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HENDERSON INVESTMENT LIMITED
恒 基 兆 業 發 展 有 限 公 司
Incorporated in Hong Kong with limited liability
(Stock Code : 97)

2022 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 2022 amounted to HK$5 million, representing a decrease of HK$29 million, or 85% from that of HK$34 million in the previous year. Earnings per share were HK 0.2 cents (2021: HK 1.1 cents).

The decrease in profit was mainly attributable to (i) the adverse effect of the COVID-19 pandemic on the Group's operations; (ii) the lower sales from APITA at Taikoo Shing due to its phased renovations; and (iii) the operating loss of UNY Tseung Kwan O opened in November 2021 due to the re-alignment of sales mix in its first year of operations.

At 31 December 2022, the net asset value attributable to equity shareholders amounted to HK$1,270 million or HK$0.42 per share (2021: HK$1,324 million or HK$0.43 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 Tuesday, 13 June 2023, 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 2022 will amount to HK 2.0 cents per share (2021: HK 2.0 cents per share).

The proposed final dividend is expected to be distributed to shareholders on Monday, 19 June 2023.

BUSINESS REVIEW

In early 2022, Hong Kong's retail market was hard-hit by the local fifth wave of the COVID-19 pandemic. With the receding local epidemic, as well as the Government's launch of a new round of Consumption Voucher Scheme, local consumption sentiment has improved since the second quarter of 2022. However, the stalled inbound tourism, uncertain economic outlook and financial market turmoil continued to weigh on the local retail sector. For 2022 as a whole, the value of total retail sales in Hong Kong decreased by 0.9% compared with a year earlier.

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 four 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, Citistore adjusted its store network and closed down a Citilife store in Shatin, whilst a new counter of Citilife was opened in UNY Lok Fu store. In addition, an array of new food counters and kids' amusement zones was brought in at certain stores so as to meet customers' diverse needs. Citistore also enriched its product portfolio by adding new proprietary brands to its merchandise mix. "Alfeld", a house-brand of exquisite cookware, has been well received as it satisfied the needs of style-savvy customers.

During the year, Citistore continued to roll out various promotional initiatives amid the pandemic, including extending its "Anniversary Sales" to a 25-day long event to seize the business opportunity brought by the Government's Consumption Voucher Scheme. A new online shop was launched and in order to attract repeated patronage, its "Citi-Fun" customer loyalty programme was also migrated to a new integrated membership programme (namely, "CU APP"). Shoppers can now earn bonus points for their spending at all of the Group's retail brands, both online and offline, and redeem fabulous rewards. Customer response to this initiative has been positive, with CU APP membership numbers surpassing 440,000 to date.

Currently, there are five department stores under the Citistore name and four household specialty stores under the Citilife name, all located in populous residential districts as follows:

	Location	Total lettable area (square feet)
Department store*		
Citistore's Tsuen Wan store	KOLOUR · Tsuen Wan II, New Territories	138,860
Citistore's Tuen Mun store	The Trend Plaza, New Territories	17,683
Citistore's Yuen Long store	KOLOUR · Yuen Long, New Territories	54,809
Citistore's Ma On Shan store	MOSTown, New Territories	65,700
Citistore's Tseung Kwan O store	MCP Central, New Territories	71,668
Household speciality store		
Citilife's 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:	**356,679**

** A Citilife counter was also set up in each store, in addition to a Citilife counter in UNY Lok Fu store.*

Affected by the above-mentioned unfavourable market conditions, Citistore recorded a year-on-year decrease of 5% in the aggregate sales proceeds derived from the sales of own goods, consignment sales and concessionaire sales for the year ended 31 December 2022. The breakdown is as follows:

	For the year ended 31 December		
	2022	2021	
	HK$ million	HK$ million	Change
Proceeds from sales of own goods	**359**	394	-9%
Proceeds from consignment sales	**820**	853	-4%
Proceeds from concessionaire sales	**363**	369	-2%
Total:	**1,542**	1,616	-5%

Sales of Own Goods

During the year, Citistore's sales of own goods decreased by 9% to HK$359 million and its gross margin remained steady at 31%.

	For the year ended 31 December	
	2022	2021
	HK$ million	HK$ million
Sales of own goods	**359**	394
Gross profit (after netting the cost of inventories sold)	**113**	122
Gross margin	**31%**	31%

Consignment and Concessionaire Sales

Citistore's consignment sales comprise the sales of consignors' products on consignment basis in designated shelves or areas, whilst concessionaire sales are conducted by concessionaires operating from their own shop spaces within Citistore's stores under licence agreements. Citistore charges these consignment and concessionaire counters on the basis of revenue sharing or basic commission (if any), whichever is higher, as its commission income. During the year, the total commission income derived from these consignment and concessionaire counters decreased by 3% year-on-year to HK$340 million, the breakdown of which is shown below and which reflects the decrease in the sales proceeds generated by both counters as shown above:

	For the year ended 31 December		
	2022	2021	
	HK$ million	HK$ million	Change
Commission income:			
- derived from consignment counters	**242**	250	-3%
- derived from concessionaire counters	**98**	100	-2%
Total:	**340**	350	-3%

Citistore's Profit Contribution

With the decrease in gross profit of HK$9 million from the sales of own goods, as well as the decrease in commission income from consignment and concessionaire counters in the aggregate amount of HK$10 million, Citistore's profit after taxation for the year under review still increased by HK$8 million or 11% year-on-year to HK$81 million. The main reasons are Citistore's receipt of wage subsidies of HK$12 million during the year from the Government's "Employment Support Scheme", as well as the net decrease in its total operating expenses of HK$15 million (which included the rent concessions of HK$4 million granted by certain landlords).

(II) Unicorn

Unicorn is striving to make changes to adapt to the ever-changing market environment. Following the renovation of its Lok Fu store, as well as an addition of two Japanese supermarkets in Yuen Long and Tseung Kwan O, APITA at Taikoo Shing also commenced its phased renovations during the year. Renovation of its ground floor was completed in June 2022, whilst a new cosy and Japanese–style basement food court (namely, "APITA Eatery") was launched in November 2022, offering a wide range of Japanese culinary delicacies. Together with two restaurants (namely, "Shiawase Yakitori" and "Sensu") newly introduced in mid-2022, APITA brought an enriched dining experience to the residents and office workers of the neighbourhood.

Currently, there are two department stores-cum-supermarkets and two supermarkets in the populous residential districts as follows:

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

During the year, Unicorn's department store business was hard-hit by the local fifth wave of the pandemic, whilst the operation of APITA was further affected by its phased renovations. As such, the same store sales of APITA and UNY Lok Fu recorded a year-on-year decrease of 10% and 6% respectively. Including the additional contributions from UNY Tseung Kwan O and the online store, which were both opened in November 2021, Unicorn recorded a year-on-year increase of 4% in total proceeds derived from the sales of own goods and consignment sales for the year ended 31 December 2022. The breakdown is as follows:

	For the year ended 31 December		
	2022	2021	
	HK$ million	HK$ million	Change
Proceeds from sales of own goods	**1,000**	939	+6%
Proceeds from consignment sales	**334**	343	-3%
Total:	**1,334**	1,282	+4%
Sales of Own Goods			
Gross profit from sales of own goods (after netting the cost of inventories sold)	**282**	269	
Gross margin	**28%**	29%	
Consignment Sales			
Commission income from consignment counters	**75**	74	

Unicorn's Profit Contribution

Due to (i) the adverse effect of the COVID-19 pandemic; (ii) the lower sales from APITA at Taikoo Shing due to its phased renovations; and (iii) the operating loss of UNY Tseung Kwan O opened in November 2021 as a result of the re-alignment of sales mix in its first year of operations, Unicorn recorded a loss after taxation of HK$63 million for the year ended 31 December 2022 (2021: HK$34 million).

Consolidated Results

During the year, summarised below are:

	For the year ended 31 December					
	2022			2021		
	HK$ million			HK$ million		
	Citistore	**Unicorn**	**Total**	Citistore	Unicorn	Total
The Group's major revenue:						
Sales of own goods	**359**	**1,000**	**1,359**	394	939	1,333
Commission income from consignment sales	**242**	**75**	**317**	250	74	324
Commission income from concessionaire sales	**98**	**-**	**98**	100	-	100
Sales proceeds from consignment and concessionaire counters:						
Sales proceeds from consignment counters	**820**	**334**	**1,154**	853	343	1,196
Sales proceeds from concessionaire counters	**363**	**-**	**363**	369	-	369

The after-tax profit contribution from Citistore and Unicorn amounted to HK$18 million in aggregate for the year ended 31 December 2022. After taking into account the other incomes and losses, as well as overhead expenses of its head office and centralised distribution centre, the Group's profit attributable to equity shareholders during the year amounted to HK$5 million, representing a decrease of HK$29 million or 85% from that of HK$34 million in the previous year.

CORPORATE FINANCE

Given its strong financial position, the Group had no bank borrowings (2021: HK$Nil) and its cash and bank balances amounted to HK$260 million (2021: HK$360 million) at 31 December 2022.

PROSPECTS

With almost all social distancing measures and travel restrictions being removed, the Group will seize business opportunities and roll out various initiatives to offer a better shopping experience to customers. Citistore will launch a new “mobile POS” system so as to further streamline customers’ payment process, whilst Unicorn will continue the phased renovations for APITA and revamp its supermarket.

Over the years, efforts have been made to integrate the businesses of Citistore and Unicorn. The centralised distribution centre has become fully operational, expanding the operational capabilities of the Group’s supply chain. The Group will continue to pursue centralised procurement to save costs and increase the proportion of proprietary brands, as well as fresh food products from Japan, so as to achieve brand differentiation. In addition, leveraging the strengths of the integrated membership programme (namely, “CU APP”), the Group will strengthen the cross promotions between Citistore and Unicorn and upgrade their online shopping platforms, with the goal of achieving full integration of both online and offline operations.

APPRECIATION

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

Dr Lee Ka Shing
Chairman

Hong Kong, 21 March 2023

BUSINESS RESULTS

Consolidated Statement of Profit or Loss

for the year ended 31 December 2022

	Note	**2022** **HK$ million**	2021 HK$ million
Revenue	3	**1,786**	1,770
Direct costs		**(1,623)**	(1,582)
		163	188
Other revenue	4	**11**	11
Other income/expenses and other gains/losses, net	5	**9**	5
Selling and marketing expenses		**(31)**	(30)
Administrative expenses		**(106)**	(107)
Profit from operations		**46**	67
Finance costs on lease liabilities	6(c)	**(41)**	(26)
Profit before taxation	6	**5**	41
Income tax	7	**-**	(7)
Profit attributable to equity shareholders of the Company for the year		**5**	34
		HK cents	HK cents
Earnings per share			
- Basic and diluted	10	**0.2**	1.1

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 2022

	2022 **HK$ million**	2021 HK$ million
Profit attributable to equity shareholders of the Company for the year	**5**	34
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)	**1**	3
Total comprehensive income attributable to equity shareholders of the Company for the year	**6**	37

Consolidated Statement of Financial Position

at 31 December 2022

	Note	**2022** **HK$ million**	2021 HK$ million
Non-current assets			
Fixed assets		**169**	144
Right-of-use assets	11	**681**	413
Trademarks		**37**	39
Investments in listed securities designated as financial assets at fair value through other comprehensive income		**19**	48
Investment in listed securities as financial assets at fair value through profit or loss		**20**	-
Goodwill	12	**1,072**	1,072
Deferred tax assets		**39**	30
		2,037	1,746
Current assets			
Inventories		**131**	134
Trade and other receivables	13	**45**	56
Cash and bank balances		**260**	360
		436	550
Current liabilities			
Trade and other payables	14	**430**	442
Lease liabilities	15	**228**	213
Amounts due to affiliates		**2**	3
Provision for reinstatement costs		**-**	12
Current taxation		**-**	1
		660	671
Net current liabilities		**(224)**	(121)
Total assets less current liabilities		**1,813**	1,625
Non-current liabilities			
Lease liabilities	15	**517**	289
Provision for reinstatement costs		**19**	5
Deferred tax liabilities		**7**	7
		543	301
NET ASSETS		**1,270**	1,324

Consolidated Statement of Financial Position

at 31 December 2022 (continued)

	Note	**2022** **HK$ million**	2021 HK$ million
CAPITAL AND RESERVES			
Share capital		**612**	612
Reserves		**658**	712
TOTAL EQUITY		**1,270**	1,324

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 2022 and 2021 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 2021 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 2022 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 2022, the Group was in a net current liabilities position of HK$224 million (2021: HK$121 million). This was mainly due to the recognition of the current portion of lease liabilities of HK$228 million (2021: HK$213 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 which are realisable into cash, and the banking facility available to the Group, 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 amendments to HKASs and HKFRSs issued by the HKICPA that are first effective for the current accounting period of the Group and the Company, and which are relevant to the Group's consolidated financial statements for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment : Proceeds before intended use*

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment ("PPE") the proceeds generated from selling items produced ("products"), before such item of PPE is available for use. Instead, in such circumstances, the related sales proceeds of the products, together with the costs of producing these products as determined by HKAS 2, *Inventories*, shall be included in profit or loss.

The amendments do not have a material impact on these financial statements as the Group does not sell products produced before an item of property, plant and equipment is available for use.

- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets : Onerous contracts – costs of fulfilling a contract*

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract.

Previously, the Group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 January 2022, and has concluded that none of them is onerous.

2 Changes in accounting policies (continued)

- Amendments to HKFRS 3 (Revised), *Business combinations: Reference to the Conceptual Framework*

The amendments update the reference to the latest version of the Conceptual Framework issued in March 2018, and add an exception to the requirement for an entity to refer to the Conceptual Framework in determining what constitutes an asset or a liability. The exception relates to liabilities and contingent liabilities that would have been within the scope of HKAS 37, *Provisions, contingent liabilities and contingent assets* or HK(IFRIC)-Int 21, *Levies* if they were incurred by an entity separately, rather than being assumed by an entity in a business combination. Under the exception, when applying HKFRS 3 (Revised), an entity should apply the more specific criteria in HKAS 37 or HK(IFRIC)-Int 21 respectively (instead of the Conceptual Framework) to determine whether a present obligation exists at the date on which the liability or contingent liability has been incurred by the entity.

- Annual Improvements to HKFRSs 2018-2020 Cycle

This package of annual improvements contains, inter alia, amendment to HKFRS 9, *Financial instruments* and amendment to an illustrative example accompanying HKFRS 16, *Leases*. The amendment to HKFRS 9 clarifies that only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf, are included when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The amendment to illustrative example 13 accompanying HKFRS 16 removes reference to a reimbursement relating to leasehold improvements, as the illustrative example had not explained clearly whether the reimbursement would meet the definition of a lease incentive under HKFRS 16.

The Directors have assessed and considered that none of the abovementioned amendments has any material impact on the Group's financial position at 31 December 2022 or the Group's financial performance for the year then ended.

2 Changes in accounting policies (continued)

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and interpretation to HKFRSs and HKASs which are not yet effective for the financial year ended 31 December 2022 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for annual periods beginning on or after
Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Accounting policies, changes in Accounting estimates and errors: Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*	1 January 2024
Hong Kong Interpretation 5 (Revised), *Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause*	1 January 2024
Amendments to HKFRS 10 and HKAS 28, *Sales or contribution of assets between an investor and its associate or joint venture*	A date to be determined

The Group is in the process of making an assessment of what the impact of these amendments and interpretation are 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:

	2022 **HK$ million**	2021 HK$ million
Sales of goods	**1,359**	1,333
Commission income from consignment counters	**317**	324
Commission income from concessionaire counters	**98**	100
Promotion income	**7**	7
Administration fee income	**5**	6
	1,786	1,770

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

	2022 **HK$ million**	2021 HK$ million
Receipts from sales of goods by consignment counters	**1,154**	1,196
Receipts from sales of goods by concessionaire counters	**363**	369
	1,517	1,565

4 Other revenue

	2022 **HK$ million**	2021 HK$ million
Sponsorship fees	**1**	2
Rental income for antenna sites	**2**	3
Sundry income	**8**	6
	11	11

5 Other income/expenses and other gains/losses, net

	2022 **HK$ million**	2021 HK$ million
Bank interest income	**2**	1
Dividend income from listed investments	**2**	2
Dividend income from unlisted investment (*note (i)*)	**-**	2
Government subsidies (*note (ii)*)	**15**	-
Net fair value change on investment in listed securities as financial assets at fair value through profit or loss	**(10)**	-
	9	5

Notes:

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

(ii) This related to 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$12 million and HK$3 million respectively, for the months of May 2022, June 2022 and July 2022 (2021: Nil).

6 Profit before taxation

Profit before taxation is arrived at after charging:

	2022 HK$ million	2021 HK$ million
(a) Directors' emoluments:		
Directors' fees, salaries, allowances and benefits-in-kind	**1**	1
(b) Staff costs (other than Directors' emoluments):		
Salaries, wages and other benefits	**261**	259
Contributions to defined contribution retirement plans	**12**	12
(c) Other items:		
Amortisation of trademarks	**2**	2
Depreciation		
– on fixed assets	**48**	44
– on right-of-use assets (*note (ii)*)(note 11)	**227**	220
Auditors' remuneration		
– audit services	**2**	2
– other services	**1**	1
Finance costs on lease liabilities (*note (ii)*) (note 15)	**41**	26
Expenses relating to short-term leases (*note (ii)*)	**3**	5
Other charges in respect of rental premises – net of rent concessions (*notes (i) and (ii)*)	**99**	105
Cost of inventories sold	**964**	942

6 Profit before taxation (continued)

Profit before taxation is arrived at after charging: (continued)

(c) Other items: (continued)

Notes:

(i) Included contingent rental expenses of HK$2 million (2021: HK$3 million) during the year.

(ii) For the purpose of comparison between the two financial years ended 31 December 2022 and 31 December 2021, the depreciation charge on right-of-use assets of HK$227 million (2021: HK$220 million), the finance cost on lease liabilities of HK$41 million (2021: HK$26 million) and the rental and related expenses of HK$102 million (2021: HK$110 million) are aggregated which amounted to HK$370 million for the year ended 31 December 2022 (2021: HK$356 million). The year-on-year increase of HK$14 million is mainly attributable to (i) the increased contributions to depreciation charge on right-of-use assets and finance cost on lease liabilities from the UNY supermarket at Tseung Kwan O which commenced business operation in November 2021, and from the commencement of the tenancy lease on 1 March 2022 of the APITA supermarket-cum-store at Taikoo Shing which was renewed on 18 March 2022, but which are partially offset by (ii) the savings in rental and operating expenditures of Citistore's Tai Kok Tsui store which was closed down on 30 June 2021 as well as the rent concessions granted to Citistore by the landlords of the store outlets in the aggregate amount of HK$5 million (before tax) during the year ended 31 December 2022 (2021: Nil).

7 Income tax

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

	2022 **HK$ million**	2021 HK$ million
Current tax – Hong Kong		
– provision for the year	**9**	11
Deferred taxation		
– origination and reversal of temporary differences	**(9)**	(4)
	-	7

Provision for Hong Kong Profits Tax has been made at 16.5% (2021: 16.5%) on the estimated assessable profits for the year, taking into account a one-off reduction of 100% (2021: 100%) of the tax payable for the year of assessment 2021/22 subject to a ceiling of HK$10,000 (2020/21: HK$10,000) for each business allowed by the Inland Revenue Department of the HKSAR Government.

8 Segment reporting

No segmental information for the years ended 31 December 2022 and 31 December 2021 are presented as the Group's revenue and trading results for these years were generated solely from the Group's department stores and supermarket-cum-stores operations in Hong Kong, the revenue of which amounted to HK$1,786 million (2021: HK$1,770 million) during the year and the pre-tax profit from operation (after deducting finance costs on lease liabilities) of which amounted to HK$16 million (2021: HK$41 million) during the year.

Geographical information

Since all of the Group's revenue was generated in Hong Kong during the years ended 31 December 2022 and 31 December 2021, and all of the Group's fixed assets, right-of-use assets, trademarks and goodwill at 31 December 2022 and 31 December 2021 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

	2022	2021
	HK$ million	HK$ million
Interim dividend declared and paid of HK1 cent (2021: HK1 cent) per share	**30**	30
Final dividend proposed after the end of the reporting period of HK1 cent (2021: HK1 cent) per share	**30**	30
	60	60

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

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

	2022	2021
	HK$ million	HK$ million
Final dividend in respect of the previous financial year, approved and paid during the year of HK1 cent (2021: 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$5 million (2021: HK$34 million) and 3,047,327,395 (2021: 3,047,327,395) ordinary shares, being the number of ordinary shares in issue throughout the year.

11 Right-of-use assets

	2022	2021
	HK$ million	HK$ million
Cost:		
At 1 January	**1,627**	1,573
Addition for the year (note 15)	**495**	129
Change in basic rent due to modification of certain lease terms (note 15)	**-**	(47)
Reassessment of lease term (note 15)	**-**	(2)
Reinstatement cost	**-**	1
Write back on expiry of leases	**(1)**	(27)
At 31 December	**2,121**	1,627
Accumulated depreciation:		
At 1 January	**(1,214)**	(1,021)
Charge for the year (note 6(c))	**(227)**	(220)
Write back on expiry of leases	**1**	27
At 31 December	**(1,440)**	(1,214)
Net book value:		
At 31 December	**681**	413

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 periods 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 periods after the exercise of 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

	2022	2021
	HK$ million	HK$ million
Citistore Goodwill (as defined below)	**810**	810
Unicorn Goodwill (as defined below)	**262**	262
	1,072	1,072

(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 2022) for the future five forecast years ending on 31 December 2023, 31 December 2024, 31 December 2025, 31 December 2026 and 31 December 2027 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 6.2% in the forecast receipts from gross sales for each of the future five forecast years ending on 31 December 2023, 31 December 2024, 31 December 2025, 31 December 2026 and 31 December 2027;

(ii) an average increase of 0.2 percentage point in the gross profit margin for each of the future five forecast years ending on 31 December 2023, 31 December 2024, 31 December 2025, 31 December 2026 and 31 December 2027;

(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 2027 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 2023, 31 December 2024, 31 December 2025, 31 December 2026 and 31 December 2027 are based on the expectations of the Group's management of their plans and market development as at 31 December 2022. A post-tax discount rate of 12% (2021: 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 2022.

At 31 December 2022, 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, right-of-use assets, trademarks and negative working capital of Citistore at 31 December 2022) exceeded the carrying value. If the post-tax discount rate had been 1% higher, or if the forecast receipts from gross sales of Citistore had been 3% lower for each of the future five forecast years ending on 31 December 2023, 31 December 2024, 31 December 2025, 31 December 2026 and 31 December 2027, the Directors have assessed that it would not result in an impairment loss on the Citistore Goodwill. However, if the forecast gross profit margin of Citistore had been 1.5% lower for each of the future five forecast years ending on 31 December 2023, 31 December 2024, 31 December 2025, 31 December 2026 and 31 December 2027, the Directors have assessed that there would be a potential implication for impairment on the Citistore Goodwill in an estimated amount of HK$30 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 of Citistore for each of the future five forecast years ending on 31 December 2023, 31 December 2024, 31 December 2025, 31 December 2026 and 31 December 2027 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 on 27 July 2018) (the "Unicorn Acquisition"). As a result of the Unicorn Acquisition, goodwill (the "Unicorn Goodwill") was recognised in the Group's consolidated statement of financial position at 31 May 2018 under the acquisition method of accounting in accordance with HKFRS 3 (Revised), *Business combinations*. The Unicorn Goodwill is allocated to the Group's supermarket-cum-stores operation under Unicorn and is tested for impairment at the end of the reporting period.

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 2022) for the future five forecast years ending on 31 December 2023, 31 December 2024, 31 December 2025, 31 December 2026 and 31 December 2027 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 13% in the forecast receipts from gross sales for each of the future five forecast years ending on 31 December 2023, 31 December 2024, 31 December 2025, 31 December 2026 and 31 December 2027;

(ii) an average increase of 0.7 percentage point in the gross profit margin for each of the future five forecast years ending on 31 December 2023, 31 December 2024, 31 December 2025, 31 December 2026 and 31 December 2027;

(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 2027 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 2023, 31 December 2024, 31 December 2025, 31 December 2026 and 31 December 2027 are based on the expectations of the Group's management of their plans and market development as at 31 December 2022. A post-tax discount rate of 12% (2021: 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 2022.

12 Goodwill (continued)

(b) Unicorn Goodwill (continued)

At 31 December 2022, 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 2022) exceeded the carrying value. If the post-tax discount rate had been 1% higher or if the forecast receipts from gross sales of Unicorn had been 3% lower for each of the future five forecast years ending on 31 December 2023, 31 December 2024, 31 December 2025, 31 December 2026 and 31 December 2027, the Directors have assessed that it would not result in an impairment loss on the Unicorn Goodwill. However, if the forecast gross profit margin of Unicorn for each of the future five forecast years ending on 31 December 2023, 31 December 2024, 31 December 2025, 31 December 2026 and 31 December 2027 had been 1.5% lower, there would be a potential implication for impairment on the Unicorn Goodwill in an estimated amount of HK$57 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 of Unicorn for each of the future five forecast years ending on 31 December 2023, 31 December 2024, 31 December 2025, 31 December 2026 and 31 December 2027 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

	2022 **HK$ million**	2021 HK$ million
Trade debtors	**21**	16
Deposits, prepayments and other receivables	**24**	40
	45	56

At 31 December 2022, 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$12 million (2021: HK$10 million) which were 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:

	2022 **HK$ million**	2021 HK$ million
Current or under 1 month overdue	**21**	16

14 Trade and other payables

	2022 **HK$ million**	2021 HK$ million
Trade creditors	**311**	311
Contract liabilities (*note*)	**17**	18
Accrued expenses and other payables	**94**	105
Deposits received	**8**	8
	430	442

Note: During the year ended 31 December 2022, HK$14 million (2021: HK$9 million) that was included in the contract liabilities balance at the beginning of the year was recognised as revenue. Most of the contract liabilities at 31 December 2022 and 31 December 2021 were expected to be recognised within one year.

At 31 December 2022, all of the trade and other payables were interest-free and repayable within one year or on demand except for an amount of HK$1 million (2021: HK$2 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:

	2022 **HK$ million**	2021 HK$ million
Due within 1 month or on demand	**261**	261
Due after 1 month but within 3 months	**50**	50
	311	311

15 Lease liabilities

	2022 **HK$ million**	2021 HK$ million
At 1 January	**502**	674
Addition for the year (note 11)	**495**	129
Change in basic rent due to modification of certain lease terms (note 11)	**-**	(47)
Reassessment of lease term (note 11)	**-**	(2)
Lease payments made during the year	**(276)**	(278)
Reclassification of rental deposits paid from trade and other receivables	**(17)**	-
Finance costs on lease liabilities for the year (note 6(c))	**41**	26
At 31 December	**745**	502

	2022 **HK$ million**	2021 HK$ million
Represented by:		
Amount classified under current liabilities		
– contractual maturity within 1 year	**228**	213
Amount classified under non-current liabilities		
– contractual maturity after 1 year and within 2 years	**111**	171
– contractual maturity after 2 years and within 5 years	**257**	118
– contractual maturity after 5 years	**149**	-
	517	289
Total carrying amount of lease liabilities	**745**	502

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 2022 and the corresponding year ended 31 December 2021. 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 2022 is an amount of HK$179 million (2021: HK$343 million) relating to the lease liabilities payable to affiliates.

16 Review of results

The financial results for the year ended 31 December 2022 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 2022 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 2022.

Material acquisitions and disposals

The Group did not undertake any significant acquisition or disposal of assets or subsidiaries during the year ended 31 December 2022.

Results of operations

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

Citistore (Hong Kong) Limited ("Citistore")

The Group recognised the following financial performance of Citistore for the year ended 31 December 2022 as compared with the corresponding year ended 31 December 2021:

		Year ended 31 December		*Increase / (Decrease)*	*Increase / (Decrease)*
		2022	2021		
	Note	**HK$ million**	HK$ million	*HK$ million*	*%*
Revenue					
- Sales of goods		**359**	394	*(35)*	*-9%*
- Commission income derived from consignment and concessionaire counters		**340**	350	*(10)*	*-3%*
- Promotion income		**7**	7	*-*	*-*
	(i)	**706**	751	*(45)*	*-6%*
Direct costs					
- Cost of inventories sold		**(246)**	(272)	*26*	*-10%*
- Rental and related expenses	*(ii)*	**(52)**	(59)	*7*	*-12%*
- Depreciation charge on right-of-use assets	*(ii)*	**(98)**	(105)	*7*	*-7%*
- Others		**(158)**	(156)	*(2)*	*+1%*
		(554)	(592)	*38*	*-6%*
Other income	*(iii)*	**17**	7	*10*	*+143%*
Other expenses	*(ii)*	**(67)**	(63)	*(4)*	*+6%*
Profit from operations		**102**	103	*(1)*	*-1%*
Finance costs on lease liabilities	*(ii)*	**(8)**	(15)	*7*	*-47%*
Profit before taxation		**94**	88	*6*	*+7%*
Income tax charge		**(13)**	(15)	*2*	*-13%*
Profit after taxation attributable to equity shareholders of the Company		**81**	73	*8*	*+11%*

Notes:

(i) *The year-on-year decrease in revenue of HK$45 million, or 6%, is mainly attributable to the decrease in revenue contribution from the sales of own goods and commission income from consignment counters and concessionaire counters, which in turn is mainly due to the year-on-year increase of an aggregate of 266 shortened operating business hours of the store outlets of Citistore and Citilife during the year ended 31 December 2022 mainly because of the Fifth Wave of the COVID-19 pandemic during the months of February 2022 and March 2022, despite the launch of the "Consumption Voucher Programme" by HKSAR Government in April 2022, August 2022 and October 2022 which had a boosting effect on Hong Kong's retail market sentiment in general.*

(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 (including Citilife) other than the short-term leases in relation to which the "practical expedient" under HKFRS 16 has been applied (as mentioned above), Citistore (including Citilife) 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$103 million (2021: HK$111 million), which comprised amounts of HK$98 million (2021: HK$105 million) classified under "Direct costs" and HK$5 million (2021: HK$6 million) classified under "Other expenses", in the statement of profit or loss for the year ended 31 December 2022; 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$8 million (2021: HK$15 million) in the statement of profit or loss for the year ended 31 December 2022.*

Based on the above, for the purpose of comparison between the two financial years ended 31 December 2022 and 31 December 2021, the rental and related expenses of HK$54 million (2021: HK$61 million) which comprised HK$52 million (2021: HK$59 million) classified under "Direct costs" and HK$2 million (2021: HK$2 million) classified under "Other expenses", the depreciation charge on right-of-use assets of HK$103 million (2021: HK$111 million) (see above) and the finance cost on lease liabilities of HK$8 million (2021: HK$15 million) (see above) are aggregated which amounted to HK$165 million for the year ended 31 December 2022 (2021: HK$187 million).

The abovementioned year-on-year decrease of HK$22 million for the year ended 31 December 2022 is mainly attributable to the savings in rental and operating expenditures of Citistore's Tai Kok Tsui store which was closed down on 30 June 2021 as well as the rent concessions granted to Citistore by the landlords of the store outlets in the aggregate amount of HK$5 million (before tax) during the year ended 31 December 2022 (2021: Nil).

(iii) Other income for the year ended 31 December 2022 included the approved government subsidies from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme promulgated by the HKSAR Government ("ESS Subsidy") to Citistore in relation to the months of May 2022, June 2022 and July 2022 and in the aggregate amount of HK$12 million (2021: Nil).

Unicorn Stores (HK) Limited ("Unicorn")

The Group recognised the following financial performance of Unicorn for the year ended 31 December 2022 as compared with the corresponding year ended 31 December 2021:

		Year ended 31 December		*Increase / (Decrease)*	*Increase / (Decrease)*
		2022	2021		
	Note	**HK$ million**	HK$ million	*HK$ million*	*%*
Revenue					
- Sales of goods		**1,000**	939	*61*	*+6%*
- Commission income derived from consignment counters		**75**	74	*1*	*+1%*
- Administration fee income		**5**	6	*(1)*	*-17%*
	(iv)	**1,080**	1,019	*61*	*+6%*
Direct costs					
- Cost of inventories sold		**(718)**	(670)	*(48)*	*+7%*
- Rental and related expenses	*(v)*	**(46)**	(47)	*1*	*-2%*
- Depreciation charge on right-of-use assets	*(v)*	**(113)**	(105)	*(8)*	*+8%*
- Others		**(196)**	(168)	*(28)*	*+17%*
		(1,073)	(990)	*(83)*	*+8%*
Other income	*(vi)*	**8**	4	*4*	*+100%*
Other expenses	*(v)*	**(60)**	(63)	*3*	*-5%*
Loss from operations		**(45)**	(30)	*(15)*	*+50%*
Finance costs on lease liabilities	*(v)*	**(31)**	(11)	*(20)*	*+182%*
Loss before taxation		**(76)**	(41)	*(35)*	*+85%*
Income tax credit		**13**	7	*6*	*+86%*
Loss after taxation attributable to equity shareholders of the Company		**(63)**	(34)	*(29)*	*+85%*

Notes:

(iv) The year-on-year increase in revenue of HK$61 million, or 6%, is mainly attributable to the increase in revenue contribution from the sales of own goods due to the contribution from the UNY supermarket at Tseung Kwan O, the New Territories, which commenced business operation in November 2021.

(v) *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$115 million (2021: HK$107 million), which comprised amounts of HK$113 million (2021: HK$105 million) classified under "Direct costs" and HK$2 million (2021: HK$2 million) classified under "Other expenses", in the statement of profit or loss for the year ended 31 December 2022; 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$31 million (2021: HK$11 million) in the statement of profit or loss for the year ended 31 December 2022, and the significant increase of which is mainly attributable to the commencement of the tenancy lease on 1 March 2022 of the APITA supermarket-cum-store at Taikoo Shing, Hong Kong, which was renewed on 18 March 2022.*

Based on the above, for the purpose of comparison between the two financial years ended 31 December 2022 and 31 December 2021, the rental and related expenses of HK$46 million (2021: HK$48 million) which comprised HK$46 million (2021: HK$47 million) classified under "Direct costs" and HK$Nil million (2021: HK$1 million) classified under "Other expenses", the depreciation charge on right-of-use assets of HK$115 million (2021: HK$107 million) (see above) and the finance cost on lease liabilities of HK$31 million (2021: HK$11 million) (see above) are aggregated which amounted to HK$192 million for the year ended 31 December 2022 (2021: HK$166 million).

The abovementioned year-on-year increase of HK$26 million for the year ended 31 December 2022 is mainly attributable to the increased contributions to depreciation charge on right-of-use assets and finance cost on lease liabilities from the UNY supermarket at Tseung Kwan O which commenced business operation in November 2021, and from the commencement of the tenancy lease on 1 March 2022 of the APITA supermarket-cum-store at Taikoo Shing which was renewed on 18 March 2022.

(vi) *Other income for the year ended 31 December 2022 included the approved ESS Subsidy to Unicorn in relation to the months of May 2022, June 2022 and July 2022 and in the aggregate amount of HK$3 million (2021: Nil).*

(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 and other income less losses of the Group, the Group recorded total profit after tax attributable to equity shareholders in the amount of HK$5 million for the year ended 31 December 2022 (2021: HK$34 million), representing a year-on-year decrease of HK$29 million, or 85%.

Finance costs on bank borrowing

During the year ended 31 December 2022 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 (2021: Nil).

Financial resources, liquidity and loan maturity profile

At 31 December 2022, the Group did not have any bank borrowing (2021: Nil) other than the Group's lease liabilities recognised under HKFRS 16 of HK$745 million (2021: HK$502 million), and had cash and bank balances of HK$260 million (2021: HK$360 million). The decrease of HK$100 million (or 28%) in the Group's cash and bank balances during the year ended 31 December 2022 is mainly attributable to (i) net aggregate cash inflows from operating, investing and financing activities (other than (ii) and (iii) below) in the amount of HK$44 million; (ii) cash outflow on the addition of fixed assets of HK$84 million mainly due to the phased renovation of Unicorn's store outlet at Taikoo Shing during the year; and (iii) the Group's payment of the final dividend for the previous year ended 31 December 2021 and the interim dividend for the six months ended 30 June 2022 in the aggregate amount of HK$60 million.

For the year ended 31 December 2022, the Group's profit from operations (including bank interest income but excluding finance costs) before taxation amounted to HK$46 million (2021: HK$67 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 (2021: Nil), there was no interest cover for the Group for the year ended 31 December 2022 (2021: None).

Based on the Group's cash and bank balances of HK$260 million at 31 December 2022, 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 2022 and 31 December 2021, 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 2022 and 31 December 2021.

Charge on assets

Assets of the Group were not charged to any parties at 31 December 2022 and 31 December 2021.

Capital commitments

At 31 December 2022, the Group had capital commitments in relation to fixed assets contracted but not provided for in the amount of HK$13 million (2021: HK$14 million), which includes the contracted capital expenditures for phase two renovation of Unicorn’s store outlet at Taikoo Shing.

Contingent liabilities

At 31 December 2022 and 31 December 2021, the Group did not have any contingent liabilities.

Employees and remuneration policy

At 31 December 2022, the Group had 1,039 (2021: 1,134) full-time employees and 134 (2021: 103) part-time employees. Total staff costs for the year ended 31 December 2022 amounted to HK$274 million (2021: HK$272 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 Wednesday, 31 May 2023 to Monday, 5 June 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Tuesday, 30 May 2023.

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

   The Register of Members of the Company will be closed from Friday, 9 June 2023 to Tuesday, 13 June 2023, 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 Thursday, 8 June 2023.

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 2023 and reviewed the risk management and internal control systems, and the annual report for the year ended 31 December 2022.

Corporate Governance

During the year ended 31 December 2022, 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 as well as appropriate Board committees and senior management, who possess the relevant knowledge and expertise. 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, 21 March 2023

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.