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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)

2025 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 2025 amounted to HK\$67 million (2024: HK\$125 million). Loss per share was HK2.2 cents (2024: HK 4.1 cents).

As at 31 December 2025, the net asset value attributable to equity shareholders amounted to HK\$1,004 million or HK\$0.33 per share (2024: HK\$1,053 million or HK\$0.35 per share).

DIVIDEND

The Board has resolved not to recommend the payment of a final dividend (2024: Nil) for the year under review, because of the loss suffered.

BUSINESS REVIEW

During the year, the Hong Kong Government deepened its “Mega Event Economy” strategy by organising a series of large-scale cultural and sports events, with a view to attracting more visitors from the Mainland and overseas to Hong Kong to stimulate consumption. However, in recent years, the consumption patterns of inbound visitors have shifted. In addition, Hong Kong residents remain keen to travel north for shopping and entertainment, while cross-border e-commerce platforms have been stepping up their penetration into the local market. These factors have continued to affect the performance of the local retail sector.

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 one household specialty store under the name of “Citilife” (hereinafter collectively referred to as “Citistore”); and (ii) Unicorn Stores (HK) Limited, which operates two department stores-cum-supermarkets (namely, “APITA” and “UNY”) and two supermarkets under the name of “UNY” (hereinafter collectively referred to as “Unicorn”).

For many years, the Group has been dedicated to integrating the operations of Citistore and Unicorn. At the end of 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 strategic integration has resulted in CU APP membership exceeding 910,000, thereby establishing a solid foundation for the Group’s sustainable development.

(I) Citistore

In response to the continuously changing market environment, Citistore implemented the following measures during the year:

- Adjusted its store network, including the closure of the Citilife store in Wong Tai Sin. The size of the Citistore in Yuen Long was reduced and the layout was optimised to provide customers with an enhanced shopping experience.
- Enhanced the use of social media platforms for marketing and promotion, offering members a variety of exclusive redemption benefits, and organised a range of workshops to strengthen engagement with members.
- Refined its procurement strategies and introduced new brands, offering a more diversified merchandise mix to meet customers’ needs. In addition to sourcing local specialty products, Citistore also expanded the range of imported products and organised themed promotional events, such as the “THAI Fair”, with a view to attracting visitor traffic and stimulating consumption.
- Lowered operating expenses through flexible manpower deployment and negotiation with landlords on rental reduction arrangements.

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	47,927
Citistore Ma On Shan	MOSTown, New Territories	62,340
Citistore Tseung Kwan O	MCP Central, New Territories	68,276
<u>Household Speciality Store</u>		
Citilife Tin Shui Wai	T Town South, New Territories	3,660
Total:		338,746

* Each Citistore location has a dedicated "Citilife" counter.

Citistore recorded a year-on-year decrease of 14% in the aggregate sales proceeds from the sales of own goods, consignment sales and concessionaire sales for the year ended 31 December 2025. Below is a breakdown of such sales proceeds:

	For the year ended 31 December		
	2025	2024	Change
	HK\$ million	HK\$ million	
Proceeds from sales of own goods	248	287	-14%
Proceeds from consignment sales	598	698	-14%
Proceeds from concessionaire sales	321	373	-14%
Total:	1,167	1,358	-14%

Sales of Own Goods

During the year, Citistore's sales of own goods decreased by 14% year-on-year to HK\$248 million, while the gross margin remained stable at 31%.

	For the year ended 31 December	
	2025	2024
	HK\$ million	HK\$ million
Sales of own goods	248	287
Gross profit (after netting the cost of inventories sold)	77	90
Gross margin	31%	31%

Consignment and Concessionaire Sales

Citistore's consignment sales comprise the sales of consignors' products on consignment basis on designated shelves or in designated 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 13% year-on-year to HK\$267 million. Below is a breakdown of such commission income:

	For the year ended 31 December		
	2025	2024	Change
	HK\$ million	HK\$ million	
Commission income:			
- from consignment sales	176	205	-14%
- from concessionaire sales	91	103	-12%
Total:	267	308	-13%

Citistore's Profit after Taxation

After deducting its operating expenses, Citistore recorded a profit after taxation of HK\$1 million for the year ended 31 December 2025, as compared with a loss after taxation of HK\$20 million for the previous year.

(II) Unicorn

In response to the continuously changing market environment, Unicorn implemented the following measures during the year:

- Reconfigured the store layout to create more space for the sale of various fresh food items so as to align with its market positioning as a prominent Japanese-styled supermarket in Hong Kong.
- In addition to launching the popular "Bluefin Tuna Cutting Show" and live culinary demonstrations, cooking classes were also frequently offered to its members to foster deeper interaction and engagement.
- Launched a number of food fairs and introduced various gourmet counters and pop-up stores, providing customers with novel and diverse dining options.
- Flexibly deployed manpower and rigorously reviewed all expenditure to intensify cost controls.

Unicorn's existing store network is as follows:

		Total lettable area (square feet)
Location		
<u>Department stores-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

Unicorn's sales of own goods and consignment sales for the year ended 31 December 2025 decreased by 2% year-on-year to HK\$1,148 million. The results of sales of own goods and consignment sales are as follows:

	For the year ended 31 December		
	2025 HK\$ million	2024 HK\$ million	Change
Sales of own goods	866	864	+0.2%
Consignment sales	282	305	-8%
Total:	1,148	1,169	-2%
<u>Sales of Own Goods</u>			
Gross profit (after netting the cost of inventories sold)	229	231	
Gross margin	26%	27%	
<u>Consignment Sales</u>			
Commission income	65	65	

Unicorn's Loss after Taxation

After deducting its operating expenses, Unicorn recorded a loss after taxation of HK\$60 million for the year ended 31 December 2025 (2024: HK\$96 million).

Performance

	For the year ended 31 December					
	2025			2024		
	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	248	866	1,114	287	864	1,151
Commission income from consignment sales	176	65	241	205	65	270
Commission income from concessionaire sales	91	-	91	103	-	103
<u>Sales Proceeds:</u>						
Consignment sales	598	282	880	698	305	1,003
Concessionaire sales	321	-	321	373	-	373

The loss after taxation from Citistore and Unicorn amounted to HK\$59 million in aggregate for the year ended 31 December 2025 (2024: HK\$116 million). After taking into account other income and expenses, the Group's loss attributable to equity shareholders for the year ended 31 December 2025 amounted to HK\$67 million (2024: HK\$125 million).

CORPORATE FINANCE

As at 31 December 2025, the Group had no bank borrowings (31 December 2024: HK\$Nil). Shareholders' loans to the Group amounted to HK\$246 million (31 December 2024: HK\$155 million). As at 31 December 2025, the Group's cash and bank balances amounted to HK\$138 million (31 December 2024: HK\$124 million).

PROSPECTS

Looking ahead, the business environment of Hong Kong's retail sector is expected to remain challenging. The Group will continue to streamline its operations and endeavour to control operating expenses. In addition, the Group will continue to closely monitor market trends and adjust its merchandise mix to cater to customers' ever-changing preferences. These strategies, combined with the continuous expansion of its membership base, are expected to drive improvement in the Group's overall performance.

APPRECIATION

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

Dr Lee Ka Shing
Chairman

Hong Kong, 23 March 2026

BUSINESS RESULTS

Consolidated Statement of Profit or Loss

for the year ended 31 December 2025

	Note	2025 HK\$ million	2024 HK\$ million
Revenue	3	1,455	1,535
Direct costs		(1,411)	(1,528)
		44	7
Other revenue	4	10	12
Other income/expenses and other gains/losses, net	5	7	4
Selling and marketing expenses		(18)	(23)
Administrative expenses		(91)	(109)
Loss from operations		(48)	(109)
Finance costs on lease liabilities and bank loan interest expenses	6(c)	(33)	(41)
Loss before taxation	6	(81)	(150)
Income tax credit	7	14	25
Loss attributable to equity shareholders of the Company for the year		(67)	(125)
		HK cents	HK cents
Loss per share			
- Basic and diluted	10	(2.2)	(4.1)

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2025

	2025 HK\$ million	2024 HK\$ million
Loss attributable to equity shareholders of the Company for the year	(67)	(125)
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)	18	5
Total comprehensive income attributable to equity shareholders of the Company for the year	(49)	(120)

Consolidated Statement of Financial Position

at 31 December 2025

	Note	2025 HK\$ million	2024 HK\$ million
Non-current assets			
Fixed assets		82	127
Right-of-use assets	11	415	628
Trademarks		32	34
Investment in listed securities designated as financial assets at fair value through other comprehensive income		47	29
Investment in listed securities as financial assets at fair value through profit or loss		24	20
Goodwill	12	1,072	1,072
Deferred tax assets		100	86
		<u>1,772</u>	<u>1,996</u>
Current assets			
Inventories		98	111
Trade and other receivables	13	41	45
Tax recoverable		1	1
Cash and bank balances		138	124
		<u>278</u>	<u>281</u>
Current liabilities			
Trade and other payables	14	334	378
Lease liabilities	15	201	249
Amounts due to fellow subsidiaries		-	5
		<u>535</u>	<u>632</u>
Net current liabilities		<u>(257)</u>	<u>(351)</u>
Total assets less current liabilities		<u>1,515</u>	<u>1,645</u>
Non-current liabilities			
Lease liabilities	15	243	417
Amount due to a fellow subsidiary	16	246	155
Provision for reinstatement costs		16	14
Deferred tax liabilities		6	6
		<u>511</u>	<u>592</u>
NET ASSETS		<u>1,004</u>	<u>1,053</u>

Consolidated Statement of Financial Position

at 31 December 2025 (continued)

	2025 HK\$ million	2024 HK\$ million
CAPITAL AND RESERVES		
Share capital	612	612
Reserves	392	441
TOTAL EQUITY	<u>1,004</u>	<u>1,053</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 2025 and 2024 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 2024 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 2025 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 2025, the Group was in a net current liabilities position of HK\$257 million (2024: HK\$351 million). This was partly due to the recognition of the current portion of lease liabilities of HK\$201 million (2024: HK\$249 million) under HKFRS 16, *Leases* at 31 December 2025. 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 advance from a fellow subsidiary which is unsecured, interest-free, not expected to be repayable within one year from the end of the reporting period and has 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

(i) Amendments to HKAS which are first effective for the current accounting period

The Group has applied the amendments to HKAS 21, *The effects of changes in foreign exchange rates – Lack of exchangeability* issued by the HKICPA to these financial statements for the current accounting period. The amendments do not have a material impact on the Group's financial results or financial position as the Group has not entered into foreign currency transactions in which the foreign currency is not exchangeable into another currency.

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

(ii) Amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2025

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 2025 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 HKFRS 9, <i>Financial instruments</i> and HKFRS 7, <i>Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments</i>	1 January 2026
Annual improvements to HKFRS Accounting Standards -Volume 11	1 January 2026
HKFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027

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:

2 Changes in accounting policies (continued)

(ii) *Amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2025 (continued)*

HKFRS 18, Presentation and disclosure in financial statements

HKFRS 18 will replace HKAS 1, *Presentation of financial statements* and aims to improve the transparency and comparability of information about an entity's financial statements. HKFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under HKFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt HKFRS 18 and is still in the process of assessing the impact of the adoption.

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:

	2025 HK\$ million	2024 HK\$ million
Sales of goods	1,114	1,151
Commission income from consignment counters	241	270
Commission income from concessionaire counters	91	103
Promotion income	5	6
Administration fee income	4	5
	<hr/> 1,455 <hr/>	<hr/> 1,535 <hr/>

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

	2025 HK\$ million	2024 HK\$ million
Receipts from sales of goods by consignment counters	880	1,003
Receipts from sales of goods by concessionaire counters	321	373
	<hr/> 1,201 <hr/>	<hr/> 1,376 <hr/>

4 Other revenue

	2025 HK\$ million	2024 HK\$ million
Sponsorship fees	4	3
Rental income for antenna sites	2	2
Sundry income	4	7
	<u>10</u>	<u>12</u>

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

	2025 HK\$ million	2024 HK\$ million
Dividend income from listed investments	3	4
Net fair value gain on investment in listed securities as financial assets at fair value through profit or loss	4	2
Fixed assets written off	-	(2)
	<u>7</u>	<u>4</u>

6 Loss before taxation

Loss before taxation is arrived at after charging:

	2025 HK\$ million	2024 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	229	245
Contributions to defined contribution retirement plans	10	11
(c) Other items:		
Amortisation of trademarks	2	1
Depreciation		
– on fixed assets	44	59
– on right-of-use assets (note (i))(note 11)	230	258
Auditors' remuneration		
– audit services	2	2
– other services	-	3
Finance costs on lease liabilities (note (i)) (note 15)	26	38
Bank loan interest expenses	7	3
Expenses relating to short-term leases (note (i))	-	1
Other charges in respect of rental premises (note (i))	75	115
Cost of inventories sold	808	830

Note:

- (i) For the purpose of comparison between the two financial years ended 31 December 2025 and 31 December 2024, the depreciation charge on right-of-use assets of HK\$230 million (2024: HK\$258 million), the finance cost on lease liabilities of HK\$26 million (2024: HK\$38 million) and the rental and related expenses of HK\$75 million (2024: HK\$116 million) are aggregated which amounted to HK\$331 million for the year ended 31 December 2025 (2024: HK\$412 million). The year-on-year decrease of HK\$81 million is mainly attributable to the reductions in rental and related service charges which had been granted by the landlords of the Group's certain store premises, which resulted in savings by the Group (as lessee) of rental and related expenditures on such store premises in the aggregate amount of HK\$60 million for the year (2024: Nil).

7 Income tax credit

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

	2025 HK\$ million	2024 HK\$ million
Current tax expense – Hong Kong		
– provision for the year	-	-
Deferred taxation credit		
– origination and reversal of temporary differences	(14)	(25)
	<u>(14)</u>	<u>(25)</u>

Provision for Hong Kong Profits Tax has been made at 16.5% (2024: 16.5%) on the estimated assessable profits for the year, taking into account a one-off reduction of 100% (2024: 100%) of the tax payable for the year of assessment 2024/25 subject to a ceiling of HK\$1,500 (2023/24: HK\$3,000) 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 2025 and 31 December 2024 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\$1,455 million (2024: HK\$1,535 million) during the year and the pre-tax loss from operation (after deducting finance costs on lease liabilities) of which amounted to HK\$83 million during the year (2024: HK\$150 million).

Geographical information

Since all of the Group's revenue was generated in Hong Kong during the years ended 31 December 2025 and 31 December 2024, and all of the Group's fixed assets, right-of-use assets, trademarks and goodwill at 31 December 2025 and 31 December 2024 were located in Hong Kong, no geographical information on the aforementioned items is presented in accordance with HKFRS 8, *Operating segments*.

9 Dividends

The Directors have resolved not to declare any interim dividend payable to equity shareholders of the Company attributable to the six months ended 30 June 2025 (2024: Nil).

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 ended 31 December 2025 (2024: Nil).

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\$67 million (2024: HK\$125 million) and 3,047,327,395 (2024: 3,047,327,395) ordinary shares, being the number of ordinary shares in issue throughout the year.

11 Right-of-use assets

	2025 HK\$ million	2024 HK\$ million
Cost:		
At 1 January	1,420	1,442
Addition for the year (note 15)	57	4
Change in basic rent due to modification of certain lease terms (note 15)	(40)	(6)
Write back on expiry of leases	(135)	(20)
	<hr/>	<hr/>
At 31 December	1,302	1,420
	<hr/>	<hr/>
Accumulated depreciation:		
At 1 January	(792)	(554)
Charge for the year (note 6(c))	(230)	(258)
Write back on expiry of leases	135	20
	<hr/>	<hr/>
At 31 December	(887)	(792)
	<hr/>	<hr/>
Net book value:		
At 31 December	415	628
	<hr/> <hr/>	<hr/> <hr/>

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

	2025 HK\$ million	2024 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 (Hong Kong) Limited (“Citistore”) and Puretech Investment Limited (the “Citistore Acquisition”). As a result of the Citistore Acquisition, goodwill (the “Citistore Goodwill”) was recognised in the Group’s consolidated statement of financial position at 1 December 2014 under the acquisition method of accounting in accordance with HKFRS 3 (Revised), *Business combinations*. The Citistore Goodwill is allocated to the Group’s department stores operation under Citistore and is tested for impairment at the end of the reporting period.

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 2025. 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 2025) for the future five forecast years ending on 31 December 2026, 31 December 2027, 31 December 2028, 31 December 2029 and 31 December 2030 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 2.5% in the forecast receipts from gross sales for each of the future five forecast years ending on 31 December 2026, 31 December 2027, 31 December 2028, 31 December 2029 and 31 December 2030;
- (ii) an average increase of 0.5 percentage point in the gross profit margin for each of the future five forecast years ending on 31 December 2026, 31 December 2027, 31 December 2028, 31 December 2029 and 31 December 2030; 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 2030 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 2026, 31 December 2027, 31 December 2028, 31 December 2029 and 31 December 2030 are based on the expectations of the Group's management of their plans and market development at 31 December 2025.

Pre-tax discount rate of 10.93% and post-tax discount rate of 10.82% (2024: Pre-tax discount rate of 12.21% and post-tax discount rate of 11.78%), which represent the Group's current market assessment of the risks specific to the cash-generating units under Citistore, are 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 2025.

At 31 December 2025, 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, trademarks, right-of-use assets and negative working capital of Citistore at 31 December 2025) exceeded the carrying value of the Citistore Goodwill. 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 2026, 31 December 2027, 31 December 2028, 31 December 2029 and 31 December 2030, or if the forecast gross profit margin had been 1.5% lower for each of the future five forecast years ending on 31 December 2026, 31 December 2027, 31 December 2028, 31 December 2029 and 31 December 2030, the Directors have assessed that there would be a potential implication for impairment on the Citistore Goodwill in an estimated amount of HK\$61 million, HK\$70 million and HK\$154 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 of Citistore for each of the future five forecast years ending on 31 December 2026, 31 December 2027, 31 December 2028, 31 December 2029 and 31 December 2030 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 Stores (HK) Limited (“Unicorn”) on 27 July 2018) which is engaged in supermarket-cum-stores operation (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.

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 2025. 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 2025) for the future five forecast years ending on 31 December 2026, 31 December 2027, 31 December 2028, 31 December 2029 and 31 December 2030 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 3.8% in the forecast receipts from gross sales for each of the future five forecast years ending on 31 December 2026, 31 December 2027, 31 December 2028, 31 December 2029 and 31 December 2030;
- (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 2026, 31 December 2027, 31 December 2028, 31 December 2029 and 31 December 2030; 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 2030 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 2026, 31 December 2027, 31 December 2028, 31 December 2029 and 31 December 2030 are based on the expectations of the Group's management of their plans and market development at 31 December 2025.

Pre-tax discount rate of 10.93% and post-tax discount rate of 10.82% (2024: Pre-tax discount rate of 12.21% and post-tax discount rate of 11.78%), which represent the Group's current market assessment of the risks specific to the cash-generating units under Unicorn, are 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 2025.

At 31 December 2025, 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 2025) exceeded the carrying value of the Unicorn Goodwill. 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 2026, 31 December 2027, 31 December 2028, 31 December 2029 and 31 December 2030, or if the forecast gross profit margin had been 1.5% lower for each of the future five forecast years ending on 31 December 2026, 31 December 2027, 31 December 2028, 31 December 2029 and 31 December 2030, the Directors have assessed that there would be a potential implication for impairment on the Unicorn Goodwill in an estimated amount of HK\$7 million, HK\$77 million and HK\$173 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 of Unicorn for each of the future five forecast years ending on 31 December 2026, 31 December 2027, 31 December 2028, 31 December 2029 and 31 December 2030 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

	2025 HK\$ million	2024 HK\$ million
Trade debtors	17	15
Deposits, prepayments and other receivables	24	30
	41	45

At 31 December 2025, 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\$4 million (2024: HK\$11 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:

	2025 HK\$ million	2024 HK\$ million
Current and under 1 month overdue	17	15

14 Trade and other payables

	2025 HK\$ million	2024 HK\$ million
Trade creditors	250	271
Contract liabilities (note)	6	8
Accrued expenses and other payables	69	89
Deposits received	9	10
	334	378

Note: During the year ended 31 December 2025, HK\$5 million (2024: HK\$7 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 2025 and 31 December 2024 were expected to be recognised within one year.

At 31 December 2025, all of the trade and other payables were interest-free and repayable within one year or on demand except for an amount of HK\$2 million (2024: 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:

	2025 HK\$ million	2024 HK\$ million
Due within 1 month or on demand	218	237
Due after 1 month but within 3 months	32	34
	250	271

15 Lease liabilities

	2025 HK\$ million	2024 HK\$ million
At 1 January	666	924
Addition for the year (note 11)	57	4
Change in basic rent due to modification of certain lease terms (note 11)	(40)	(6)
Lease payments made during the year	(262)	(294)
Reclassification of rental deposits paid from trade and other receivables	(3)	-
Finance costs on lease liabilities for the year (note 6(c))	26	38
At 31 December	444	666
	2025 HK\$ million	2024 HK\$ million
Represented by:		
Amount classified under current liabilities		
– contractual maturity within 1 year	201	249
Amount classified under non-current liabilities		
– contractual maturity after 1 year and within 2 years	89	200
– contractual maturity after 2 years and within 5 years	154	217
	243	417
Total carrying amount of lease liabilities	444	666

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 2025 and the corresponding year ended 31 December 2024 and taking into account the reclassification adjustment for the year ended 31 December 2025 (2024: Nil). 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 2025 is an amount of HK\$107 million (2024: HK\$288 million) relating to the lease liabilities payable to affiliates.

16 Amount due to a fellow subsidiary

At 31 December 2025 and 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.

17 Review of results

The financial results for the year ended 31 December 2025 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 2025 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 2025.

Material acquisitions and disposals

The Group did not undertake any significant acquisition or disposal of assets or subsidiaries during the year ended 31 December 2025.

Results of operations

The Group recorded loss after tax attributable to equity shareholders in the amount of HK\$67 million for the year ended 31 December 2025 (2024: HK\$125 million). Analysis on the performance and information regarding the operations of the Group are 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 2025 (of which this Financial Review forms a part).

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 2025 amounted in aggregate to HK\$75 million (2024: HK\$116 million), which comprised amounts of HK\$73 million (2024: HK\$113 million) classified under "Direct costs" and HK\$2 million (2024: HK\$3 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 2025 amounted in aggregate to HK\$230 million (2024: HK\$258 million), which comprised amounts of HK\$224 million (2024: HK\$250 million) classified under "Direct costs" and HK\$6 million (2024: 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 2025 amounted in aggregate to HK\$26 million (2024: HK\$38 million).

During the year ended 31 December 2025, reductions in rental and related service charges had been granted by the landlords of the Group's certain store premises, which resulted in savings by the Group (as lessee) of rental and related expenditures on such store premises in the aggregate amount of HK\$60 million for the year (2024: Nil). This has the financial effect of year-on-year decreases in both the depreciation charges on right-of-use assets and the finance costs on lease liabilities recognised by the Group in the statement of profit or loss for the year ended 31 December 2025 when compared with the corresponding year ended 31 December 2024, as referred to above.

Finance costs on bank borrowing

During the year ended 31 December 2025 and excluding the finance costs on the lease liabilities recognised by the Group under HKFRS 16, the Group incurred finance costs of HK\$7 million on bank borrowing which was fully repaid at 31 December 2025 (2024: HK\$3 million).

Financial resources, liquidity and loan maturity profile

At 31 December 2025, the Group did not have any bank borrowing (2024: Nil) other than the Group's lease liabilities recognised under HKFRS 16 of HK\$444 million at 31 December 2025 (2024: HK\$666 million), and had cash and bank balances of HK\$138 million (2024: HK\$124 million).

Based on the Group's cash and bank balances of HK\$138 million at 31 December 2025, 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, the banking facility available to the Group and the advance from a fellow subsidiary, 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 2025 and 31 December 2024, the Group was not a contractual party to any arrangements in relation to any derivative financial instruments for speculative or hedging purposes. The Group closely monitors 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 2025 and 31 December 2024.

Charge on assets

Assets of the Group were not charged to any party at 31 December 2025 and 31 December 2024.

Capital commitments

At 31 December 2025, the Group had capital commitments in relation to fixed assets contracted but not provided for in the amount of HK\$5 million (2024: HK\$4 million).

Contingent liabilities

At 31 December 2025 and 31 December 2024, the Group did not have any contingent liabilities.

Employees and remuneration policy

At 31 December 2025, the Group had 775 (2024: 866) full-time employees and 106 (2024: 100) part-time employees. Total staff costs for the year ended 31 December 2025 amounted to HK\$240 million (2024: HK\$257 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, 28 May 2026 to Tuesday, 2 June 2026 (record date), 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 Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Wednesday, 27 May 2026.

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 2026 and reviewed the systems of internal control, risk management and compliance, and the annual report for the year ended 31 December 2025.

Corporate Governance

During the year ended 31 December 2025, 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, 23 March 2026

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, Au Siu Kee, Alexander and Helen Zee.