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

2021 INTERIM RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

INTERIM RESULTS AND DIVIDEND

The Group's (unaudited) profit attributable to equity shareholders for the six months ended 30 June 2021 amounted to HK$30 million, representing a decrease of HK$18 million or 38% from HK$48 million for the corresponding period in 2020. The decrease in profit for the period under review was mainly due to the absence of rent concessions from certain landlords and wage subsidies from the Government's "Employment Support Scheme" in the aggregate amount of about HK$21 million as recorded in the corresponding period of last year. Earnings per share were HK 1.0 cent (2020: HK 1.6 cents).

The Board has resolved to pay an interim dividend of HK 1.0 cent per share (2020: HK 1.0 cent per share) to shareholders whose names appear on the Register of Members of the Company on Wednesday, 8 September 2021 and such interim dividend will not be subject to any withholding tax in Hong Kong.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to the interim dividend, the Register of Members of the Company will be closed on Tuesday, 7 September 2021 and Wednesday, 8 September 2021, during which period no transfer of shares will be registered. In order to qualify for the interim 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 Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 6 September 2021. The interim dividend will be distributed to shareholders on Tuesday, 14 September 2021.

BUSINESS REVIEW

During the period under review, Hong Kong's economy improved as the local COVID-19 epidemic receded. Despite stalled inbound tourism, local consumption activities revived progressively following the Government's rollout of a vaccination programme and the gradual relaxation of social distancing measures. According to The Census and Statistics Department, the value of total retail sales in Hong Kong for the first half of 2021 increased by 8.4% compared with the same period last year. However, since residents resumed dining-out following the relaxation of certain social distancing measures, supermarkets' sales decreased by 9.5% period-on-period for the first half of 2021.

At the end of June 2021, the Group operated seven department stores or household specialty stores under the name of "Citistore" or "Citilife" (hereinafter collectively referred to as "Citistore"), as well as three department stores cum supermarkets or supermarket under the name of "APITA" or "UNY" (hereinafter collectively referred to as "UNY").

(I) Citistore

During the period under review, Citistore strategically adjusted its store network. Its Tai Kok Tsui store was closed at the end of June 2021 and two stand-alone household specialty stores under the name of "Citilife" were opened in April and June 2021 respectively. The household sections of "選之樂" within Citistore's department stores were also branded as "Citilife". In order to satisfy its customers' needs, "Citilife" provides diversified and affordable high-quality products ranging from cleaning supplies, stationery, kitchenware to small home appliances.

As at 30 June 2021, there were five department stores under the name of "Citistore" and two household specialty stores under the name of "Citilife" in the following densely populated residential districts:

	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 Shatin store	Shatin Plaza, New Territories	1,626
Citilife's Wong Tai Sin store	Temple Mall, Kowloon	1,629
	Total:	**351,975**

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

With the receding local epidemic, Citistore recorded a period-on-period increase of 5% in total sales derived from the sales of own goods, as well as concessionaire sales and consignment sales for the six months ended 30 June 2021. The breakdown is as follows:

	For the six months ended 30 June		
	2021	2020	
	HK$ million	HK$ million	Change
Proceeds from sales of own goods	**200**	189	+6%
Proceeds from concessionaire and consignment sales	**583**	560	+4%
Total:	**783**	749	+5%

Sales of Own Goods

During the period under review, Citistore's sales of own goods increased by 6% to HK$200 million with a gross margin slightly lowered to 32% due to intensified price competition in the retail market.

	For the six months ended 30 June	
	2021	2020
	HK$ million	HK$ million
Sales of own goods	**200**	189
Gross profit (after netting the cost of inventories sold)	**64**	62
Gross margin	**32%**	33%

Concessionaire and Consignment Sales

Citistore's concessionaire sales are conducted by concessionaires operating from their own shop spaces within Citistore's stores under licence agreements, whilst consignment sales comprise the sales of consignors' products on consignment basis in designated shelves or areas. Citistore charges these concessionaire and consignment counters on the basis of revenue sharing or basic commission (if any), whichever is higher, as its commission income. During the pandemic, the revenue sharing ratio and basic commission were lowered. The total commission income derived from these concessionaire and consignment counters remained flat at HK$171 million during the period under review, despite a 4% period-on-period increase in the sales proceeds generated by both counters:

	For the six months ended 30 June	
	2021	2020
	HK$ million	HK$ million
Sales proceeds from concessionaire counters	**178**	179
Sales proceeds from consignment counters	**405**	381
Total:	**583**	560
Commission income from concessionaire and consignment counters	**171**	171

Citistore's Profit Contribution

Both gross profit from the sales of own goods, as well as the commission income from concessionaire and consignment counters, remained stable. However, Citistore's profit after taxation for the period under review decreased by HK$1 million or 3% period-on-period to HK$33 million. The decrease in profit for the period under review was mainly due to the absence of rent concessions from certain landlords and wage subsidies from the Government's "Employment Support Scheme" in the aggregate amount of about HK$17 million as recorded in the corresponding period of last year.

(II) UNY

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

	Location	**Total lettable area (square feet)**
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
	Total:	**208,531**

During the period under review, certain precautionary 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 UNY's two store-cum-supermarkets (namely, APITA and UNY Lok Fu) recorded a period-on-period decrease of 7%. Including the additional contribution from UNY Yuen Long, which was opened in June 2020, UNY recorded a period-on-period increase of 2% in total proceeds derived from the sales of own goods and consignment sales for the six months ended 30 June 2021. The breakdown is as follows:

	For the six months ended 30 June		
	2021	2020	
	HK$ million	HK$ million	Change
Proceeds from sales of own goods	**480**	480	No change
Proceeds from consignment sales	**171**	157	+9%
Total:	**651**	637	+2%

Sales of Own Goods

	For the six months ended 30 June	
	2021	2020
	HK$ million	HK$ million
Sales of own goods	**480**	480
Gross profit (after netting the cost of inventories sold)	**139**	141
Gross margin	**29%**	29%

Consignment Sales

	For the six months ended 30 June	
	2021	2020
	HK$ million	HK$ million
Sales proceeds from consignment counters	**171**	157
Commission income from consignment counters and administration fee income	**40**	37

UNY's Profit Contribution

Due to the increase in operating costs caused by the addition of UNY Yuen Long, UNY recorded a loss after taxation of HK$5 million for the six months ended 30 June 2021. Whereas, a profit after taxation of HK$12 million was recorded for the corresponding period of last year and included therein was UNY's receipt of wage subsidies of HK$4 million from the Government's "Employment Support Scheme".

The after-tax profit contribution from Citistore and UNY amounted to HK$28 million in aggregate for the six months ended 30 June 2021. After taking into account the interest income, dividend income and administrative expenditures of its head office, the Group's profit attributable to equity shareholders during the period under review amounted to HK$30 million, representing a decrease of HK$18 million or 38% from that of HK$48 million for the corresponding period of last year.

CORPORATE FINANCE

Given its strong financial position, the Group had no bank borrowings (31 December 2020: HK$Nil) and its cash and bank balances amounted to HK$366 million (31 December 2020: HK$415 million) at 30 June 2021.

PROSPECTS

With the Government's launch of the Consumption Voucher Scheme, it is expected that local consumer sentiment will further improve. The Group will roll out various measures to promote customers' spending and enhance its operations.

Citistore will continue with its store development plan, with an aim to open five "Citilife" household specialty stores in the second half of 2021. Two have already been opened in Tuen Mun and Cheung Sha Wan in July 2021. Meanwhile, a new UNY supermarket is planned to be opened at MCP Central, Tseung Kwan O, in November 2021

Over the years, efforts have been made to strengthen the information technology infrastructure and to integrate the businesses of Citistore and UNY, so as to enhance their operational synergies and efficiency. A new point of sale (POS) system with self-service cashiers will be introduced for UNY in the second half of 2021, which will provide greater convenience to customers and shorten the payment process. In addition, new online shops will be launched for both Citistore and UNY. By fully integrating their online and offline operations, better and more individualised merchandise and services will be provided to customers.

The Group is developing a new customer relationship management (CRM) programme for all its retail brands so as to enhance the interaction with customers and promote business growth through cross promotions between different brands. Besides, a new centralised distribution centre is expected to commence operation in the first quarter of 2022. This centre will integrate the warehouse and logistic functions for both Citistore and UNY, thereby saving the Group's logistics costs and enhancing overall efficiency.

Lee Ka Shing
Chairman

Hong Kong, 23 August 2021

BUSINESS RESULTS

Consolidated Statement of Profit or Loss
for the six months ended 30 June 2021 – unaudited

	Note	For the six months ended 30 June	
		2021	2020
		HK$ million	HK$ million
Revenue	4	**895**	880
Direct costs		**(795)**	(764)
		100	116
Other revenue	5	**5**	6
Other income	6	**4**	14
Selling and marketing expenses		**(13)**	(11)
Administrative expenses		**(47)**	(51)
Profit from operations		**49**	74
Finance costs on lease liabilities	7(b)	**(14)**	(19)
Profit before taxation	7	**35**	55
Income tax	8	**(5)**	(7)
Profit attributable to equity shareholders of the Company for the period		**30**	48
		HK cent	HK cents
Earnings per share			
− Basic and diluted	9	**1.0**	1.6

Details of dividends payable to equity shareholders of the Company are set out in note 10.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2021 – unaudited

	For the six months ended 30 June	
	2021	2020
	HK$ million	HK$ million
Profit attributable to equity shareholders of the Company for the period	**30**	48
Other comprehensive income for the period:		
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 period	**33**	40

Consolidated Statement of Financial Position

	Note	**At 30 June 2021 (unaudited) HK$ million**	At 31 December 2020 (audited) HK$ million
Non-current assets			
Fixed assets		**100**	110
Right-of-use assets	12	**400**	552
Trademarks		**40**	41
Investments in listed securities designated as financial assets at fair value through other comprehensive income		**48**	45
Goodwill	13	**1,072**	1,072
Deferred tax assets		**26**	26
		1,686	1,846
Current assets			
Inventories		**124**	121
Trade and other receivables	14	**51**	48
Cash and bank balances		**366**	415
		541	584
Current liabilities			
Trade and other payables	15	**342**	380
Lease liabilities	16	**217**	261
Provision for reinstatement costs		**12**	-
Amounts due to affiliates		**4**	1
Current taxation		**5**	4
		580	646
Net current liabilities		**(39)**	(62)
Total assets less current liabilities		**1,647**	1,784
Non-current liabilities			
Lease liabilities	16	**285**	413
Provision for reinstatement costs		**5**	17
Deferred tax liabilities		**7**	7
		297	437
NET ASSETS		**1,350**	1,347

Consolidated Statement of Financial Position (continued)

	Note	**At 30 June 2021 (unaudited) HK$ million**	At 31 December 2020 (audited) HK$ million
CAPITAL AND RESERVES			
Share capital		**612**	612
Reserves		**738**	735
TOTAL EQUITY		**1,350**	1,347

NOTES

1 Review of results

The condensed interim financial statements are unaudited, but have been reviewed by PricewaterhouseCoopers ("PwC") in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). PwC's independent review report to the Board of Directors is included in the interim report to be sent to shareholders. In addition, the condensed interim financial statements have been reviewed with no disagreement by the Company's Audit Committee.

2 Basis of preparation

The condensed interim financial statements comprise those of Henderson Investment Limited ("the Company") and its subsidiaries (collectively referred to as "the Group").

The condensed interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting* issued by the HKICPA.

The condensed interim financial statements have been prepared in accordance with the same accounting policies adopted in the Company's consolidated financial statements for the year ended 31 December 2020, except for the accounting policy changes that are expected to be reflected in the Company's consolidated financial statements for the year ending 31 December 2021. Details of these changes in accounting policies are set out in note 3.

The preparation of condensed interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. Given the COVID-19 pandemic has caused and will likely cause significant disruptions to economic activities, the uncertainties associated with accounting estimates and assumptions may also be increased accordingly.

At 30 June 2021, the Group was in a net current liabilities position of HK$39 million (31 December 2020: HK$62 million). This was mainly due to the recognition of the current portion of lease liabilities of HK$217 million at 30 June 2021 (31 December 2020: HK$261 million) under 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 condensed interim financial statements have been prepared on a going concern basis.

The financial information relating to the year ended 31 December 2020 as comparative information that is included in this preliminary announcement of interim results for the six months ended 30 June 2021 does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from such financial statements. Further information relating to such statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

2 Basis of preparation (continued)

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).

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters (including those matters described in the Key Audit Matters section) to which the auditor drew attention by way of emphasis of matter without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

3 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 condensed interim financial statements for the current accounting period:

- Amendment to HKFRS 16, *COVID-19-related rent concessions beyond 30 June 2021* (*"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 six months ended 30 June 2021. During the corresponding six months ended 30 June 2020, the Group early adopted and applied the practical expedient under the amendment to HKFRS 16, *COVID-19-related rent concessions* and recognised HK$12 million (before taxation) 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 period.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 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 period. Revenue is analysed as follows:

	For the six months ended 30 June	
	2021	2020
	HK$ million	HK$ million
Sales of goods	**680**	669
Commission income from consignment counters	**158**	149
Commission income from concessionaire counters	**50**	56
Promotion income	**4**	3
Administration fee income	**3**	3
	895	880

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

	For the six months ended 30 June	
	2021	2020
	HK$ million	HK$ million
Receipts from sales of goods by consignment counters	**576**	538
Receipts from sales of goods by concessionaire counters	**178**	179
	754	717

5 Other revenue

	For the six months ended 30 June	
	2021	2020
	HK$ million	HK$ million
Sponsorship fees	**1**	1
Rental income for antenna sites	**2**	2
Sundry income	**2**	3
	5	6

6 Other income

	For the six months ended 30 June	
	2021	2020
	HK$ million	HK$ million
Bank interest income	**1**	3
Dividend income	**3**	1
Government subsidies (*note*)	**-**	10
	4	14

Note:

Grants from the government were recognised at their fair value where there was a reasonable assurance that the grant would be received (if the amount was not received at the end of the reporting period) and the Group would comply with all attached conditions, if any. Government grants relating to costs were deferred and recognised in profit or loss over the period necessary to match them with the costs that they were intended to compensate.

Included in the amount of government subsidies recognised for the corresponding six months ended 30 June 2020 was an amount of HK$9 million, being the aggregate amount of approved subsidies from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme promulgated by the Government of the Hong Kong Special Administrative Region of the People's Republic of China, for the Group's subsidiaries, namely Citistore (Hong Kong) Limited and Unicorn Stores (HK) Limited, in relation to the month of June 2020 in the amounts of HK$5 million and HK$4 million respectively.

7 Profit before taxation

Profit before taxation is arrived at after charging:

		For the six months ended 30 June	
		2021	2020
		HK$ million	HK$ million
(a) ***Staff costs:***			
Salaries, wages and other benefits		**131**	125
Contributions to defined contribution retirement plans		**6**	6
(b) ***Other items:***			
Amortisation of trademarks		**1**	1
Depreciation			
– on fixed assets		**20**	21
– on right-of-use assets	(note 12)	**108**	111
Finance costs on lease liabilities	(note 16)	**14**	19
Expenses relating to short-term leases		**1**	-
Other charges in respect of rental premises (*note*) (2020: after netting off rent concessions)		**51**	37
Cost of inventories sold		**477**	466

Note:

Included contingent rental expenses of HK$1 million (2020: HK$Nil) during the period.

8 Income tax

	For the six months ended 30 June	
	2021	2020
	HK$ million	HK$ million
Current tax — Hong Kong		
– provision for the period	**5**	7
Deferred taxation		
– origination and reversal of temporary differences	**-**	-
	5	7

Provision for Hong Kong Profits Tax has been made at 16.5% (2020: 16.5%) on the estimated assessable profit for the period.

9 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$30 million (2020: HK$48 million) and 3,047,327,395 (2020: 3,047,327,395) ordinary shares, being the number of ordinary shares in issue throughout the periods.

10 Dividends

(a) Dividend payable to equity shareholders of the Company attributable to the period

	For the six months ended 30 June	
	2021	2020
	HK$ million	HK$ million
Interim dividend declared after the end of the reporting period of HK1 cent (2020: HK1 cent) per share	**30**	30

The interim dividend declared 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/declared and paid during the period

	For the six months ended 30 June	
	2021	2020
	HK$ million	HK$ million
Final dividend in respect of the previous financial year, approved/declared and paid during the period, of HK1 cent (2020: HK1 cent) per share	**30**	30

11 Segment reporting

No segmental information for the six months ended 30 June 2021 and 30 June 2020 is presented as the Group's revenue and trading results for the periods were generated solely from its department stores and supermarket-cum-stores operations in Hong Kong, the revenue of which amounted to HK$895 million (2020: HK$880 million) during the period and the pre-tax profit from operation (after finance costs on lease liabilities) of which amounted to HK$33 million (2020: HK$53 million) during the period.

Geographical information

Since all of the Group's revenue was generated in Hong Kong during the six months ended 30 June 2021 and 30 June 2020, and all of the Group's fixed assets, right-of-use assets, trademarks and goodwill at 30 June 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*.

12 Right-of-use assets

	HK$ million
Cost:	
At 1 January 2020	1,494
Addition for the year (note 16)	92
Change in basic rent due to modification of certain lease terms (note 16)	(15)
Reassessment of lease term (note 16)	(1)
Lease payment made before lease commencement	1
Reinstatement cost	4
Write back on expiry of leases	(2)
At 31 December 2020 - *audited*	1,573
Accumulated depreciation:	
At 1 January 2020	(795)
Charge for the year	(228)
Write back on expiry of leases	2
At 31 December 2020 - *audited*	(1,021)
Net book value:	
At 31 December 2020 - *audited*	552
Cost:	
At 1 January 2021	**1,573**
Addition for the period (note 16)	**6**
Change in basic rent due to modification of certain lease terms (note 16)	**(47)**
Reassessment of lease term (note 16)	**(1)**
Reinstatement cost	**(2)**
Write back on expiry of leases	**(13)**
At 30 June 2021 - *unaudited*	**1,516**
Accumulated depreciation:	
At 1 January 2021	**(1,021)**
Charge for the period (note 7(b))	**(108)**
Write back on expiry of leases	**13**
At 30 June 2021 - *unaudited*	**(1,116)**
Net book value:	
At 30 June 2021 - *unaudited*	**400**

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

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

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

13 Goodwill

	At 30 June 2021 (unaudited) HK$ million	At 31 December 2020 (audited) HK$ million
Citistore Goodwill (as defined below)	**810**	810
UNY HK 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 (Hong Kong) Limited ("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 30 June 2021) for the five future periods of twelve months ending on 30 June 2022, 30 June 2023, 30 June 2024, 30 June 2025 and 30 June 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 9.3% in the forecast receipts from gross sales for each future period of twelve months ending on 30 June 2022, 30 June 2023, 30 June 2024, 30 June 2025 and 30 June 2026;

(ii) the respective gross profit margins of department stores and household specialty stores for each future period of twelve months ending on 30 June 2022, 30 June 2023, 30 June 2024, 30 June 2025 and 30 June 2026 remain stable;

(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 30 June 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.

13 Goodwill (continued)

(a) Citistore Goodwill (continued)

The abovementioned forecast changes in the receipts from gross sales in each future period of twelve months ending on 30 June 2022, 30 June 2023, 30 June 2024, 30 June 2025 and 30 June 2026 are based on the expectations of the Group's management of their plans and market development as at 30 June 2021. A post-tax discount rate of 11% (31 December 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 30 June 2021.

At 30 June 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 30 June 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 future period of twelve months ending on 30 June 2022, 30 June 2023, 30 June 2024, 30 June 2025 and 30 June 2026 had been 4% lower, the Directors have assessed that it would not result in an impairment loss on the Citistore Goodwill. In this regard, by adopting a 4% decrease in the forecast receipts from gross sales of Citistore for each future period of twelve months ending on 30 June 2022, 30 June 2023, 30 June 2024, 30 June 2025 and 30 June 2026 in the aforementioned sensitivity analysis, consideration has been given to, among others, (i) the feature of Citistore's business operation of department stores in Hong Kong ; (ii) the sensitivity of Citistore's business operation to the economic and market conditions in Hong Kong; and (iii) Citistore's actual versus budgeted financial performances in the past years.

(b) UNY Goodwill

On 31 May 2018, Urban Kirin Limited, a wholly-owned subsidiary of the Company, acquired the entire issued share capital of UNY (HK) Co., Limited ("UNY", which was renamed as Unicorn Stores (HK) Limited on 27 July 2018) for an adjusted cash consideration of HK$291 million (the "UNY Acquisition").

As a result of the UNY Acquisition, and based on the fair value of UNY's identifiable assets less liabilities of HK$29 million at 31 May 2018, goodwill in the amount of HK$262 million (the "UNY Goodwill") was recognised in the Group's consolidated statement of financial position at 31 May 2018 under the acquisition method of accounting in accordance with HKFRS 3 (Revised), *Business combinations*. The UNY 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.

13 Goodwill (continued)

(b) UNY Goodwill (continued)

Impairment assessment is carried out by determining the fair value less cost of disposal of the cash-generating unit under UNY. 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 30 June 2021) for the five future periods of twelve months ending on 30 June 2022, 30 June 2023, 30 June 2024, 30 June 2025 and 30 June 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 15.7% in the forecast receipts from gross sales for each future period of twelve months ending on 30 June 2022, 30 June 2023, 30 June 2024, 30 June 2025 and 30 June 2026;

(ii) an average increase of 0.4% in the gross profit margin for each future period of twelve months ending on 30 June 2022, 30 June 2023, 30 June 2024, 30 June 2025 and 30 June 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 30 June 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 future period of twelve months ending on 30 June 2022, 30 June 2023, 30 June 2024, 30 June 2025 and 30 June 2026 are based on the expectations of the Group's management of their plans and market development as at 30 June 2021. A post-tax discount rate of 11% (31 December 2020: 11%), which represents the Group's current market assessment of the risks specific to the cash-generating unit under UNY, is used to determine the discount factor under the discounted cashflow model.

The Directors have assessed that there was no impairment on the UNY Goodwill at 30 June 2021.

At 30 June 2021, in relation to the cash-generating unit under UNY, the recoverable amount calculated based on fair value less cost of disposal (after deducting the carrying amounts of the fixed assets, right-of-use assets and negative working capital of UNY at 30 June 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 future period of twelve months ending on 30 June 2022, 30 June 2023, 30 June 2024, 30 June 2025 and 30 June 2026 had been 2% lower, the Directors have assessed that it would not result in an impairment loss on the UNY Goodwill. In this regard, by adopting a 2% decrease in the forecast receipts from gross sales of UNY for each future period of twelve months ending on 30 June 2022, 30 June 2023, 30 June 2024, 30 June 2025 and 30 June 2026 in the aforementioned sensitivity analysis, consideration has been given to, among others, (i) the feature of UNY's business operation of supermarket-cum-stores in Hong Kong; (ii) the sensitivity of UNY's business operation to the economic and market conditions in Hong Kong; and (iii) UNY's actual versus budgeted financial performances in the past years. However, if the forecast gross profit margin for each future period of twelve months ending on 30 June 2022, 30 June 2023, 30 June 2024, 30 June 2025 and 30 June 2026 had been 2% lower, there would be a potential implication for impairment on the Unicorn Goodwill in the estimated amount of HK$50 million.

14 Trade and other receivables

	At 30 June 2021 (unaudited) HK$ million	At 31 December 2020 (audited) HK$ million
Trade debtors	**8**	11
Deposits, prepayments and other receivables	**43**	37
	51	48

At 30 June 2021, all of the trade and other receivables were expected to be recovered or recognised as expense within one year from the end of the reporting period, except for various deposits of HK$8 million (31 December 2020: HK$27 million) which are expected to be recovered after more than one year from the end of the reporting period.

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

	At 30 June 2021 (unaudited) HK$ million	At 31 December 2020 (audited) HK$ million
Current or under 1 month overdue	**8**	11

In respect of trade and other receivables, the Group considers the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis for each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the assets at the end of each reporting period with the risk of default at the date of initial recognition. It considers available, reasonable and supportive forward-looking information. Especially, the following indicators are incorporated:

- external credit rating of the counterparty (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;
- actual or expected significant changes in the operating results of the counterparty; and
- significant expected changes in the performance and behaviour of the counterparty, including changes in the payment status of the counterparty and changes in the operating results of the counterparty.

A default on trade and other receivables is when the counterparty fails to make contractual payments when they fall due.

14 Trade and other receivables (continued)

Trade and other receivables are written off when there is no reasonable expectation of recovery.

The Group considers the identified expected credit losses on trade and other receivables at 30 June 2021 and 31 December 2020 as minimal.

15 Trade and other payables

	At 30 June 2021 (unaudited) HK$ million	At 31 December 2020 (audited) HK$ million
Trade creditors	**263**	276
Contract liabilities (note)	**13**	14
Accrued expenses and other payables	**58**	81
Deposits received	**8**	9
	342	380

Note:
During the six months ended 30 June 2021, HK$9 million (Year ended 31 December 2020: HK$10 million) that was included in contract liabilities at the beginning of the reporting period was recognised as receipts from sales of goods under revenue (note 4). Most of the contract liabilities at 30 June 2021 and 31 December 2020 were expected to be recognised within one year.

At 30 June 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$1 million (31 December 2020: HK$1 million) which was expected to be settled after more than one year.

At the end of the reporting period, the ageing analysis of trade creditors was as follows:

	At 30 June 2021 (unaudited) HK$ million	At 31 December 2020 (audited) HK$ million
Due within 1 month or on demand	**222**	235
Due after 1 month but within 3 months	**41**	41
	263	276

16 Lease liabilities

	HK$ million
At 1 January 2020	830
Addition for the year (note 12)	92
Change in basic rent due to modification of certain lease terms (note 12)	(15)
Reassessment of lease term (note 12)	(1)
Effects of rent concessions and reduction	(23)
Lease payments made during the year	(245)
Finance costs on lease liabilities for the year	36
At 31 December 2020 - *audited*	674
At 1 January 2021	**674**
Addition for the period (note 12)	**6**
Change in basic rent due to modification of certain lease terms (note 12)	**(47)**
Reassessment of lease term (note 12)	**(1)**
Lease payments made during the period	**(144)**
Finance costs on lease liabilities for the period (note 7(b))	**14**
At 30 June 2021 - *unaudited*	**502**

	At 30 June 2021 (unaudited) HK$ million	At 31 December 2020 (audited) HK$ million
Represented by:		
Amount classified under current liabilities		
- contractual maturity within 1 year	**217**	261
Amounts classified under non-current liabilities		
- contractual maturity after 1 year and within 2 years	**178**	207
- contractual maturity after 2 years and within 5 years	**107**	205
- contractual maturity after 5 years	**-**	1
	285	413
Total carrying amount of lease liabilities	**502**	674

16 Lease liabilities (continued)

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 12) at initial recognition, adjusted for modification/reassessment of the lease term for certain leases, and after deducting the lease payments made for such Remaining Lease during the six months ended 30 June 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 30 June 2021 is an amount of HK$334 million (31 December 2020: HK$460 million) relating to the lease liabilities payable to affiliates.

At 30 June 2021, the Group had entered into tenancy leases with fellow subsidiaries with expiry date on 30 September 2023, which are not yet commenced. The Group prepaid a sum in the amount of HK$2 million included in "Trade and other receivables", HK$1 million of which was a prepaid basic rent. The total basic rental payable by the Group amounts to HK$32 million during the lease tenures.

FINANCIAL REVIEW

The following discussions should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021.

Material acquisitions and disposals

The Group did not undertake any significant acquisition or disposal of assets or subsidiaries during the six months ended 30 June 2021.

Results of operations

During the six months ended 30 June 2021, the Group was engaged in the operation of (i) department stores in Hong Kong under Citistore (Hong Kong) Limited ("Citistore", a wholly-owned subsidiary of the Company); and (ii) supermarket-cum-stores in Hong Kong under Unicorn Stores (HK) Limited ("UNY", a wholly-owned subsidiary of the Company).

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

Citistore

During the six months ended 30 June 2021, Citistore opened two new household speciality stores under the name of "**Citilife**", in Shatin, the New Territories and Wong Tai Sin, Kowloon, which commenced business operations in April 2021 and June 2021 respectively.

The Group recognised the following financial performance of Citistore for the six months ended 30 June 2021 as compared with the corresponding six months ended 30 June 2020:

	Note	Six months ended 30 June 2021 HK$ million	2020 HK$ million	*Increase/ (Decrease) HK$ million*	*Increase/ (Decrease) %*
Revenue					
- Sales of goods		**200**	189	*11*	*+6%*
- Commission income derived from consignment counters		**121**	115	*6*	*+5%*
- Commission income derived from concessionaire counters		**50**	56	*(6)*	*-11%*
- Promotion income		**4**	3	*1*	*+33%*
	(i)	**375**	363	*12*	*+3%*
Direct costs					
- Cost of inventories sold		**(136)**	(127)	*(9)*	*+7%*
- Rental and related expenses	*(ii)*	**(29)**	(16)	*(13)*	*+81%*
- Staff salaries and related expenses		**(56)**	(57)	*1*	*-2%*
- Depreciation charge on fixed assets		**(8)**	(11)	*3*	*-27%*
- Depreciation charge on right-of-use assets	*(ii)*	**(55)**	(62)	*7*	*-11%*
- Others		**(17)**	(15)	*(2)*	*+13%*
		(301)	(288)	*(13)*	*+5%*
Other revenue		**3**	3	-	-
Other income	*(iii)*	**-**	6	*(6)*	*-100%*
Selling and marketing expenses		**(4)**	(4)	-	-
Administrative expenses		**(25)**	(28)	*3*	*-11%*
Profit from operations		**48**	52	*(4)*	*-8%*
Finance costs on lease liabilities	*(ii)*	**(9)**	(12)	*3*	*-25%*
Profit before taxation		**39**	40	*(1)*	*-3%*
Income tax charge		**(6)**	(6)	-	-
Profit after taxation attributable to equity shareholders of the Company	*(iv)*	**33**	34	*(1)*	*-3%*

Notes:

(i) *The period-on-period increase in revenue of HK$12 million, or 3%, is mainly attributable to the increases in revenue contribution from the sales of own goods during the six months ended 30 June 2021, which in turn is due to the period-on-period decrease of an aggregate of 889 shortened operating business hours of Citistore's store outlets when compared with the corresponding six months ended 30 June 2020.*

By comparison, the outbreak of the COVID-19 pandemic since early January 2020 had affected business and economic activities in Hong Kong, including the retail sector, during the corresponding six months ended 30 June 2020.

Included within the revenue for the six months ended 30 June 2021 is the contribution from Citilife's business operation in the amount of HK$3 million for the same period (2020: Nil).

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

On the other hand, for each tenancy lease of Citistore (including Citilife) other than the short-term leases in relation to which the "practical expedient" under HKFRS16 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 HKFRS16 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$57 million (2020: HK$64 million), which comprised amounts of HK$55 million (2020: HK$62 million) classified under "Direct costs" and HK$2 million (2020: HK$2 million) classified under "Administrative expenses", in the statement of profit or loss for the six months ended 30 June 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$9 million (2020: HK$12 million) in the statement of profit or loss for the six months ended 30 June 2021.*

Based on the above, for the purpose of comparison between the two periods of six months ended 30 June 2021 and 2020, the rental and related expenses of HK$30 million (2020: HK$17 million) which comprised HK$29 million (2020: HK$16 million) classified under "Direct costs" and HK$1 million (2020: HK$1 million) classified under "Administrative expenses", the depreciation charge on right-of-use assets of HK$57 million (2020: HK$64 million) (see above) and the finance cost on lease liabilities of HK$9 million (2020: HK$12 million) (see above) are aggregated which amounted to HK$96 million for the six months ended 30 June 2021 (2020: HK$93 million). The period-on-period increase of HK$3 million (or 3%) is mainly attributable to the fact that the rental and related expenses for the corresponding six months ended 30 June 2020 has netted off the rent concessions granted to Citistore by the landlords of the store outlets in the amount of HK$12 million during that period, and which did not recur for Citistore (including Citilife) for the six months ended 30 June 2021.

However, excluding the effect of rent concessions recognised for the corresponding six months ended 30 June 2020, the aggregate of rental and related expenses, depreciation charge on right-of-use assets and finance cost on lease liabilities would have amounted to HK$105 million for the corresponding six months ended 30 June 2020. By comparison and on a like-for-like basis, the aggregate of rental and related expenses, depreciation charge on right-of-use assets and finance cost on lease liabilities of HK$96 million for the six months ended 30 June 2021 represented a period-on-period decrease of HK$9 million (or 9%), which is mainly attributable to the rent reductions granted to certain site areas of the Tsuen Wan store, Yuen Long store and Tseung Kwan O store during the six months ended 30 June 2021.

(iii) *Other income of HK$6 million for the corresponding six months ended 30 June 2020 comprised the amortised amount in June 2020 of HK$5 million in relation to the subsidy from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme promulgated by HKSAR Government ("ESS Subsidy") and other COVID-19 related subsidy from HKSAR Government of HK$1 million received by Citistore. Such ESS Subsidy and other COVID-19 related subsidy income did not recur for Citistore for the six months ended 30 June 2021.*

(iv) *The profit after taxation attributable to equity shareholders of the Company for the six months ended 30 June 2021 included the break-even post-tax results of Citilife for the same period, due to Citilife's operating and administrative expenses which mainly comprised salaries, rental and related expenses, depreciation charge on leasehold improvements and right-of-use assets, and finance costs on lease liabilities.*

UNY

The Group recognised the following financial performance of UNY for the six months ended 30 June 2021 as compared with the corresponding six months ended 30 June 2020:

		Six months ended 30 June		*Increase/*	*Increase/*
		2021	2020	*(Decrease)*	*(Decrease)*
	Note	**HK$ million**	HK$ million	*HK$ million*	*%*
Revenue					
- Sales of goods		**480**	480	-	-
- Commission income derived from consignment counters		**37**	34	*3*	*+9%*
- Administration fee income		**3**	3	-	-
		520	517	*3*	*+1%*
Direct costs					
- Cost of inventories sold		**(341)**	(339)	*(2)*	*+1%*
- Rental and related expenses	*(v)*	**(22)**	(19)	*(3)*	*+16%*
- Staff salaries and related expenses	*(vi)*	**(48)**	(41)	*(7)*	*+17%*
- Depreciation charge on fixed assets	*(vi)*	**(10)**	(8)	*(2)*	*+25%*
- Depreciation charge on right-of-use assets	*(v)*	**(50)**	(46)	*(4)*	*+9%*
- Others		**(23)**	(23)	-	-
		(494)	(476)	*(18)*	*+4%*
Other revenue		**2**	3	*(1)*	*-33%*
Other income	*(vii)*	**-**	4	*(4)*	*-100%*
Selling and marketing expenses		**(9)**	(7)	*(2)*	*+29%*
Administrative expenses		**(20)**	(21)	*1*	*-5%*
(Loss)/profit from operations		**(1)**	20	*(21)*	*-105%*
Finance costs on lease liabilities	*(v)*	**(5)**	(7)	*2*	*-29%*
(Loss)/profit before taxation		**(6)**	13	*(19)*	*-146%*
Income tax credit / (charge)		**1**	(1)	*2*	*-200%*
(Loss)/profit after taxation attributable to equity shareholders of the Company		**(5)**	12	*(17)*	*-142%*

Notes:

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

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

- *right-of-use assets in the statement of financial position measured at their carrying amounts (as if HKFRS16 had been applied since the commencement date of the tenancy lease). Accordingly, UNY recognised the related depreciation charge on right-of-use assets in the aggregate amount of HK$51 million (2020: HK$47 million), which comprised amounts of HK$50 million (2020: HK$46 million) classified under "Direct costs" and HK$1 million (2020: HK$1 million) classified under "Administrative expenses", in the statement of profit or loss for the six months ended 30 June 2021; and*

- *lease liabilities in the statement of financial position, which are interest-bearing at UNY 's estimated incremental borrowing rate. Accordingly, UNY recognised the related finance cost on lease liabilities in the amount of HK$5 million (2020: HK$7 million) in the statement of profit or loss for the six months ended 30 June 2021.*

Based on the above, for the purpose of comparison between the two periods of six months ended 30 June 2021 and 2020, the rental and related expenses of HK$22 million (2020: HK$20 million) which comprised HK$22 million (2020: HK$19 million) classified under "Direct costs" and HK$Nil (2020: HK$1 million) classified under "Administrative expenses", the depreciation charge on right-of-use assets of HK$51 million (2020: HK$47 million) (see above) and the finance cost on lease liabilities of HK$5 million (2020: HK$7 million) (see above) are aggregated which amounted to HK$78 million for the six months ended 30 June 2021 (2020: HK$74 million). The period-on-period increase of HK$4 million (or 5%) is mainly attributable to the financial effects of the UNY supermarket at Yuen Long for the whole period of six months ended 30 June 2021, as compared with its negligible financial effects during the corresponding six months ended 30 June 2020.

(vi) *The period-on-period increases in staff salaries and related expenses and depreciation charge on fixed assets for the six months ended 30 June 2021 are mainly attributable to the financial effects of the UNY supermarket at Yuen Long for the whole period of six months ended 30 June 2021, as compared with its negligible financial effects during the corresponding six months ended 30 June 2020.*

(vii) *Other income of HK$4 million for the corresponding six months ended 30 June 2020 represented the amortised amount in June 2020 in relation to the ESS Subsidy received by UNY. Such ESS Subsidy income did not recur for UNY for the six months ended 30 June 2021.*

(b) Overall

Aggregating the abovementioned profits after tax of the department stores and supermarket-cum-stores operations in Hong Kong and the profit after tax at corporate level of HK$2 million for the six months ended 30 June 2021 (2020: HK$2 million) mainly due to the Group's bank interest income and dividend income less administrative expenses, the Group recorded total profit after tax attributable to equity shareholders in the amount of HK$30 million for the six months ended 30 June 2021 (2020: HK$48 million), representing a period-on-period decrease of HK$18 million, or 38%.

Excluding the effects of (i) the ESS Subsidy and other COVID-19 related subsidy from HKSAR Government for Citistore and UNY amortised in June 2020 in the aggregate amount of HK$10 million; and (ii) the rent concessions granted to Citistore by the landlords of the store outlets in the amount of HK$12 million, both during the corresponding six months ended 30 June 2020 as referred to above, the performances of the Group's total profit after tax attributable to equity shareholders for the six months ended 30 June 2021 and 30 June 2020 are as follows :

	Six months ended 30 June		*Increase / (Decrease)*	
	2021 HK$ million	2020 HK$ million	*HK$ million*	*%*
Total profit after tax attributable to equity shareholders - as reported above	**30**	48	*(18)*	*-38%*
Less :				
ESS Subsidy and other COVID-19 related subsidy from HKSAR Government	**-**	(10)	*10*	
Rent concessions granted to Citistore (after tax)	**-**	(10)	*10*	
Total profit after tax attributable to equity shareholders (2020: as adjusted)	**30**	28	*2*	*+7%*

Finance costs on bank borrowing

During the six months ended 30 June 2021 and excluding the finance costs on lease liabilities recognised by the Group under HKFRS16, 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 30 June 2021, the Group did not have any bank borrowing (31 December 2020: Nil).

At 30 June 2021, the Group had cash and bank balances of HK$366 million (31 December 2020: HK$415 million). Excluding the Group's lease liabilities recognised by the Group under HKFRS16 of HK$502 million at 30 June 2021 (31 December 2020: HK$674 million), the Group had net cash and bank balances of HK$366 million at 30 June 2021 (31 December 2020: HK$415 million). The decrease of HK$49 million (or 12%) in the Group's cash and bank balances during the six months ended 30 June 2021 is mainly attributable to (i) the net aggregate cash outflow of HK$8 million arising from the operating activities of the Group after rental payments during the period; (ii) the cash outflow on the acquisition of fixed assets for the Group in the aggregate amount of HK$12 million during the period; and (iii) the payment in June 2021 of the Group's final dividend of HK$30 million for the previous year ended 31 December 2020.

For the six months ended 30 June 2021, the Group's profit from operations (including bank interest income but excluding finance costs) before taxation amounted to HK$49 million (2020: HK$74 million). Excluding the finance costs on lease liabilities recognised by the Group under HKFRS16, 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 six months ended 30 June 2021 (2020: None).

Based on the Group's net cash and bank balances of HK$366 million at 30 June 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 30 June 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 30 June 2021 and 31 December 2020.

Charge on assets

Assets of the Group were not charged to any parties at 30 June 2021 and 31 December 2020.

Capital commitments

At 30 June 2021, the Group had capital commitments in relation to fixed assets contracted but not provided for in the amount of HK$23 million (31 December 2020: HK$15 million).

Contingent liabilities

At 30 June 2021 and 31 December 2020, the Group did not have any contingent liabilities.

Employees and remuneration policy

At 30 June 2021, the Group had 1,112 (31 December 2020: 1,118) full-time employees and 108 (31 December 2020: 147) part-time employees. The decrease in the number of part-time employees is mainly due to the Group's review of the manpower resources of Citistore and UNY for the purpose of maximising their operating competitiveness.

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

Total staff costs for the six months ended 30 June 2021 amounted to HK$137 million (2020: HK$131 million). The increase in total staff costs for the six months ended 30 June 2021 is mainly due to the increase in staff costs of the UNY supermarket at Yuen Long for the whole period of six months ended 30 June 2021, as compared with its negligible financial effects during the corresponding six months ended 30 June 2020.

OTHER INFORMATION

Review of Interim Results

The unaudited interim results for the six months ended 30 June 2021 have been reviewed by the auditor of the Company, PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the Hong Kong Institute of Certified Public Accountants.

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

During the period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

Audit Committee

The Audit Committee met in August 2021 and reviewed the systems of internal control, risk management and compliance, and the interim report for the six months ended 30 June 2021.

Corporate Governance

During the six months ended 30 June 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 code provision A.2.1 of the CG Code. The Company is of the view that it is in the best interest of the Company to let Mr Lee Ka Shing act in the dual capacity as the Chairman and Managing Director given Mr Lee’s in-depth expertise and knowledge in business and the Group. Although the roles of the chairman and the chief executive officer of the Company have not been segregated, powers and authorities have not been over-concentrated as all major decisions are made in consultation with Board members and senior management who possess the relevant knowledge and expertise, as well as appropriate Board committees. Hence, the current arrangements are subject to adequate checks and balances notwithstanding the deviation.

Model Code for Securities Transactions by Directors

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

Forward-Looking Statements

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

On behalf of the Board
Lee Ka Shing
Chairman

Hong Kong, 23 August 2021

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