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

2023 FINAL RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

LOSS AND NET ASSET VALUE ATTRIBUTABLE TO SHAREHOLDERS

The Group's loss attributable to equity shareholders for the year ended 31 December 2023 amounted to HK$72 million, as compared with the profit attributable to equity shareholders of HK$5 million for the previous year. The loss is mainly attributable to (i) the lower sales from APITA at Taikoo Shing due to its phased renovations; (ii) the decrease in customers' demand for food and daily necessities at the Group's supermarkets due to the lifting of social distancing measures since the end of 2022; and (iii) the fall in retail sales of the Group due to an increase in outbound travel, and cross-border consumption and shopping. The loss per share was HK 2.4 cents (2022: Earnings per share was HK 0.2 cent).

As at 31 December 2023, the net asset value attributable to equity shareholders amounted to HK$1,173 million or HK$0.38 per share (2022: HK$1,270 million or HK$0.42 per share).

DIVIDEND

The Board has resolved not to recommend the payment of a final dividend (2022: HK 1.0 cent per share) for the year under review, because of the loss suffered.

BUSINESS REVIEW

During the year, Hong Kong's retail sector generally performed well due to the lifting of social distancing measures and travel restrictions at the end of 2022. However, the increase in outbound travel, as well as cross-border consumption and shopping, have weakened domestic consumption. Local supermarkets' businesses were further adversely affected as people purchased less food and daily necessities at supermarkets after the pandemic. According to the Census and Statistics Department, the value of sales of commodities in supermarkets (including the retail sales in supermarket sections of department stores) decreased by 7.1% year-on-year.

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 three 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

Citistore's existing store network is 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	68,276
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 Tin Shui Wai store	T Town South, New Territories	3,660
	Total:	**351,901**

** A Citilife counter was also set up in each store.*

During the year, Citistore optimised its merchandise mix and offered more travel-related items, apparel and cosmetics so as to meet the changing market demand. It continued to launch various promotional sales campaigns and strengthened its co-operation with suppliers in order to improve its overall operational performance. In addition, cashier operations were successively consolidated in its stores to streamline customers' payment process and enhance operational efficiency. As a result of these measures, Citistore's aggregate sales proceeds derived from the sales of own goods, consignment sales and concessionaire sales for the year ended 31 December 2023 remained flat at HK$1,542 million despite keen competition in the market. The breakdown is as follows:

	For the year ended 31 December		
	2023	2022	
	HK$ million	HK$ million	Change
Proceeds from sales of own goods	**319**	359	-11%
Proceeds from consignment sales	**783**	820	-5%
Proceeds from concessionaire sales	**440**	363	+21%
Total:	**1,542**	1,542	-

Sales of Own Goods

Due to lower demand for certain household groceries, Citistore's sales of own goods during the year decreased by 11% to HK$319 million but its gross margin rose to 34% due to its effective procurement strategy.

	For the year ended 31 December	
	2023	2022
	HK$ million	HK$ million
Sales of own goods	**319**	359
Gross profit (after netting the cost of inventories sold)	**107**	113
Gross margin	**34%**	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 for these consignment and concessionaire arrangements 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 sales increased by 3% year-on-year to HK$351 million, the breakdown of which is shown below and which mainly reflects the increase in the aggregate sales proceeds generated by the concessionaire counters as shown above:

	For the year ended 31 December		
	2023	2022	
	HK$ million	HK$ million	Change
Commission income:			
- derived from consignment counters	**234**	242	-3%
- derived from concessionaire counters	**117**	98	+19%
Total:	**351**	340	+3%

Citistore's Profit Contribution

Despite the net aggregate increase of HK$5 million year-on-year in gross profit and commission income taken together, Citistore's profit after taxation for the year under review decreased by HK$23 million or 28% year-on-year from HK$81 million in the previous year to HK$58 million. This is 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$16 million (after tax) as recorded in the previous year.

(II) Unicorn

Unicorn's existing store network is 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 achieved the following milestones in its operations of APITA at Taikoo Shing:

- APITA's 20-month phased renovations were fully completed in the fourth quarter of 2023, offering a refreshing and comfortable shopping experience for customers. Covering over 40,000 square feet, its revamped supermarket was the first among its peers in Hong Kong to offer Angus Beef certified by the American Angus Association, in addition to a diverse selection of the finest meats from all over the world. The new wine counter also introduced many prestigious worldwide wines and spirits, enriching customers' lifestyle experience.

- The basement food court (namely, "APITA Eatery") has been well received since its launch in November 2022. Its shop design and operations incorporate certain sustainability elements, such as highly efficient equipment, an improved kitchen environment and participation in food waste recycling. APITA Eatery was thus awarded "Green Kitchen".

Due to the lifting of social distancing measures in Hong Kong at the end of 2022, customers' demand for food and daily necessities at supermarkets has decreased. Together with lower sales from APITA due to its phased renovations, as well as the fall in retail sales due to an increase in outbound travel, cross-border consumption and shopping, Unicorn recorded a year-on-year decrease of 16% in total proceeds derived from the sales of own goods and consignment sales for the year ended 31 December 2023. The breakdown is as follows:

	For the year ended 31 December		
	2023	2022	
	HK$ million	HK$ million	Change
Proceeds from sales of own goods	**799**	1,000	-20%
Proceeds from consignment sales	**322**	334	-4%
Total:	**1,121**	1,334	-16%
Sales of Own Goods			
Gross profit from sales of own goods (after netting the cost of inventories sold)	**218**	282	
Gross margin	**27%**	28%	
Consignment Sales			
Commission income from consignment counters	**71**	75	

Unicorn's Loss Contribution

After deducting operation expenses, Unicorn recorded a loss after taxation of HK$120 million for the year ended 31 December 2023 (2022: HK$63 million).

Consolidated Results

The results of the Group for the year ended 31 December 2023 are summarised below:

	For the year ended 31 December					
	2023			2022		
	HK$ million			HK$ million		
	Citistore	**Unicorn**	**Total**	Citistore	Unicorn	Total
The Group's major revenue:						
Sales of own goods	**319**	**799**	**1,118**	359	1,000	1,359
Commission income from consignment sales	**234**	**71**	**305**	242	75	317
Commission income from concessionaire sales	**117**	**-**	**117**	98	-	98
Sales proceeds from consignment and concessionaire counters:						
Sales proceeds from consignment counters	**783**	**322**	**1,105**	820	334	1,154
Sales proceeds from concessionaire counters	**440**	**-**	**440**	363	-	363

The after-tax loss from Citistore and Unicorn amounted to HK$62 million in aggregate for the year ended 31 December 2023 (2022: after-tax profit amounted to HK$18 million in aggregate). After taking into account other incomes and expenses, the Group's loss attributable to equity shareholders during the year amounted to HK$72 million, as compared with a profit attributable to equity shareholders of HK$5 million for the previous year.

CORPORATE FINANCE

As at 31 December 2023, the Group had no bank borrowings (2022: HK$Nil) and its cash and bank balances amounted to HK$85 million (2022: HK$260 million).

PROSPECTS

Efforts have been made to integrate the businesses of Citistore and Unicorn, so as to enhance the operational synergies and efficiency. Their online shopping platforms were both merged into the “CU APP” mobile application. Shoppers can now place orders for both Citistore and Unicorn through this one-stop shopping platform, whilst earning bonus points and redeeming rewards. Meanwhile, “CU APP” introduced new functions such as “eVoucher” and “eProduct coupon” schemes so as to provide added shopping convenience to its 600,000 members.

Looking ahead, the Group will continue to focus on membership base expansion. Leveraging the strength of its Customer Relationship Management (CRM) programme to help understand customer needs, the Group will target to increase the average ticket size and encourage repeated patronage among its members by introducing targeted promotional campaigns. The Group will centralise the back office functions to improve efficiency, whilst the collaboration between Citistore and Unicorn on marketing promotion, central sourcing and vendor management will also be strengthened, thereby improving the Group’s overall results.

APPRECIATION

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

Dr Lee Ka Shing
Chairman

Hong Kong, 21 March 2024

BUSINESS RESULTS

Consolidated Statement of Profit or Loss
for the year ended 31 December 2023

	Note	**2023** **HK$ million**	2022 HK$ million
Revenue	3	**1,551**	1,786
Direct costs		**(1,482)**	(1,623)
		69	163
Other revenue	4	**11**	11
Other income/expenses and other gains/losses, net	5	**4**	9
Selling and marketing expenses		**(25)**	(31)
Administrative expenses		**(110)**	(106)
(Loss)/profit from operations		**(51)**	46
Finance costs	6(c)	**(35)**	(41)
(Loss)/profit before taxation	6	**(86)**	5
Income tax	7	**14**	-
(Loss)/profit attributable to equity shareholders of the Company for the year		**(72)**	5
		HK cents	HK cent
(Loss)/earnings per share			
- Basic and diluted	10	**(2.4)**	0.2

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2023

	2023 **HK$ million**	2022 HK$ million
(Loss)/profit attributable to equity shareholders of the Company for the year	**(72)**	5
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)	**5**	1
Total comprehensive income attributable to equity shareholders of the Company for the year	**(67)**	6

Consolidated Statement of Financial Position

at 31 December 2023

	Note	**2023** HK$ million	2022 HK$ million
Non-current assets			
Fixed assets		**182**	169
Right-of-use assets	11	**888**	681
Trademarks		**35**	37
Investment in listed securities designated as financial assets at fair value through other comprehensive income		**24**	19
Investment in listed securities as financial assets at fair value through profit or loss		**18**	20
Goodwill	12	**1,072**	1,072
Deferred tax assets		**61**	39
		2,280	2,037
Current assets			
Inventories		**122**	131
Trade and other receivables	13	**48**	45
Cash and bank balances		**85**	260
		255	436
Current liabilities			
Trade and other payables	14	**408**	430
Lease liabilities	15	**255**	228
Amounts due to affiliates		**5**	2
Current taxation		**1**	-
		669	660
Net current liabilities		**(414)**	(224)
Total assets less current liabilities		**1,866**	1,813
Non-current liabilities			
Lease liabilities	15	**669**	517
Provision for reinstatement costs		**18**	19
Deferred tax liabilities		**6**	7
		693	543
NET ASSETS		**1,173**	1,270

Consolidated Statement of Financial Position

at 31 December 2023 (continued)

	Note	**2023** **HK$ million**	2022 HK$ million
CAPITAL AND RESERVES			
Share capital		**612**	612
Reserves		**561**	658
TOTAL EQUITY		**1,173**	1,270

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 2023 and 2022 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 2022 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 2023 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 2023, the Group was in a net current liabilities position of HK$414 million (2022: HK$224 million). This was partly due to the recognition of the current portion of lease liabilities of HK$255 million (2022: HK$228 million) under HKFRS 16, Leases and the decrease in the Group‘s cash and bank balances of HK$175 million during the year ended 31 December 2023. Taking into account the expected cash flows from the Group’s operations, the Group’s available cash and bank balances, the Group’s 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

(i) Amendments to HKFRSs and HKASs which are first effective for the current accounting period

The Group has applied the following amendments to HKASs and HKFRS 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 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*

The amendments seek to promote improved accounting policy disclosures that provide more useful information to investors and other primary users of the financial statements. Apart from clarifying that entities are required to disclose their "material" instead of "significant" accounting policies, the amendments also provide guidance for entities on applying the concept of materiality to accounting policy disclosures.

- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

The amendments clarify the difference between changes in accounting policies and changes in accounting estimates. Amongst other things, the amendments now define accounting estimates as monetary amounts in an entity's financial statements that are subject to measurement uncertainty, and clarify that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates unless they result from the correction of prior period errors. Entities are required to apply the amendments prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the entity applies the amendments.

- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of HKAS 12 so that it does not apply to such transactions as leases and decommissioning provisions which, upon initial recognition, give rise to equal taxable and deductible temporary differences. Consequently, entities will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. Entities should apply the amendments to transactions that occurred on or after the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to opening retained earnings or other components of equity at the date of application of the amendments.

2 Changes in accounting policies (continued)

(i) Amendments to HKFRSs and HKASs which are first effective for the current accounting period (continued)

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis that they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

The board of directors of the Company ("Directors") have assessed and considered that none of the abovementioned amendments has any material impact on the Group's financial position at 31 December 2023 or the Group's financial performance for the year then ended.

(ii) New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong

In June 2022, the Government of the Hong Kong SAR gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will come into effect from 1 May 2025. In July 2023, the HKICPA published "*Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong*" that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism.

Upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 *Employee benefits* that previously allowed such deemed contributions to be recognized as reduction of service cost (negative service cost) in the period during which the contributions were made; instead, these deemed contributions should be attributed to periods of service in the same manner as the gross long service payment benefits.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has changed its accounting policy in connection with its long service payment liability. Since the impact is not material on the Group's consolidated financial statements, the amount was recognised in the Group's consolidated statement of profit or loss during the year.

2 Changes in accounting policies (continued)

(iii) Amendments and interpretation to HKFRSs and HKASs which are not yet effective for the current accounting period

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and interpretation to HKFRS and HKASs which are not yet effective for the financial year ended 31 December 2023 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: 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 16, *Leases: Lease liability in a sale and leaseback*	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:

	2023	2022
	HK$ million	HK$ million
Sales of goods	**1,118**	1,359
Commission income from consignment counters	**305**	317
Commission income from concessionaire counters	**117**	98
Promotion income	**6**	7
Administration fee income	**5**	5
	1,551	1,786

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

	2023	2022
	HK$ million	HK$ million
Receipts from sales of goods by consignment counters	**1,105**	1,154
Receipts from sales of goods by concessionaire counters	**440**	363
	1,545	1,517

4 Other revenue

	2023 **HK$ million**	2022 HK$ million
Sponsorship fees	**1**	1
Rental income for antenna sites	**2**	2
Sundry income	**8**	8
	11	11

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

	2023 **HK$ million**	2022 HK$ million
Bank interest income	**2**	2
Dividend income from listed investments	**3**	2
Government subsidies (*note*)	**-**	15
Net fair value loss on investment in listed securities as financial assets at FVPL	**(2)**	(10)
Gain on disposal of fixed assets	**1**	-
	4	9

Note:

For the corresponding year ended 31 December 2022, 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 (Hong Kong) Limited ("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.

6 (Loss)/profit before taxation

(Loss)/profit before taxation is arrived at after charging:

		2023 HK$ million	2022 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	**264**	261
	Contributions to defined contribution retirement plans	**12**	12
(c)	***Other items:***		
	Amortisation of trademarks	**2**	2
	Depreciation		
	– on fixed assets	**60**	48
	– on right-of-use assets (*note (ii)*)(note 11)	**234**	227
	Auditors' remuneration		
	– audit services	**2**	2
	– other services	**1**	1
	Finance costs on lease liabilities (*note (ii)*) (note 15)	**34**	41
	Bank loan interest	**1**	-
	Expenses relating to short-term leases (*note (ii)*)	**3**	3
	Other charges in respect of rental premises – net of rent concessions (*notes (i) and (ii)*)	**110**	99
	Cost of inventories sold	**794**	964

Notes:

(i) Included contingent rental expenses of HK$1 million (2022: HK$2 million) during the year.

(ii) For the purpose of comparison between the two financial years ended 31 December 2023 and 31 December 2022, the depreciation charge on right-of-use assets of HK$234 million (2022: HK$227 million), the finance cost on lease liabilities of HK$34 million (2022: HK$41 million) and the rental and related expenses of HK$113 million (2022: HK$102 million) are aggregated which amounted to HK$381 million for the year ended 31 December 2023 (2022: HK$370 million). The year-on-year increase of HK$11 million is mainly attributable to the effect of the renewal of the tenancy agreements between the store outlets of Citistore and a store outlet of Unicorn (collectively as lessees) and their landlords on 1 October 2023 subsequent to the expiry of the previous tenancy leases between the parties on 30 Septemebr 2023.

7 Income tax

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

	2023 **HK$ million**	2022 HK$ million
Current tax – Hong Kong		
– provision for the year	**9**	9
Deferred taxation		
– origination and reversal of temporary differences	**(23)**	(9)
	(14)	-

Provision for Hong Kong Profits Tax has been made at 16.5% (2022: 16.5%) on the estimated assessable profits for the year, taking into account a one-off reduction of 100% (2022: 100%) of the tax payable for the year of assessment 2022/23 subject to a ceiling of HK$6,000 (2021/22: 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 2023 and 31 December 2022 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$1,551 million (2022: HK$1,786 million) during the year and the pre-tax loss from operation (after deducting finance costs on lease liabilities) of which amounted to HK$81 million during the year (2022: pre-tax profit from operation (after deducting finance costs on lease liabilities) of HK$16 million).

Geographical information

Since all of the Group's revenue was generated in Hong Kong during the years ended 31 December 2023 and 31 December 2022, and all of the Group's fixed assets, right-of-use assets, trademarks and goodwill at 31 December 2023 and 31 December 2022 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

	2023 **HK$ million**	2022 HK$ million
Interim dividend declared and paid of Nil (2022: HK1 cent) per share	**-**	30
Final dividend proposed after the end of the reporting period of Nil (2022: HK1 cent) per share	**-**	30
	-	60

For the corresponding year ended 31 December 2022, 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

	2023 **HK$ million**	2022 HK$ million
Final dividend in respect of the previous financial year, approved and paid during the year of HK1 cent (2022: HK1 cent) per share	**30**	30

10 (Loss)/earnings per share – basic and diluted

The calculation of basic and diluted loss per share is based on the loss attributable to equity shareholders of the Company of HK$72 million (2022: profit attributable to equity shareholders of the Company of HK$5 million) and 3,047,327,395 (2022: 3,047,327,395) ordinary shares, being the number of ordinary shares in issue throughout the year.

11 Right-of-use assets

	2023 **HK$ million**	2022 HK$ million
Cost:		
At 1 January	**2,121**	1,627
Addition for the year (note 15)	**454**	495
Change in basic rent due to modification of certain lease terms (note 15)	**(13)**	-
Write back on expiry of leases	**(1,120)**	(1)
At 31 December	**1,442**	2,121
Accumulated depreciation:		
At 1 January	**(1,440)**	(1,214)
Charge for the year (note 6(c))	**(234)**	(227)
Write back on expiry of leases	**1,120**	1
At 31 December	**(554)**	(1,440)
Net book value:		
At 31 December	**888**	681

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 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

	2023	2022
	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 value-in-use of the cash-generating unit under Citistore. The Directors have adopted the value-in-use of the cash-generating unit under Citistore for the purpose of impairment assessment on the Citistore Goodwill at 31 December 2023, which differs from the adoption of fair value less cost of disposal for the same purpose at the end of the reporting periods of the previous financial years, because the Directors considered that after the COVID-19 pandemic in early 2023, the fair values of assets have generally decreased and therefore it would be more appropriate to refer to the value-in-use in determining the recoverable amount of the assets underlying the continuing business operations of Citistore. The value-in-use 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 2023) for the future five forecast years ending on 31 December 2024, 31 December 2025, 31 December 2026, 31 December 2027 and 31 December 2028 of the cash-generating unit which is determined on the basis of the discounted cashflow model and management's expectations of market development, and the following assumptions:

(i) an average increase of 11.2% in the forecast receipts from gross sales for each of the future five forecast years ending on 31 December 2024, 31 December 2025, 31 December 2026, 31 December 2027 and 31 December 2028;

(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 2024, 31 December 2025, 31 December 2026, 31 December 2027 and 31 December 2028; and

12 Goodwill (continued)

(a) Citistore Goodwill (continued)

(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 2028 and assuming a terminal perpetual growth rate of 2% for each subsequent period of twelve months thereafter.

The abovementioned forecast changes in the receipts from gross sales in each of the future five forecast years ending on 31 December 2024, 31 December 2025, 31 December 2026, 31 December 2027 and 31 December 2028 are based on the expectations of the Group's management of their plans and market development as at 31 December 2023. A post-tax discount rate of 12% (2022: 12%), 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 2023.

At 31 December 2023, in relation to the cash-generating unit under Citistore, the recoverable amount calculated based on value-in-use (after deducting the carrying amounts of the fixed assets, right-of-use assets, trademarks and negative working capital of Citistore at 31 December 2023) exceeded the carrying value. If the post-tax discount rate had been 1% higher, the Directors have assessed that it would not result in an impairment loss on the Citistore Goodwill. However, if the forecast receipts from gross sales had been 3% lower for each of the future five forecast years ending on 31 December 2024, 31 December 2025, 31 December 2026, 31 December 2027 and 31 December 2028, or if the forecast gross profit margin had been 1.5% lower for each of the future five forecast years ending on 31 December 2024, 31 December 2025, 31 December 2026, 31 December 2027 and 31 December 2028, the Directors have assessed that there would be a potential implication for impairment on the Citistore Goodwill in an estimated amount of HK$33 million and HK$156 million respectively. In this regard, by adopting a 3% decrease in the forecast receipts from gross sales and a 1.5% decrease in the forecast gross profit margin for each of the future five forecast years ending on 31 December 2024, 31 December 2025, 31 December 2026, 31 December 2027 and 31 December 2028 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.

12 Goodwill (continued)

(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.

Impairment assessment is carried out by determining the value-in-use of the cash-generating unit under Unicorn. The Directors have adopted the value-in-use of the cash-generating unit under Unicorn as determined by an external firm of valuers for the purpose of impairment assessment on the Unicorn Goodwill at 31 December 2023, which differs from the adoption of fair value less cost of disposal for the same purpose at the end of the reporting periods of the previous financial years, because the Directors considered that after the COVID-19 pandemic in early 2023, the fair values of assets have generally decreased and therefore it would be more appropriate to refer to the value-in-use in determining the recoverable amount of the assets underlying the continuing business operations of Unicorn. The value-in-use 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 2023) for the future five forecast years ending on 31 December 2024, 31 December 2025, 31 December 2026, 31 December 2027 and 31 December 2028 of the cash-generating unit which is determined on the basis of the discounted cashflow model and management's expectations of market development, and the following assumptions:

(i) an average increase of 11.0% in the forecast receipts from gross sales for each of the future five forecast years ending on 31 December 2024, 31 December 2025, 31 December 2026, 31 December 2027 and 31 December 2028;

(ii) an average increase of 0.6 percentage point in the gross profit margin for each of the future five forecast years ending on 31 December 2024, 31 December 2025, 31 December 2026, 31 December 2027 and 31 December 2028; and

(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 2028 and assuming a terminal perpetual growth rate of 2% for each subsequent period of twelve months thereafter.

12 Goodwill (continued)

(b) Unicorn Goodwill (continued)

The abovementioned forecast changes in the receipts from gross sales in each of the future five forecast years ending on 31 December 2024, 31 December 2025, 31 December 2026, 31 December 2027 and 31 December 2028 are based on the expectations of the Group's management of their plans and market development as at 31 December 2023. A post-tax discount rate of 12% (2022: 12%), 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 2023.

At 31 December 2023, in relation to the cash-generating unit under Unicorn, the recoverable amount calculated based on value-in-use (after deducting the carrying amounts of the fixed assets, right-of-use assets and negative working capital of Unicorn at 31 December 2023) exceeded the carrying value. If the post-tax discount rate had been 1% higher or if the forecast receipts from gross sales had been 3% lower for each of the future five forecast years ending on 31 December 2024, 31 December 2025, 31 December 2026, 31 December 2027 and 31 December 2028, the Directors have assessed that it would not result in an impairment loss on the Unicorn Goodwill. However, if the forecast gross profit margin had been 1.5% lower for each of the future five forecast years ending on 31 December 2024, 31 December 2025, 31 December 2026, 31 December 2027 and 31 December 2028, the Directors have assessed that there would be a potential implication for impairment on the Unicorn Goodwill in an estimated amount of HK$25 million. In this regard, by adopting a 3% decrease in the forecast receipts from gross sales and a 1.5% decrease in the forecast gross profit margin for each of the future five forecast years ending on 31 December 2024, 31 December 2025, 31 December 2026, 31 December 2027 and 31 December 2028 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

	2023 **HK$ million**	2022 HK$ million
Trade debtors	**24**	21
Deposits, prepayments and other receivables	**24**	24
	48	45

At 31 December 2023, 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 (2022: HK$12 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 was as follows:

	2023 **HK$ million**	2022 HK$ million
Current or under 1 month overdue	**24**	21

14 Trade and other payables

	2023 **HK$ million**	2022 HK$ million
Trade creditors	**281**	311
Contract liabilities (*note*)	**11**	17
Accrued expenses and other payables	**108**	94
Deposits received	**8**	8
	408	430

Note: During the year ended 31 December 2023, HK$14 million (2022: HK$14 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 2023 and 31 December 2022 were expected to be recognised within one year.

At 31 December 2023, 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 (2022: HK$1 million) which was expected to be settled after more than one year.

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

	2023 **HK$ million**	2022 HK$ million
Due within 1 month or on demand	**247**	261
Due after 1 month but within 3 months	**34**	50
	281	311

15 Lease liabilities

	2023 HK$ million	2022 HK$ million
At 1 January	**745**	502
Addition for the year (note 11)	**454**	495
Change in basic rent due to modification of certain lease terms (note 11)	**(13)**	-
Lease payments made during the year	**(296)**	(276)
Reclassification of rental deposits paid from trade and other receivables	**-**	(17)
Finance costs on lease liabilities for the year (note 6(c))	**34**	41
At 31 December	**924**	745

	2023 HK$ million	2022 HK$ million
Represented by:		
Amount classified under current liabilities		
– contractual maturity within 1 year	**255**	228
Amount classified under non-current liabilities		
– contractual maturity after 1 year and within 2 years	**250**	111
– contractual maturity after 2 years and within 5 years	**344**	257
– contractual maturity after 5 years	**75**	149
	669	517
Total carrying amount of lease liabilities	**924**	745

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 the modification of certain lease terms, and after deducting the lease payments made for such Remaining Leases during the year ended 31 December 2023 and the corresponding year ended 31 December 2022. 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 2023 is an amount of HK$453 million (2022: HK$179 million) relating to the lease liabilities payable to affiliates.

16 Review of results

The financial results for the year ended 31 December 2023 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 2023 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 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 2023.

Material acquisitions and disposals

The Group did not undertake any significant acquisition or disposal of assets or subsidiaries during the year ended 31 December 2023.

Results of operations

The Group recorded loss after tax attributable to equity shareholders in the amount of HK$72 million for the year ended 31 December 2023 (2022: profit after tax attributable to equity shareholders of HK$5 million). Analysis on segmental performance and information of operations of the Group is set out in the section headed "Business Review" under the Chairman's Statement of the Company's annual report for the year ended 31 December 2023 (of which this Financial Review forms a part).

For the year ended 31 December 2023, the Group's loss from operations (including bank interest income but excluding finance costs on lease liabilities and borrowing costs) before taxation amounted to HK$51 million (2022: the Group's profit from operations (including bank interest income but excluding finance costs on lease liabilities) before taxation amounted to HK$46 million).

Leases have substantial impacts on the Group's operations as more particularly described below. 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. In this regard, rental and related expenses recognised in the statement of profit or loss for the year ended 31 December 2023 amounted in aggregate to HK$113 million (2022: HK$102 million), which comprised amounts of HK$111 million (2022: HK$100 million) classified under "Direct costs" and HK$2 million (2022: HK$2 million) classified under "Administrative expenses".

For each tenancy lease of the Group other than the short-term leases in relation to which the "practical expedient" under HKFRS 16 has been applied (as mentioned above), the followings have been recognised:

- 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, depreciation charges on right-of-use assets recognised in the statement of profit or loss for the year ended 31 December 2023 amounted in aggregate to HK$234 million (2022: HK$227 million), which comprised amounts of HK$226 million (2022: HK$220 million) classified under "Direct costs" and HK$8 million (2022: HK$7 million) classified under "Administrative expenses"; and

- lease liabilities in the statement of financial position, which are interest-bearing at the estimated incremental borrowing rate. Accordingly, finance costs on lease liabilities recognised in the statement of profit or loss for the year ended 31 December 2023 amounted in aggregate to HK$34 million (2022: HK$41 million).

Finance costs on bank borrowing

During the year ended 31 December 2023 and excluding the finance costs on the lease liabilities recognised by the Group under HKFRS 16, the Group incurred finance costs of HK$1 million (2022: Nil) on bank borrowing which was fully repaid at 31 December 2023.

Financial resources, liquidity and loan maturity profile

At 31 December 2023, the Group did not have any bank borrowing (2022: Nil) other than the Group’s lease liabilities recognised under HKFRS 16 of HK$924 million at 31 December 2023 (2022: HK$745 million), and had cash and bank balances of HK$85 million (2022: HK$260 million). The decrease of HK$175 million (or 67%) in the Group’s cash and bank balances during the year ended 31 December 2023 is mainly attributable to (i) net cash inflows generated mainly from operating, investing and financing activities (other than (ii), (iii) and (iv) below) in the aggregate amount of HK$213 million; (ii) cash outflow on the addition of fixed assets of HK$62 million; (iii) the Group’s payment of the final dividend of HK$30 million for the previous year ended 31 December 2022; and (iv) cash outflows on principal repayments and interest payments of the Group’s lease liabilities in the aggregate amount of HK$296 million.

Based on the Group’s cash and bank balances of HK$85 million at 31 December 2023, and taking into account the expected net cash inflows to be generated from operating activities, the Group’s investments in unpledged listed securities which are realisable into cash and the banking facility available to the Group, the Group has adequate financial resources in meeting the funding requirements for its ongoing operations.

Treasury and financial management

The Group’s financing and treasury activities are centrally managed at the corporate level. At 31 December 2023 and 31 December 2022, 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 2023 and 31 December 2022.

Charge on assets

Assets of the Group were not charged to any party at 31 December 2023 and 31 December 2022.

Capital commitments

At 31 December 2023, the Group had capital commitments in relation to fixed assets contracted but not provided for in the amount of HK$6 million (2022: HK$13 million), the decrease of which is mainly attributable to the completion of the final phase renovation of the Group's APITA supermarket-cum-store at Taikooshing, Hong Kong.

Contingent liabilities

At 31 December 2023 and 31 December 2022, the Group did not have any contingent liabilities.

Employees and remuneration policy

At 31 December 2023, the Group had 962 (2022: 1,039) full-time employees and 115 (2022: 134) part-time employees. Total staff costs for the year ended 31 December 2023 amounted to HK$277 million (2022: HK$274 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

The Register of Members of the Company will be closed from Wednesday, 29 May 2024 to Monday, 3 June 2024, 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, 28 May 2024.

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 2024 and reviewed the systems of internal control, risk management and compliance, and the annual report for the year ended 31 December 2023.

Corporate Governance

During the year ended 31 December 2023, the Company complied with the applicable code provisions set out in the Corporate Governance Code (the "CG Code") as stated in Appendix C1 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 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 C3 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
Dr Lee Ka Shing
Chairman

Hong Kong, 21 March 2024

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.