorn and a 1.5% decrease in the forecast gross profit margin for each of the future five forecast years ending on 31 December 2022, 31 December 2023, 31 December 2024, 31 December 2025 and 31 December 2026 in the aforementioned sensitivity analyses, consideration has been given to, among others, (i) the feature of Unicorn's business operation of supermarket-cum-stores in Hong Kong; (ii) the sensitivity of Unicorn's business operation to the economic and market conditions in Hong Kong; and (iii) Unicorn's actual versus budgeted financial performances in the past years.

13 Trade and other receivables

| | 2021 HK\$ million | 2020 HK\$ million |
|---|----------------------|----------------------|
| Trade debtors | 16 | 11 |
| Deposits, prepayments and other receivables | 40 | 37 |
| | <u>56</u> | <u>48</u> |

At 31 December 2021, all of the trade and other receivables were expected to be recovered or recognised as expense within one year, except for various deposits of HK\$10 million (2020: HK\$27 million) which are expected to be recovered after more than one year.

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

| | 2021 HK\$ million | 2020 HK\$ million |
|----------------------------------|----------------------|----------------------|
| Current or under 1 month overdue | <u>16</u> | <u>11</u> |

14 Trade and other payables

| | 2021 HK\$ million | 2020 HK\$ million |
|--------------------------------------|------------------------------------|----------------------|
| Trade creditors | 311 | 276 |
| Contract liabilities (<i>note</i>) | 18 | 14 |
| Accrued expenses and other payables | 105 | 81 |
| Deposits received | 8 | 9 |
| | <hr/> 442 <hr/> | <hr/> 380 <hr/> |

Note: During the year ended 31 December 2021, HK\$9 million (2020: HK\$10 million) that was included in the contract liabilities balance at the beginning of the year was recognised as revenue. Most of the contract liabilities at 31 December 2021 and 31 December 2020 were expected to be recognised within one year.

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

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

| | 2021 HK\$ million | 2020 HK\$ million |
|---------------------------------------|------------------------------------|----------------------|
| Due within 1 month or on demand | 261 | 235 |
| Due after 1 month but within 3 months | 50 | 41 |
| | <hr/> 311 <hr/> | <hr/> 276 <hr/> |

15 Lease liabilities

| | 2021 HK\$ million | 2020 HK\$ million |
|---|----------------------|----------------------|
| At 1 January | 674 | 830 |
| Addition for the year (note 11) | 129 | 92 |
| Change in basic rent due to modification of certain lease terms (note 11) | (47) | (15) |
| Reassessment of lease term (note 11) | (2) | (1) |
| Effects of rent concession and reduction | - | (23) |
| Lease payments made during the year | (278) | (245) |
| Finance costs on lease liabilities for the year (note 6(c)) | 26 | 36 |
| At 31 December | 502 | 674 |
| | 2021 HK\$ million | 2020 HK\$ million |
| Represented by: | | |
| Amount classified under current liabilities | | |
| - contractual maturity within 1 year | 213 | 261 |
| Amount classified under non-current liabilities | | |
| - contractual maturity after 1 year and within 2 years | 171 | 207 |
| - contractual maturity after 2 years and within 5 years | 118 | 205 |
| - contractual maturity after 5 years | - | 1 |
| | 289 | 413 |
| Total carrying amount of lease liabilities | 502 | 674 |

Finance cost is determined and recognised on the basis of the Group's estimated incremental borrowing rate of 4.8% per annum on the carrying balance of the lease liability of each Remaining Lease (see note 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 2021 and during the corresponding year ended 31 December 2020. The Directors considered the Group's estimated incremental borrowing rate, as referred to above, to be appropriate in view of the market environment and economic conditions under which each Remaining Lease operates.

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

Included in lease liabilities at 31 December 2021 is an amount of HK\$343 million (2020: HK\$460 million) relating to the lease liabilities payable to affiliates.

16 Review of results

The financial results for the year ended 31 December 2021 have been reviewed with no disagreement by the Audit Committee of the Company.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and 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 the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers 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 2021.

Material acquisitions and disposals

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

Results of operations

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

Citistore

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

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

Notes:

- (i) *The year-on-year increase in revenue of HK\$19 million, or 3%, is mainly attributable to the increase in revenue contribution from the sales of own goods and commission income from consignment counters, which in turn is due to the following :*
- *the year-on-year decrease of an aggregate of 2,256 shortened operating business hours of Citistore's store outlets during the year ended 31 December 2021 because of the ease of social distancing measures under the COVID-19 pandemic when compared with the corresponding year ended 31 December 2020;*
 - *the revenue contribution of HK\$15 million (2020: Nil) from the five Citilife store outlets which commenced operations during the year ended 31 December 2021;*
 - *the recovery of the retail sector sentiment in Hong Kong; and*
 - *the impact of the "Consumption Voucher Programme" launched by HKSAR Government in the second half of 2021.*
- (ii) *Under HKFRS 16 "Leases", the "practical expedient" is applicable to the short-term leases of a reporting entity whose expiry dates are within one year from the date of initial adoption of HKFRS 16 or lease commencement.*

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

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

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

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

- (iii) Included in other income for the corresponding year ended 31 December 2020 was an amount of HK\$32 million which represented the subsidy from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by HKSAR Government (“ESS Subsidy”) and which was received by Citistore from HKSAR Government. Such ESS Subsidy income did not recur for Citistore for the year ended 31 December 2021.
- (iv) Profit after taxation attributable to equity shareholders of the Company for the corresponding year ended 31 December 2020 included rent concessions granted to Citistore from the landlords of the store outlets in the aggregate amount of HK\$19 million (after tax) during that year.

Unicorn

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

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

Notes:

- (v) *The year-on-year decrease in revenue of HK\$78 million, or 7%, is mainly attributable to the decrease in revenue contribution from the sales of own goods, which in turn is due to the decrease in customers' demand for food and daily necessities at the supermarkets operating under Unicorn during the year ended 31 December 2021 because of the easing of social distancing measures under the COVID-19 pandemic when compared with the corresponding year ended 31 December 2020.*
- (vi) *Under HKFRS 16, the "practical expedient" is applicable to the short-term leases of a reporting entity whose expiry dates are within one year from the date of initial adoption of HKFRS 16 or lease commencement.*

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

- *right-of-use assets in the statement of financial position measured at their carrying amounts (as if HKFRS 16 had been applied since the commencement date of the tenancy lease). Accordingly, Unicorn recognised the related depreciation charge on right-of-use assets in the aggregate amount of HK\$107 million (2020: HK\$99 million), which comprised amounts of HK\$105 million (2020: HK\$96 million) classified under "Direct costs" and HK\$2 million (2020: HK\$3 million) classified under "Other expenses", in the statement of profit or loss for the year ended 31 December 2021; and*
- *lease liabilities in the statement of financial position, which are interest-bearing at Unicorn's estimated incremental borrowing rate. Accordingly, Unicorn recognised the related finance cost on lease liabilities in the amount of HK\$11 million (2020: HK\$13 million) in the statement of profit or loss for the year ended 31 December 2021.*

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

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

(b) Overall

Aggregating the abovementioned profits/losses after tax of the department stores and supermarket cum-stores operations in Hong Kong, and taking into consideration the net corporate expenditure of the Group, the Group recorded total profit after tax attributable to equity shareholders in the amount of HK\$34 million for the year ended 31 December 2021 (2020: HK\$127 million), representing a year-on-year decrease of HK\$93 million, or 73%.

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

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

Finance costs on bank borrowing

During the year ended 31 December 2021 and excluding the finance costs on the lease liabilities recognised by the Group under HKFRS 16, the Group did not recognise any finance costs (including other borrowing costs) on bank borrowing (2020: Nil).

Financial resources, liquidity and loan maturity profile

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

At 31 December 2021, the Group had cash and bank balances of HK\$360 million (2020: HK\$415 million). Excluding the Group's lease liabilities recognised under HKFRS 16 of HK\$502 million at 31 December 2021 (2020: HK\$674 million), the Group had net cash and bank balances of HK\$360 million at 31 December 2021 (2020: HK\$415 million). The decrease of HK\$55 million (or 13%) in the Group's cash and bank balances during the year ended 31 December 2021 is mainly attributable to the cash outflow on the Group's acquisition of fixed assets in the aggregate amount of HK\$77 million during the year, due to the opening of the five Citilife store outlets, the UNY supermarket store at Tseung Kwan O and the central warehouse during the year.

For the year ended 31 December 2021, the Group's profit from operations (including bank interest income but excluding finance costs) before taxation amounted to HK\$67 million (2020: HK\$178 million). Excluding the finance costs on lease liabilities recognised by the Group under HKFRS 16, as the Group did not recognise any finance costs (including other borrowing costs) on bank borrowing (2020: Nil), there was no interest cover for the Group for the year ended 31 December 2021 (2020: None).

Based on the Group's net cash and bank balances of HK\$360 million at 31 December 2021, the Group has adequate financial resources in meeting the funding requirements for its ongoing operations as well as its future expansion.

Treasury and financial management

The Group's financing and treasury activities are centrally managed at the corporate level. At 31 December 2021 and 31 December 2020, the Group was not a contractual party to any arrangements in relation to any derivative financial instruments for speculative or hedging purposes. The Group monitors closely its interest rate exposure and foreign exchange rate exposure and will consider hedging these exposures should the need arise.

Apart from the foregoing, the Group did not have any material exposures to interest rates or foreign exchange rates at 31 December 2021 and 31 December 2020.

Charge on assets

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

Capital commitments

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

Contingent liabilities

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

Employees and remuneration policy

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

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

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 Friday, 27 May 2022 to Wednesday, 1 June 2022, 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 Thursday, 26 May 2022.

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

The Register of Members of the Company will be closed from Wednesday, 8 June 2022 to Friday, 10 June 2022, 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 above address not later than 4:30 p.m. on Tuesday, 7 June 2022.

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 2022 and reviewed the risk management and internal control systems, and the annual report for the year ended 31 December 2021.

Corporate Governance

During the year ended 31 December 2021, the Company complied with the applicable code provisions set out in the Corporate Governance Code (the "CG Code") as stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), with the exception that the roles of the chairman and the chief executive officer of the Company have not been segregated as required by the CG Code. The Company is of the view that it is in the best interest of the Company to let Dr Lee Ka Shing act in the dual capacity as the Chairman and Managing Director given Dr Lee's in-depth expertise and knowledge in business and the Group. Although the roles of the chairman and the chief executive officer of the Company have not been segregated, powers and authorities have not been over-concentrated as all major decisions are made in consultation with Board members and senior management who possess the relevant knowledge and expertise, as well as appropriate Board committees. Hence, the current arrangements are subject to adequate checks and balances notwithstanding such deviation.

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

Dr Lee Ka Shing

Chairman

Hong Kong, 22 March 2022

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.