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HENDERSON INVESTMENT LIMITED

恒基兆業發展有限公司

Incorporated in Hong Kong with limited liability

(Stock Code : 97)

2024 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 2024 amounted to HK\$125 million, as compared with the loss attributable to equity shareholders of HK\$72 million for the previous year. The increase in loss is mainly attributable to (i) cumulative effects of the accounting treatment for the simultaneous renewal of various shop lease agreements; and (ii) the adverse effects of the ongoing rise in outbound travel, as well as the continual increase in cross-border consumption and shopping. The loss per share was HK 4.1 cents (2023: HK 2.4 cents).

As at 31 December 2024, the net asset value attributable to equity shareholders amounted to HK\$1,053 million or HK\$0.35 per share (2023: HK\$1,173 million or HK\$0.38 per share).

DIVIDEND

The Board has resolved not to recommend the payment of a final dividend (2023: Nil) for the year under review, because of the loss suffered.

BUSINESS REVIEW

During the year, changes in the consumption patterns of inbound tourists, as well as the trend of Hongkongers to “head north” across the border for shopping and entertainment, continued to weigh on the local retail sector. According to the Census and Statistics Department, the value of total retail sales in Hong Kong for 2024 decreased by 7.3% compared to the previous year. Notably, sales of commodities in department stores decreased by 13.9% in value 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 two 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”).

Continuous efforts have been made to integrate the businesses of Citistore and Unicorn, so as to enhance their operational synergies and efficiency. Following the establishment of a centralised distribution centre, their information technology systems were fully integrated during this year. In December 2024, their common membership loyalty programme CU APP was integrated with H · COINS, the membership loyalty programme of the Group's parent company, Henderson Land Development Company Limited. This integration resulted in further expansion of the member base of CU APP.

(I) Citistore

During the year, Citistore continued to explore new ways to enhance its performance. For the National Day holiday, key opinion leaders were invited to promote its Extraordinary Sale Campaign to mainland shoppers on social media platforms (such as Xiaohongshu). Citistore also created information leaflets and orchestrated a diverse range of product demonstrations, aimed at enriching mainland shoppers' knowledge of both local and international quality products. This initiative succeeded in generating substantial publicity across social media platforms and further enhanced Citistore's brand awareness.

In addition, Citistore collaborated with suppliers to establish multiple pop-up stores for various sales events. Ma On Shan Store was downsized to enhance its operational efficiency and flexibility.

Citistore's existing store network is as follows:

	Location	Total lettable area (square feet)
<u>Department Stores*</u>		
Citistore Tsuen Wan	KOLOUR · Tsuen Wan II, New Territories	138,860
Citistore Tuen Mun	The Trend Plaza, New Territories	17,683
Citistore Yuen Long	KOLOUR · Yuen Long, New Territories	54,809
Citistore Ma On Shan	MOSTown, New Territories	62,340
Citistore Tseung Kwan O	MCP Central, New Territories	68,276
<u>Household Specialty Stores</u>		
Citilife Wong Tai Sin	Temple Mall, Kowloon	1,629
Citilife Tin Shui Wai	T Town South, New Territories	3,660
Total:		347,257

* Each Citistore location has a dedicated “Citilife” counter.

Citistore, affected by unfavourable market conditions, recorded a year-on-year decrease of 12% in the aggregate sales proceeds from the sales of own goods, consignment sales and concessionaire sales for the year ended 31 December 2024. Below is a breakdown of such sales proceeds:

	For the year ended 31 December		
	2024	2023	
	HK\$ million	HK\$ million	Change
Proceeds from sales of own goods	287	319	-10%
Proceeds from consignment sales	698	783	-11%
Proceeds from concessionaire sales	373	440	-15%
Total:	1,358	1,542	-12%

Sales of Own Goods

During the year, Citistore's sales of own goods decreased by 10% year-on-year to HK\$287 million with a gross margin of 31%. The decrease in sales and margin was mainly due to intensified price competition in the sluggish retail market.

	For the year ended 31 December		
	2024	2023	
	HK\$ million	HK\$ million	
Sales of own goods	287	319	
Gross profit	90	107	
(after netting the cost of inventories sold)			
Gross margin	31%	34%	

Consignment and Concessionaire Sales

Citistore's consignment sales comprise the sales of consignors' products on consignment basis in designated shelves or areas, while concessionaire sales are conducted by concessionaires operating from their own shop spaces within Citistore's stores under licence agreements. From all consignment and concessionaire sales Citistore receives a revenue-based commission or base commission (if any), whichever is higher, as its commission income. During the year, due to the decrease in the aggregate sales proceeds from consignment and concessionaire sales, the total commission income from such sales decreased by 12% year-on-year to HK\$308 million. Below is a breakdown of such commission income:

	For the year ended 31 December		
	2024	2023	
	HK\$ million	HK\$ million	Change
Commission income:			
- from consignment sales	205	234	-12%
- from concessionaire sales	103	117	-12%
Total:	308	351	-12%

Citistore's Loss after Taxation

After deducting its operating expenses, Citistore recorded a loss after taxation of HK\$20 million for the year ended 31 December 2024, as compared with a profit after taxation of HK\$58 million for the previous year.

(II) Unicorn

During the year, Unicorn leveraged its existing channels to introduce more Japanese fruits and meats to its stores. It also expanded its range of imported food and household groceries. Various creative marketing activities, including “Bluefin Tuna Cutting Show”, helped immerse local customers in Japanese food culture while showcasing Unicorn’s commitment to offering high quality fresh food items. Additionally, popular eateries have been introduced in its stores, providing customers with novel and diverse dining options.

Unicorn’s existing store network is as follows:

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

Despite adverse market conditions, sales of own goods and consignment sales for the year ended 31 December 2024 increased by 4% year-on-year to HK\$1,169 million. This was mainly due to the increased sales from APITA after the completion of a major renovation project in late 2023. The results of sales of own goods and consignment sales are as follows:

	For the year ended 31 December		
	2024 HK\$ million	2023 HK\$ million	Change
Sales of own goods	864	799	+8%
Consignment sales	305	322	-5%
Total:	1,169	1,121	+4%
<u>Sales of Own Goods</u>			
Gross profit (after netting the cost of inventories sold)	231	218	
Gross margin	27%	27%	
<u>Consignment Sales</u>			
Commission income	65	71	

Unicorn’s Loss after Taxation

After deducting its operating expenses, Unicorn recorded a loss after taxation of HK\$96 million for the year ended 31 December 2024 (2023: HK\$120 million).

Performance

	For the year ended 31 December 2024			2023		
	HK\$ million			HK\$ million		
	<u>Citistore</u>	<u>Unicorn</u>	<u>Total</u>	<u>Citistore</u>	<u>Unicorn</u>	<u>Total</u>
<u>Revenue:</u>						
Sales of own goods	287	864	1,151	319	799	1,118
Commission income from consignment sales	205	65	270	234	71	305
Commission income from concessionaire sales	103	-	103	117	-	117
<u>Sales Proceeds:</u>						
Consignment sales	698	305	1,003	783	322	1,105
Concessionaire sales	373	-	373	440	-	440

The loss after taxation from Citistore and Unicorn amounted to HK\$116 million in aggregate for the year ended 31 December 2024 (2023: HK\$62 million). After taking into account other income and expenses, the Group's loss attributable to equity shareholders for the year ended 31 December 2024 amounted to HK\$125 million (2023: HK\$72 million).

CORPORATE FINANCE

As at 31 December 2024, the Group had no bank borrowings (2023: HK\$Nil). Shareholders' loans to the Group amounted to HK\$155 million (2023: HK\$Nil). As at 31 December 2024, the Group's cash and bank balances amounted to HK\$124 million (2023: HK\$85 million).

PROSPECTS

The Central Government's recent resumption and expansion of the multiple-entry Individual Visit Scheme, which allows Shenzhen residents to visit Hong Kong more conveniently and freely, will benefit the retail sector in Hong Kong.

Looking ahead, the Group will continue to scrutinise the performances of its stores, optimise the structure of its store network and strive for more favourable lease terms. In addition, the Group will focus on expanding the membership base for the newly integrated membership loyalty programmes. By leveraging the strength of an integrated information technology system to help understand customers' needs, the Group will adjust its merchandise mix and launch targeted promotional campaigns to enhance shopper engagement and increase patronage. Despite the ongoing challenges in the market, these strategies, combined with the ongoing consolidation of Citistore and Unicorn's merchandise sourcing and back office functions, are expected to lead to improvements in the Group's overall performance.

Passing of Founder

Dr the Honourable Lee Shau Kee, the founder of the Group, passed away on 17 March 2025. He had given invaluable contributions to the Company during his long service to the Board for 40 years. The Board would like to express its deepest sorrow on his passing.

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, 20 March 2025

BUSINESS RESULTS

Consolidated Statement of Profit or Loss

for the year ended 31 December 2024

	Note	2024 HK\$ million	2023 HK\$ million
Revenue	3	1,535	1,551
Direct costs		(1,528)	(1,482)
		7	69
Other revenue	4	12	11
Other income/expenses and other gains/losses, net	5	4	4
Selling and marketing expenses		(23)	(25)
Administrative expenses		(109)	(110)
Loss from operations		(109)	(51)
Finance costs on lease liabilities and bank loan interest expenses	6(c)	(41)	(35)
Loss before taxation	6	(150)	(86)
Income tax credit	7	25	14
Loss attributable to equity shareholders of the Company for the year		(125)	(72)
		HK cents	HK cents
Loss per share			
- Basic and diluted	10	(4.1)	(2.4)

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 2024

	2024 HK\$ million	2023 HK\$ million
Loss attributable to equity shareholders of the Company for the year	(125)	(72)
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	5
Total comprehensive income attributable to equity shareholders of the Company for the year	(120)	(67)

Consolidated Statement of Financial Position

at 31 December 2024

	Note	2024 HK\$ million	2023 HK\$ million
Non-current assets			
Fixed assets		127	182
Right-of-use assets	11	628	888
Trademarks		34	35
Investment in listed securities designated as financial assets at fair value through other comprehensive income		29	24
Investment in listed securities as financial assets at fair value through profit or loss		20	18
Goodwill	12	1,072	1,072
Deferred tax assets		86	61
		1,996	2,280
Current assets			
Inventories		111	122
Trade and other receivables	13	45	48
Tax recoverable		1	-
Cash and bank balances		124	85
		281	255
Current liabilities			
Trade and other payables	14	378	408
Lease liabilities	15	249	255
Amounts due to fellow subsidiaries		5	5
Current taxation		-	1
		632	669
Net current liabilities		(351)	(414)
Total assets less current liabilities		1,645	1,866
Non-current liabilities			
Lease liabilities	15	417	669
Amount due to a fellow subsidiary	16	155	-
Provision for reinstatement costs		14	18
Deferred tax liabilities		6	6
		592	693
NET ASSETS		1,053	1,173

Consolidated Statement of Financial Position

at 31 December 2024 (continued)

	Note	2024 HK\$ million	2023 HK\$ million
CAPITAL AND RESERVES			
Share capital		612	612
Reserves		441	561
TOTAL EQUITY		<u>1,053</u>	<u>1,173</u>

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 2024 and 2023 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 2023 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 2024 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 2024, the Group was in a net current liabilities position of HK\$351 million (2023: HK\$414 million). This was partly due to the recognition of the current portion of lease liabilities of HK\$249 million (2023: HK\$255 million) under HKFRS 16, *Leases* at 31 December 2024. 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, the banking facility available to the Group and the advances from a fellow subsidiary which are unsecured, interest-free, not expected to be repayable within one year from the end of the reporting period and have no fixed repayment terms, the Group's management believes that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

2 Changes in accounting policies

The Group has applied the following amendments and interpretation to HKASs and HKFRSs issued by the HKICPA that are first effective for the current accounting period of the Group and the Company, and which are relevant to the Group's consolidated financial statements for the current accounting period:

- Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*

In August 2020, the HKICPA issued amendments to HKAS 1 ("2020 HKAS 1 amendments") to clarify the requirements on determining whether a liability is current or non-current, in particular the determination over whether an entity has the right to defer settlement of the liability for at least twelve months after the reporting period. The 2020 HKAS 1 amendments:

- specify that an entity's right to defer settlement must exist at the end of the reporting period;
- clarify that the classification is unaffected by management's intentions or expectations about the entity's intention to exercise its right to defer settlement;
- clarify how the lending conditions may affect classification; and
- clarify the classification of liabilities that will or may be settled by the entity's issuance of its own equity instruments.

In December 2022, the HKICPA published further amendments to HKAS 1 ("2022 HKAS 1 amendments") to clarify how an entity determines the current/non-current classification of a liability when its right to defer the settlement is subject to compliance with covenants.

Under these amendments, both the 2020 HKAS 1 amendments and 2022 HKAS 1 amendments are to be applied as a package on a retrospective basis for annual reporting periods beginning on or after 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*

This interpretation specifies that the classification of a term loan as a current or non-current liability in accordance with paragraph 69(d) of HKAS 1 shall be determined by reference to the existence of the borrower's right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

On this basis, a loan subject to loan agreement which includes a clause that gives the lender the unconditional right to require repayment of the loan from the borrower at any time shall be classified by the borrower as current in its statement of financial position.

2 Changes in accounting policies (continued)

- Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*

These amendments clarify how an entity accounts for a sale and leaseback after the date of the transaction, and require that (i) on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction; and (ii) after initial recognition, the seller-lessee shall apply the general requirements for subsequent accounting of the lease liability in such a way that the seller-lessee does not recognise any gain or loss relating to the right of use over the sold asset which is retained by the seller-lessee under the sale and leaseback. The gain or loss on disposal of the sold asset shall be included in measuring the right-of-use asset upon initial recognition. The seller-lessee would reduce the lease liability as if the variable lease payments estimated at the date of the transaction had been paid, and any difference between the estimated variable lease payments and the amounts actually paid shall be recognised in profit or loss.

The board of directors of the Company (“Directors”) have assessed and considered that none of the abovementioned amendments and interpretations has any material impact on the Group’s financial position at 31 December 2024 or the Group’s financial performance for the year then ended.

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of new or amended standards which are not yet effective for the financial year ended 31 December 2024 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group:

	Effective for annual periods beginning on or after
Amendments to HKAS 21, <i>Lack of exchangeability</i>	1 January 2025
Amendments to HKFRS 9 and HKFRS 7, <i>Classification and measurement of financial instruments</i>	1 January 2026
Annual improvements to HKFRSs-Volume 11	1 January 2026
HKFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027
Amendments to HKFRS 10 and HKAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	A date to be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group’s consolidated financial statements, except for HKFRS 18, where the presentation and disclosure of the consolidated financial statements are expected to change.

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:

	2024 HK\$ million	2023 HK\$ million
Sales of goods	1,151	1,118
Commission income from consignment counters	270	305
Commission income from concessionaire counters	103	117
Promotion income	6	6
Administration fee income	5	5
	<u>1,535</u>	<u>1,551</u>

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

	2024 HK\$ million	2023 HK\$ million
Receipts from sales of goods by consignment counters	1,003	1,105
Receipts from sales of goods by concessionaire counters	373	440
	<u>1,376</u>	<u>1,545</u>

4 Other revenue

	2024 HK\$ million	2023 HK\$ million
Sponsorship fees	3	1
Rental income for antenna sites	2	2
Sundry income	7	8
	<u>12</u>	<u>11</u>

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

	2024 HK\$ million	2023 HK\$ million
Bank interest income	-	2
Dividend income from listed investments	4	3
Fixed assets written off	(2)	-
Net fair value gain/(loss) on investment in listed securities as financial assets at fair value through profit or loss	2	(2)
Gain on disposal of fixed assets	-	1
	<u>4</u>	<u>4</u>

6 Loss before taxation

Loss before taxation is arrived at after charging:

	2024 HK\$ million	2023 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	245	264
Contributions to defined contribution retirement plans	11	12
(c) Other items:		
Amortisation of trademarks	1	2
Depreciation		
– on fixed assets	59	60
– on right-of-use assets (note (ii))(note 11)	258	234
Auditors' remuneration		
– audit services	2	2
– other services	3	1
Finance costs on lease liabilities (note (ii)) (note 15)	38	34
Bank loan interest expenses	3	1
Expenses relating to short-term leases (note (ii))	1	3
Other charges in respect of rental premises (notes (i) and (ii))	115	110
Cost of inventories sold	830	794

Notes:

- (i) Included contingent rental expenses of HK\$Nil (2023: HK\$1 million) during the year.
- (ii) For the purpose of comparison between the two financial years ended 31 December 2024 and 31 December 2023, the depreciation charge on right-of-use assets of HK\$258 million (2023: HK\$234 million), the finance cost on lease liabilities of HK\$38 million (2023: HK\$34 million) and the rental and related expenses of HK\$116 million (2023: HK\$113 million) are aggregated which amounted to HK\$412 million for the year ended 31 December 2024 (2023: HK\$381 million). The year-on-year increase of HK\$31 million is mainly attributable to the effect of the renewal of the tenancy agreements between the store outlets of Citistore (Hong Kong) Limited ("Citistore") and a store outlet of Unicorn Stores (HK) Limited ("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 September 2023.

7 Income tax credit

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

	2024 HK\$ million	2023 HK\$ million
Current tax expense – Hong Kong		
– provision for the year	-	9
Deferred taxation credit		
– origination and reversal of temporary differences	(25)	(23)
	<u>(25)</u>	<u>(14)</u>

Provision for Hong Kong Profits Tax has been made at 16.5% (2023: 16.5%) on the estimated assessable profits for the year, taking into account a one-off reduction of 100% (2023: 100%) of the tax payable for the year of assessment 2023/24 subject to a ceiling of HK\$3,000 (2022/23: HK\$6,000) 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 2024 and 31 December 2023 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\$1,535 million (2023: HK\$1,551 million) during the year and the pre-tax loss from operation (after deducting finance costs on lease liabilities) of which amounted to HK\$150 million during the year (2023: HK\$81 million).

Geographical information

Since all of the Group's revenue was generated in Hong Kong during the years ended 31 December 2024 and 31 December 2023, and all of the Group's fixed assets, right-of-use assets, trademarks and goodwill at 31 December 2024 and 31 December 2023 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

	2024 HK\$ million	2023 HK\$ million
Interim dividend declared and paid of Nil (2023: Nil) per share	-	-
Final dividend proposed after the end of the reporting period of Nil (2023: Nil) per share	-	-
	<hr/>	<hr/>
	-	-

After the end of the reporting period, the Directors have resolved not to declare any final dividend payable to equity shareholders of the Company for the year (2023: Nil).

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

	2024 HK\$ million	2023 HK\$ million
Final dividend in respect of the previous financial year, approved and paid during the year of Nil (2023: HK1 cent) per share	-	30
	<hr/>	<hr/>

10 Loss 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\$125 million (2023: HK\$72 million) and 3,047,327,395 (2023: 3,047,327,395) ordinary shares, being the number of ordinary shares in issue throughout the year.

11 Right-of-use assets

	2024 HK\$ million	2023 HK\$ million
Cost:		
At 1 January	1,442	2,121
Addition for the year (note 15)	4	454
Change in basic rent due to modification of certain lease terms (note 15)	(6)	(13)
Write back on expiry of leases	(20)	(1,120)
At 31 December	1,420	1,442
Accumulated depreciation:		
At 1 January	(554)	(1,440)
Charge for the year (note 6(c))	(258)	(234)
Write back on expiry of leases	20	1,120
At 31 December	(792)	(554)
Net book value:		
At 31 December	628	888

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 under HKFRS 16.

Depreciation charge on the right-of-use assets is recognised using the straight-line method during the period of 2 years to 8 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

	2024 HK\$ million	2023 HK\$ million
Citistore Goodwill (as defined below)	810	810
Unicorn Goodwill (as defined below)	262	262
	<u>1,072</u>	<u>1,072</u>

(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 units under Citistore. The Directors have adopted the value-in-use of the cash-generating units under Citistore for the purpose of impairment assessment on the Citistore Goodwill at 31 December 2024. 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 2024) for the future five forecast years ending on 31 December 2025, 31 December 2026, 31 December 2027, 31 December 2028 and 31 December 2029 of the cash-generating units which is determined on the basis of the discounted cashflow model and management’s expectations of market development and the extended membership loyalty programmes, and the following assumptions:

- (i) an average increase of 6.1% in the forecast receipts from gross sales for each of the future five forecast years ending on 31 December 2025, 31 December 2026, 31 December 2027, 31 December 2028 and 31 December 2029;
- (ii) an average increase of 0.3 percentage point in the gross profit margin for each of the future five forecast years ending on 31 December 2025, 31 December 2026, 31 December 2027, 31 December 2028 and 31 December 2029; 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 2029 and assuming a terminal perpetual growth rate of 2% for each subsequent period of twelve months thereafter.

12 **Goodwill** (continued)

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

The abovementioned forecast changes in the receipts from gross sales in each of the future five forecast years ending on 31 December 2025, 31 December 2026, 31 December 2027, 31 December 2028 and 31 December 2029 are based on the expectations of the Group's management of their plans and market development as at 31 December 2024. A post-tax discount rate of 12% (2023: 12%), which represents the Group's current market assessment of the risks specific to the cash-generating units 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 2024.

At 31 December 2024, in relation to the cash-generating units 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 2024) 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, or if the forecast gross profit margin had been 1.5% lower for each of the future five forecast years ending on 31 December 2025, 31 December 2026, 31 December 2027, 31 December 2028 and 31 December 2029, the Directors have assessed that there would be a potential implication for impairment on the Citistore Goodwill in an estimated amount of HK\$19 million, HK\$82 million and HK\$183 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 2025, 31 December 2026, 31 December 2027, 31 December 2028 and 31 December 2029 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 units under Unicorn. The Directors have adopted the value-in-use of the cash-generating units under Unicorn for the purpose of impairment assessment on the Unicorn Goodwill at 31 December 2024. 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 2024) for the future five forecast years ending on 31 December 2025, 31 December 2026, 31 December 2027, 31 December 2028 and 31 December 2029 of the cash-generating units which is determined on the basis of the discounted cashflow model and management’s expectations of market development and the extended membership loyalty programmes, and the following assumptions:

- (i) an average increase of 6.8% in the forecast receipts from gross sales for each of the future five forecast years ending on 31 December 2025, 31 December 2026, 31 December 2027, 31 December 2028 and 31 December 2029;
- (ii) an average increase of 0.8 percentage point in the gross profit margin for each of the future five forecast years ending on 31 December 2025, 31 December 2026, 31 December 2027, 31 December 2028 and 31 December 2029; 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 2029 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 2025, 31 December 2026, 31 December 2027, 31 December 2028 and 31 December 2029 are based on the expectations of the Group's management of their plans and market development as at 31 December 2024. A post-tax discount rate of 12% (2023: 12%), which represents the Group's current market assessment of the risks specific to the cash-generating units 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 2024.

At 31 December 2024, in relation to the cash-generating units 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 2024) 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 Unicorn 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 2025, 31 December 2026, 31 December 2027, 31 December 2028 and 31 December 2029, or if the forecast gross profit margin had been 1.5% lower for each of the future five forecast years ending on 31 December 2025, 31 December 2026, 31 December 2027, 31 December 2028 and 31 December 2029, the Directors have assessed that there would be a potential implication for impairment on the Unicorn Goodwill in an estimated amount of HK\$56 million and HK\$152 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 2025, 31 December 2026, 31 December 2027, 31 December 2028 and 31 December 2029 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

	2024 HK\$ million	2023 HK\$ million
Trade debtors	15	24
Deposits, prepayments and other receivables	30	24
	45	48

At 31 December 2024, 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\$11 million (2023: 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:

	2024 HK\$ million	2023 HK\$ million
Current or under 1 month overdue	15	24

14 Trade and other payables

	2024 HK\$ million	2023 HK\$ million
Trade creditors	271	281
Contract liabilities (<i>note</i>)	8	11
Accrued expenses and other payables	89	108
Deposits received	10	8
	378	408

Note: During the year ended 31 December 2024, HK\$7 million (2023: 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 2024 and 31 December 2023 were expected to be recognised within one year.

At 31 December 2024, 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 (2023: 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 was as follows:

	2024 HK\$ million	2023 HK\$ million
Due within 1 month or on demand	237	247
Due after 1 month but within 3 months	34	34
	271	281

15 Lease liabilities

	2024 HK\$ million	2023 HK\$ million
At 1 January	924	745
Addition for the year (note 11)	4	454
Change in basic rent due to modification of certain lease terms (note 11)	(6)	(13)
Lease payments made during the year	(294)	(296)
Finance costs on lease liabilities for the year (note 6(c))	38	34
At 31 December	666	924
	2024 HK\$ million	2023 HK\$ million
Represented by:		
Amount classified under current liabilities		
– contractual maturity within 1 year	249	255
Amount classified under non-current liabilities		
– contractual maturity after 1 year and within 2 years	200	250
– contractual maturity after 2 years and within 5 years	217	344
– contractual maturity after 5 years	-	75
	417	669
Total carrying amount of lease liabilities	666	924

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 recognised under HKFRS 16 (see note 11) at initial recognition and as adjusted for addition for the year and the modification of certain lease terms, and after deducting the lease payments made for such Remaining Leases during the year ended 31 December 2024 and the corresponding year ended 31 December 2023. 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 2024 is an amount of HK\$288 million (2023: HK\$453 million) relating to the lease liabilities payable to affiliates.

16 Amount due to a fellow subsidiary

At 31 December 2024, the amount due to a fellow subsidiary (being a wholly-owned subsidiary of an intermediate holding company of the Company) under non-current liabilities was unsecured, interest-free, not expected to be repayable within one year from the end of the reporting period, and has no fixed repayment terms (2023: Nil).

17 Review of results

The financial results for the year ended 31 December 2024 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 2024 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 2024.

Material acquisitions and disposals

The Group did not undertake any significant acquisition or disposal of assets or subsidiaries during the year ended 31 December 2024.

Results of operations

The Group recorded loss after tax attributable to equity shareholders in the amount of HK\$125 million for the year ended 31 December 2024 (2023: HK\$72 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 2024 (of which this Financial Review forms a part).

For the year ended 31 December 2024, 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\$109 million (2023: HK\$51 million, including bank interest income but excluding finance costs on lease liabilities and borrowing costs).

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 2024 amounted in aggregate to HK\$116 million (2023: HK\$113 million), which comprised amounts of HK\$113 million (2023: HK\$111 million) classified under "Direct costs" and HK\$3 million (2023: 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 2024 amounted in aggregate to HK\$258 million (2023: HK\$234 million), which comprised amounts of HK\$250 million (2023: HK\$226 million) classified under "Direct costs" and HK\$8 million (2023: HK\$8 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 2024 amounted in aggregate to HK\$38 million (2023: HK\$34 million).

Finance costs on bank borrowing

During the year ended 31 December 2024 and excluding the finance costs on the lease liabilities recognised by the Group under HKFRS 16, the Group incurred finance costs of HK\$3 million (2023: HK\$1 million) on bank borrowing which was fully repaid at 31 December 2024.

Financial resources, liquidity and loan maturity profile

At 31 December 2024, the Group did not have any bank borrowing (2023: Nil) other than the Group's lease liabilities recognised under HKFRS 16 of HK\$666 million at 31 December 2024 (2023: HK\$924 million), and had cash and bank balances of HK\$124 million (2023: HK\$85 million).

Based on the Group's cash and bank balances of HK\$124 million at 31 December 2024, 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, as well as the advances from a fellow subsidiary which are unsecured, interest-free, not expected to be repayable within one year from the end of the reporting period and have no fixed repayment terms, 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 2024 and 31 December 2023, 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 2024 and 31 December 2023.

Charge on assets

Assets of the Group were not charged to any party at 31 December 2024 and 31 December 2023.

Capital commitments

At 31 December 2024, the Group had capital commitments in relation to fixed assets contracted but not provided for in the amount of HK\$4 million (2023: HK\$6 million).

Contingent liabilities

At 31 December 2024 and 31 December 2023, the Group did not have any contingent liabilities.

Employees and remuneration policy

At 31 December 2024, the Group had 866 (2023: 962) full-time employees and 100 (2023: 115) part-time employees. Total staff costs for the year ended 31 December 2024 amounted to HK\$257 million (2023: HK\$277 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 Thursday, 29 May 2025 to Tuesday, 3 June 2025, 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 Wednesday, 28 May 2025.

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 2025 and reviewed the systems of internal control, risk management and compliance, and the annual report for the year ended 31 December 2024.

Corporate Governance

During the year ended 31 December 2024, 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, 20 March 2025

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