



恒基兆業發展有限公司
HENDERSON INVESTMENT LIMITED

Stock Code 股份代號：97

Interim Report 中期報告

2017

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Interim Results and Dividend

The Board of Directors announces that for the six months ended 30 June 2017, the (unaudited) Group's profit attributable to equity shareholders amounted to HK\$36 million, representing a decrease of HK\$22 million or 38% from HK\$58 million for the corresponding period in 2016. Earnings per share were HK 1.2 cents (2016: HK 1.9 cents).

The Board has resolved to pay an interim dividend of HK 2.0 cents per share (2016: HK 2.0 cents per share) to shareholders whose names appear on the Register of Members of the Company on Thursday, 7 September 2017 and such interim dividend will not be subject to any withholding tax in Hong Kong.

Closure of Register of Members

The Register of Members of the Company will be closed on Wednesday, 6 September 2017 and Thursday, 7 September 2017, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Registrar, Tricor Standard Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 5 September 2017. Interim dividend will be distributed to shareholders on Thursday, 14 September 2017.

Management Discussion and Analysis

Business Review

The Group operates a department store business in six densely-populated residential districts (namely, Tsuen Wan, Yuen Long, Ma On Shan, Tseung Kwan O, Tai Kok Tsui and Tuen Mun) under the name of "Citistore" and they aim at providing customers with "one-stop" shopping convenience by offering a vast selection of merchandise at reasonable and competitive prices.

During the period under review, the Group rolled out the following initiatives to increase the competitive edge of Citistore:

- In early 2017, the Ma On Shan store was relocated to operate at another location in the same shopping mall. With a more spacious floor area of over 100,000 square feet, the store has been well-received by customers as it offers a brand new shopping experience with the addition of further proprietary brands. For instance, "CITIZEN'S EDIT", a private label fashion concept store, was first introduced in this store. By sourcing branded trendy apparel and accessories from around the world, "CITIZEN'S EDIT" satisfies the needs of young, style-savvy urbanites by offering them limited editions of signature items. In addition, the Tseung Kwan O store is also undergoing renovation works which will give customers a refreshing look upon scheduled completion in September 2017.
- Citistore continued to harness technology to foster closer interaction with its customers. "Citi-Fun", a new mobile app launched in the second quarter of 2017, keeps customers fully informed of the latest promotional privileges. Whereas repeated patronage and more spending are encouraged by a newly-designed rewards programme and special price offers to "Citi-Fun" members.

As the sales of winter season merchandise were affected by the exceptionally warm weather in early 2017, Citistore recorded a period-on-period decrease of 7% in total sales proceeds (which were derived from the sales of own goods, as well as from concessionaire and consignment sales) for the six months ended 30 June 2017, with its breakdown as follows:

	For the six months ended 30 June	
	2017	2016
	HK\$ million	HK\$ million
Proceeds from sales of own goods	202	224
Proceeds from concessionaire and consignment sales	685	725
Total:	887	949

Sales of Own Goods and Gross Margin

During the period under review, Citistore's sales of own goods declined by 10% to HK\$202 million but its gross margin remained stable at 35%. The Household & Toys category made up approximately 53% of the total revenue from sales of goods, the Apparels category contributed approximately 31% and the balance of approximately 16% came from the categories of Food and Cosmetics.

	For the six months ended 30 June	
	2017	2016
	HK\$ million	HK\$ million
Sales of own goods	202	224
Gross profit (after netting the cost of inventories sold)	71	79
Gross margin	35%	35%

Rental Income from Concessionaire and Consignment Counters

Citistore's concessionaire sales are conducted by licensing portions of shop spaces to its concessionaires for setting up their own concession counters to sell their products, whilst consignment sales comprise the sales of consignors' own products on or in designated shelves, areas or spaces. Citistore charges these concessionaire and consignment counters on the basis of revenue sharing or basic rent (if any), whichever is higher, as its rental income. During the period under review, the total rental income derived from these concessionaire and consignment counters decreased by 5% period-on-period to HK\$205 million, virtually in line with the period-on-period decrease of 6% to HK\$685 million in the total sales proceeds generated from these counters as shown below:

	For the six months ended 30 June	
	2017	2016
	HK\$ million	HK\$ million
Sales proceeds from concessionaire counters	262	281
Sales proceeds from consignment counters	423	444
Total:	685	725
Rental income from concessionaire and consignment counters	205	215

Citistore's Profit Contribution

Due to (i) the decrease in total sales, (ii) the increase in advertising and promotion expenses as a result of the launch of a mobile app in the second quarter of the year, and (iii) the increase in depreciation charge on leasehold improvements in relation to the newly relocated store at Ma On Shan, Citistore's profit after taxation for the period under review amounted to HK\$32 million, representing a decrease of 42% or HK\$23 million as compared with the corresponding period last year:

Operating Expenses	For the six months ended 30 June	
	2017	2016
	HK\$ million	HK\$ million
Salaries and related costs	77	76
Rental and related costs	120	121
Selling and marketing expenses	13	9
Administrative and other expenses	36	31
Total:	246	237
Citistore's Profit after Taxation:	32	55

Overall, after taking into account the interest income and the overheads of its head office, the Group's profit attributable to equity shareholders for the six months ended 30 June 2017 amounted to HK\$36 million, representing a decrease of HK\$22 million or 38% from that of HK\$58 million for the corresponding period in 2016.

Corporate Finance

At 30 June 2017, the Group had no bank borrowings (31 December 2016: Nil) and its net cash and bank balances amounted to HK\$736 million (31 December 2016: HK\$801 million).

Prospects

It is a general view that the local retail market has bottomed out and a slow recovery is on the way. Citistore will use social media and its mobile app more extensively to communicate promotional activities with its customers, and will continue to explore effective measures for achieving better cost controls so as to improve its overall results.

Condensed Interim Financial Statements

Consolidated Statement of Profit or Loss – unaudited

	Note	For the six months ended 30 June	
		2017 HK\$ million	2016 HK\$ million
Revenue	4	411	443
Direct costs		(333)	(345)
		78	98
Other revenue	5	5	5
Other income	6	6	5
Selling and marketing expenses		(13)	(9)
Administrative expenses		(33)	(30)
		43	69
Profit before taxation	7	43	69
Income tax	8	(7)	(11)
		36	58
Profit attributable to equity shareholders of the Company for the period		36	58
		HK cents	HK cents
Earnings per share			
– Basic and diluted	9	1.2	1.9

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

The notes on pages 11 to 21 form part of these condensed interim financial statements.

Condensed Interim Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income – unaudited

	For the six months ended 30 June	
	2017	2016
	HK\$ million	HK\$ million
Profit attributable to equity shareholders of the Company for the period	36	58
Other comprehensive income for the period:		
Item that may be reclassified subsequently to profit or loss:		
– Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	2	(2)
Total comprehensive income for the period	38	56
Attributable to:		
Equity shareholders of the Company	37	57
Non-controlling interests	1	(1)
Total comprehensive income for the period	38	56

The notes on pages 11 to 21 form part of these condensed interim financial statements.

Condensed Interim Financial Statements

Consolidated Statement of Financial Position

	Note	At 30 June 2017 (unaudited) HK\$ million	At 31 December 2016 (audited) HK\$ million
Non-current assets			
Fixed assets		88	101
Trademarks		46	47
Goodwill		810	810
Deferred tax asset		2	2
		946	960
Current assets			
Inventories		62	61
Trade and other receivables	12	12	55
Cash and bank balances	13	736	801
		810	917
Current liabilities			
Trade and other payables	14	221	305
Amounts due to affiliates		64	51
Current taxation		7	5
		292	361
Net current assets		518	556
Total assets less current liabilities		1,464	1,516
Non-current liability			
Deferred tax liabilities		8	14
NET ASSETS		1,456	1,502
CAPITAL AND RESERVES			
Share capital		612	612
Reserves		829	853
Total equity attributable to equity shareholders of the Company		1,441	1,465
Non-controlling interests		15	37
TOTAL EQUITY		1,456	1,502

The notes on pages 11 to 21 form part of these condensed interim financial statements.

Condensed Interim Financial Statements

Consolidated Statement of Changes in Equity – unaudited

	Attributable to equity shareholders of the Company					Total	Non-controlling interests	Total equity
	Note	Share capital	Capital reserve	Exchange reserve	Retained profits			
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Balance at 1 January 2016		612	10	26	841	1,489	41	1,530
Changes in equity for the six months ended 30 June 2016:								
Profit for the period		-	-	-	58	58	-	58
Other comprehensive income for the period		-	-	(1)	-	(1)	(1)	(2)
Total comprehensive income for the period		-	-	(1)	58	57	(1)	56
Dividend approved and paid in respect of the previous financial year	10(b)	-	-	-	(61)	(61)	-	(61)
Balance at 30 June 2016		612	10	25	838	1,485	40	1,525
Balance at 1 January 2017		612	10	24	819	1,465	37	1,502
Changes in equity for the six months ended 30 June 2017:								
Profit for the period		-	-	-	36	36	-	36
Other comprehensive income for the period		-	-	1	-	1	1	2
Total comprehensive income for the period		-	-	1	36	37	1	38
Dividend approved and paid in respect of the previous financial year	10(b)	-	-	-	(61)	(61)	-	(61)
Dividends paid to non-controlling interests		-	-	-	-	-	(22)	(22)
Advances to non-controlling interests		-	-	-	-	-	(1)	(1)
Balance at 30 June 2017		612	10	25	794	1,441	15	1,456

The notes on pages 11 to 21 form part of these condensed interim financial statements.

Condensed Interim Financial Statements

Condensed Consolidated Cash Flow Statement – unaudited

	Note	For the six months ended 30 June	
		2017 HK\$ million	2016 HK\$ million
Net cash generated from operating activities			
Profit before taxation		43	69
Interest income	6	(6)	(4)
Depreciation	7(b)	17	12
Amortisation of trademarks	7(b)	1	1
(Increase)/decrease in inventories		(1)	9
Decrease in trade and other receivables		36	5
Decrease in trade and other payables		(59)	(44)
Increase in amounts due to affiliates		13	14
Tax paid			
– Hong Kong		(5)	(5)
– outside Hong Kong		(6)	–
		33	57
Net cash generated from investing activities			
Interest received		12	4
Additions to fixed assets		(28)	(4)
Decrease in deposits with banks over three months of maturity at acquisition		71	647
		55	647
Net cash used in financing activities			
Dividend paid to shareholders	10(b)	(61)	(61)
Dividends paid to non-controlling interests		(22)	–
Advances to non-controlling interests		(1)	–
		(84)	(61)
Net increase in cash and cash equivalents		4	643
Cash and cash equivalents at 1 January	13	80	144
Effect of foreign exchange rate changes		2	(1)
Cash and cash equivalents at 30 June	13	86	786

The notes on pages 11 to 21 form part of these condensed interim financial statements.

Notes to the Unaudited Condensed Interim Financial Statements

1 Basis of preparation

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

These condensed interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They were authorised for issuance on 22 August 2017.

These condensed interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group’s consolidated financial statements for the year ended 31 December 2016 (“the 2016 financial statements”), except for the accounting policy changes that are expected to be reflected in the Group’s consolidated financial statements for the year ending 31 December 2017. Details of these changes in accounting policies are set out in note 2.

The preparation of condensed interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The condensed interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 financial statements. The condensed interim financial statements and notes thereon do not include all of the information required for the preparation of a full set of financial statements in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

The condensed interim financial statements are unaudited, but have been reviewed by PricewaterhouseCoopers (“PwC”) in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity* issued by the HKICPA. PwC’s independent review report to the Board of Directors is included on page 32. In addition, these condensed interim financial statements have been reviewed by the Company’s Audit Committee.

Notes to the Unaudited Condensed Interim Financial Statements

1 Basis of preparation *(continued)*

The financial information relating to the year ended 31 December 2016 as comparative information that is included in the condensed interim financial statements for the six months ended 30 June 2017 does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from such financial statements. Further information relating to such statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

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

2 Changes in accounting policies

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

- Amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*
- Amendments to HKAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*

None of these developments has had a material effect on the preparation or presentation of the Group's results and financial position for the current or prior periods. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Notes to the Unaudited Condensed Interim Financial Statements

3 Accounting estimates and judgements

The preparation of these condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applicable to the 2016 financial statements.

4 Revenue

Revenue represents the sales value of goods to customers, rental income from consignment and concessionaire counters and promotion income recognised by the Group during the period. Revenue is analysed as follows:

	For the six months ended 30 June	
	2017	2016
	HK\$ million	HK\$ million
Sale of goods	202	224
Rental income from consignment counters (note)	127	133
Rental income from concessionaire counters (note)	78	82
Promotion income	4	4
	411	443

Note: Included total contingent rental income of HK\$88 million (2016: HK\$94 million) during the period. Contingent rental incomes are calculated based on the excess of certain percentages of revenue of the relevant operation occupying the shop spaces over a fixed portion of the monthly rentals and are recognised as income in the accounting period in which they are earned.

Notes to the Unaudited Condensed Interim Financial Statements

4 Revenue (continued)

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

	For the six months ended 30 June	
	2017	2016
	HK\$ million	HK\$ million
Receipts from sale of goods by consignment counters	423	444
Receipts from sale of goods by concessionaire counters	262	281
	685	725

5 Other revenue

	For the six months ended 30 June	
	2017	2016
	HK\$ million	HK\$ million
Sponsorship fees	1	1
Rental income for antenna site	2	2
Sundry income	2	2
	5	5

6 Other income

	For the six months ended 30 June	
	2017	2016
	HK\$ million	HK\$ million
Bank interest income	6	4
Others	-	1
	6	5

Notes to the Unaudited Condensed Interim Financial Statements

7 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2017	2016
	HK\$ million	HK\$ million
(a) Staff costs:		
Salaries, wages and other benefits	73	72
Contributions to defined contribution retirement plan	4	4
(b) Other items:		
Amortisation of trademarks	1	1
Depreciation	17	12
Operating lease charges in respect of rental premises	120	121
Cost of inventories sold	131	145
Rentals receivable less direct outgoings of HK\$185 million (2016: HK\$173 million)	(20)	(42)

8 Income tax

	For the six months ended 30 June	
	2017	2016
	HK\$ million	HK\$ million
Current tax – Hong Kong		
– provision for the period	13	12
Deferred taxation		
– origination and reversal of temporary differences	(6)	(1)
	7	11

Provision for Hong Kong Profits Tax has been made at 16.5% (2016: 16.5%) on the estimated assessable profit for the period.

In addition, dividend distribution out of the retained profits of foreign-invested enterprises earned after 1 January 2008 is subject to withholding tax at a tax rate of 10% unless reduced by treaty. Under the tax treaty between Hong Kong and mainland China, the withholding tax rate applicable to the Group for the current and prior periods is 5%.

Notes to the Unaudited Condensed Interim Financial Statements

9 Earnings per share – basic and diluted

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$36 million (2016: HK\$58 million) and 3,047,327,395 (2016: 3,047,327,395) ordinary shares, being the number of ordinary shares in issue throughout the periods.

10 Dividends

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

	For the six months ended 30 June	
	2017 HK\$ million	2016 HK\$ million
Interim dividend declared after the end of the reporting period of HK2 cents (2016: HK2 cents) per share	61	61

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

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

	For the six months ended 30 June	
	2017 HK\$ million	2016 HK\$ million
Final dividend in respect of the previous financial year, approved/declared and paid during the period, of HK2 cents (2016: HK2 cents) per share	61	61

Notes to the Unaudited Condensed Interim Financial Statements

11 Segment reporting

No segmental information for the six months ended 30 June 2017 is presented as the Group's revenue and trading results for the period were generated solely from its department store operation in Hong Kong, the revenue of which amounted to HK\$411 million (2016: HK\$443 million) during the period and the pre-tax profit from operation of which amounted to HK\$39 million (2016: HK\$66 million) during the period.

Geographical information

Since all of the Group's revenue was generated in Hong Kong during the six months ended 30 June 2017 and 2016, and all of the Group's fixed assets, trademarks and goodwill at 30 June 2017 and 31 December 2016 were located in Hong Kong, no geographical information on the aforementioned items is presented in accordance with HKFRS 8, *Operating segments*.

Notes to the Unaudited Condensed Interim Financial Statements

12 Trade and other receivables

	At 30 June 2017 (unaudited) HK\$ million	At 31 December 2016 (audited) HK\$ million
Trade debtors	5	7
Consideration receivable	–	40
Deposits, prepayments and other receivables	7	8
	12	55

At the end of the reporting period, the ageing analysis of trade debtors net of allowance for doubtful debts was as follows:

	At 30 June 2017 (unaudited) HK\$ million	At 31 December 2016 (audited) HK\$ million
Current or under 1 month overdue	5	7

The consideration receivable was repaid to the Group on 2 March 2017.

In respect of other trade and other receivables, credit terms given to counter-parties are generally based on the financial strength and repayment history of each counter-party. Normally, the Group does not obtain collateral from counter-parties. Ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise exposure to credit risk. Adequate impairment losses have been made for the estimated irrecoverable amounts.

Notes to the Unaudited Condensed Interim Financial Statements

13 Cash and bank balances

	At 30 June 2017 (unaudited) HK\$ million	At 31 December 2016 (audited) HK\$ million
Deposits with banks	651	722
Cash at bank and in hand	85	79
Cash and bank balances in the consolidated statement of financial position	736	801
Less: deposits with banks over three months of maturity at acquisition	(650)	(721)
Cash and cash equivalents in the condensed consolidated cash flow statement	86	80

Included in the cash and bank balances at 30 June 2017 were a total sum being the equivalent of HK\$59 million (31 December 2016: HK\$45 million) which was maintained in mainland China and is subject to foreign exchange control regulations.

14 Trade and other payables

	At 30 June 2017 (unaudited) HK\$ million	At 31 December 2016 (audited) HK\$ million
Trade creditors	165	209
Accrued expenses and other payables	44	84
Rental deposits	12	12
	221	305

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

	At 30 June 2017 (unaudited) HK\$ million	At 31 December 2016 (audited) HK\$ million
Due within 1 month or on demand	151	190
Due after 1 month but within 3 months	14	19
	165	209

Notes to the Unaudited Condensed Interim Financial Statements

15 Capital commitments

At 30 June 2017, the Group had capital commitments in relation to fixed assets contracted but not provided for in these condensed interim financial statements which amounted to HK\$Nil million (31 December 2016: HK\$1 million).

16 Contingent liabilities

At 30 June 2017 and 31 December 2016, the Group did not have any contingent liabilities.

17 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these condensed interim financial statements, the Group entered into the following material related party transactions during the period:

(a) Transactions with fellow subsidiaries (note (i))

Details of material related party transactions during the period between the Group and its fellow subsidiaries are as follows:

	For the six months ended 30 June	
	2017	2016
	HK\$ million	HK\$ million
Rental expenses payable (note (ii))	111	110
Cleaning expenses payable	3	3

Notes to the Unaudited Condensed Interim Financial Statements

17 Material related party transactions (continued)

(b) Transactions with related companies (note (i))

Details of material related party transactions during the period between the Group and its related companies, being the associated companies of an intermediate holding company, are as follows:

	For the six months ended 30 June	
	2017 HK\$ million	2016 HK\$ million
Rental expenses payable (note (iii))	7	8

Note (i): In the opinion of the directors, these transactions were carried out on normal commercial terms and in the ordinary course of business.

Note (ii): Including management fees, air-conditioning charges and rates in the aggregate amount of HK\$23 million for the six months ended 30 June 2017 (2016: HK\$21 million).

Note (iii): Including management fees, air-conditioning charges and rates in the aggregate amount of HK\$4 million for the six months ended 30 June 2017 (2016: HK\$4 million).

18 Non-adjusting events after the reporting period

Subsequent to the end of the reporting period, the directors declared an interim dividend, further details of which are disclosed in note 10(a).

Financial Review

The following discussions should be read in conjunction with the Company's unaudited condensed interim financial statements for the six months ended 30 June 2017.

Material acquisitions and disposals

During the six months ended 30 June 2017, the Group did not undertake any significant acquisition or disposal of subsidiaries or assets.

Results of operations

During the six months ended 30 June 2017, the Group was engaged in the operation of department stores in Hong Kong under the name of "Citistore" through Citistore (Hong Kong) Limited ("Citistore HK"), a wholly-owned subsidiary of the Company, which remained to be the Group's continuing business operation and the sole contributor of revenue to the Group.

(a) Department store operation in Hong Kong

The Group recognised the following financial performance of Citistore HK for the six months ended 30 June 2017:

- (i) revenue of HK\$411 million (2016: HK\$443 million) which comprises mainly the revenue derived from the sales of goods of HK\$202 million (2016: HK\$224 million) and the rental income derived from consignment counters and concessionaire counters of HK\$127 million and HK\$78 million respectively (2016: HK\$133 million and HK\$82 million respectively) ;
- (ii) direct costs of HK\$333 million (2016: HK\$345 million) which comprise mainly the cost of inventories sold of HK\$131 million (2016: HK\$145 million), the rental and related expenses of the store outlets of HK\$116 million (2016: HK\$117 million), the staff salaries and related expenses of the store outlets of HK\$56 million (2016: HK\$58 million), and the depreciation charge on leasehold improvements of HK\$15 million (2016: HK\$11 million) which showed a period-on-period increase due to the completion of the renovation works relating to the relocation of the Ma On Shan store at the end of 2016 ;
- (iii) other revenue of HK\$5 million (2016: HK\$5 million) which comprises sponsorship fees, rental income for antenna site and sundry income;
- (iv) selling and marketing expenses of HK\$13 million (2016: HK\$9 million) which comprise advertising and promotion expenditures and which showed a period-on-period increase due to the costs of launching customers' incentive programs such as the new "Citi-Fun App" and the "Citi-coupon" promotion;

- (v) administrative expenses of HK\$31 million (2016: HK\$28 million) which comprise mainly salaries and related expenses of the administrative staffs of HK\$21 million (2016: HK\$18 million); and
- (vi) income tax charge of HK\$7 million (2016: HK\$11 million) in relation to the provision for Hong Kong Profits Tax for the period.

As a result, for the six months ended 30 June 2017, the Group recognised post-tax profit contribution of HK\$32 million (2016: HK\$55 million) from Citistore HK.

For the six months ended 30 June 2017, Citistore HK recorded revenue of HK\$411 million (2016: HK\$443 million) which represents a period-on-period decrease of HK\$32 million or 7% from that for the corresponding six months ended 30 June 2016. Such decrease is mainly attributable to (i) a weakened retail market sentiment in Hong Kong during the six months ended 30 June 2017 compared with the corresponding six months ended 30 June 2016; and (ii) a significantly warmer weather during the Chinese New Year sales promotion period which therefore resulted in a decrease in the sales of winter merchandises in January and February 2017 when compared with that for the corresponding period.

Profit after taxation of Citistore HK for the six months ended 30 June 2017 amounted to HK\$32 million (2016: HK\$55 million) which represents a period-on-period decrease of HK\$23 million or 42% from that for the corresponding six months ended 30 June 2016. Such decrease is mainly attributable to, for the reasons as referred to above, (i) the decrease in revenue of HK\$32 million; (ii) the increase in advertising and promotion expenses of HK\$4 million; and (iii) the increase in depreciation charge on leasehold improvements of HK\$4 million.

As a result of the abovementioned decreases in revenue and profit after taxation of Citistore HK for the six months ended 30 June 2017, the post-tax profit margin of Citistore HK for the six months ended 30 June 2017 was 7.8% (2016: 12.4%).

(b) Corporate level

In addition, during the six months ended 30 June 2017, the Group recognised other income of HK\$6 million (2016: HK\$5 million) and administrative expenses of HK\$2 million (2016: HK\$2 million) at the corporate level, which resulted in a profit after tax of HK\$4 million (2016: HK\$3 million).

Aggregating the abovementioned profit after tax of Citistore HK and at corporate level for the six months ended 30 June 2017, the Group recorded total profit after tax attributable to equity shareholders in the amount of HK\$36 million for the six months ended 30 June 2017 (2016: HK\$58 million).

Financial resources, liquidity and loan maturity profile

At 30 June 2017, the Group had no bank borrowings (31 December 2016: Nil). The Group had net cash and bank balances of HK\$736 million at 30 June 2017 (31 December 2016: HK\$801 million).

During the six months ended 30 June 2017, the Group did not recognise any finance costs (2016: Nil).

Based on the Group's net cash and bank balances of HK\$736 million at 30 June 2017, the Group has adequate financial resources in meeting the funding requirements for its ongoing operations as well as its future expansion.

Treasury and financial management

The Group's financing and treasury activities are centrally managed at the corporate level. At 30 June 2017 and 31 December 2016, 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 (in the event that the Group shall enter into new bank borrowings) and foreign exchange rate exposure (in relation to any bank deposits in Hong Kong which may be converted to be denominated in a foreign currency other than Hong Kong dollars) and will consider hedging these exposures should the need arise.

Apart from the foregoing, the Group did not have any material exposures to interest rates or foreign exchange rates at 30 June 2017 and 31 December 2016.

Charge on assets

Assets of the Group were not charged to any parties at 30 June 2017 and 31 December 2016.

Capital commitments

At 30 June 2017, the Group had capital commitments contracted but not provided for in the amount of HK\$Nil million (31 December 2016: HK\$1 million).

Contingent liabilities

At 30 June 2017 and 31 December 2016, the Group did not have any contingent liabilities.

Employees and remuneration policy

At 30 June 2017, the Group had 607 (31 December 2016: 625) full-time employees and 168 (31 December 2016: 138) part-time employees, as follows:

	Full-time employees		Part-time employees	
	At 30 June 2017	At 31 December 2016	At 30 June 2017	At 31 December 2016
Corporate level	–	2	–	–
Citistore HK	607	623	168	138
Total	607	625	168	138

In relation to the Group’s full-time employees at the corporate level, 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, training programmes and education subsidies.

In relation to Citistore HK, the remuneration packages for the full-time employees typically comprise basic salaries, certain allowances, medical benefits and discretionary year-end bonuses, while remuneration packages for part-time employees typically comprise basic salaries and certain allowances. A defined contribution retirement plan is provided by Citistore HK towards Mandatory Provident Fund for eligible employees, while due to historical factors, long-time employees of Citistore HK receive the benefit of contributions under the Occupational Retirement Schemes Ordinance (“ORSO”). Ongoing training programme is also offered to all the employees of Citistore HK.

Total staff costs for the six months ended 30 June 2017 amounted to HK\$77 million (2016: HK\$76 million), as follows:

	For the six months ended 30 June	
	2017 HK\$ million	2016 HK\$ million
Corporate level	–	–
Citistore HK	77	76
Total	77	76

Other Information

Review of Interim Results

The unaudited interim results for the six months ended 30 June 2017 have been reviewed by the auditor of the Company, PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the Hong Kong Institute of Certified Public Accountants, the report of which is included on page 32.

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

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

Audit Committee

The Audit Committee met in August 2017 and reviewed the systems of internal control, risk management and compliance and the interim report for the six months ended 30 June 2017.

Corporate Governance

During the six months ended 30 June 2017, the Company complied with the applicable code provisions set out in the Corporate Governance Code (the “CG Code”) as stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), with the exception that the roles of the chairman and the chief executive officer of the Company have not been segregated as required by code provision A.2.1 of the CG Code. The Company is of the view that it is in the best interest of the Company to let Mr Lee Ka Shing act in the dual capacity as the Chairman and Managing Director given Mr Lee’s in-depth expertise and knowledge in business and the Group.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code of 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 standard as set out in the Model Code.

Forward-Looking Statements

This interim report 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.

Changes in the Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of Directors of the Company required to be disclosed are shown as follows:

- (i) (a) Mr Lee Ka Shing was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region on 30 June 2017.
 - (b) Dr Lam Ko Yin, Colin was awarded the Silver Bauhinia Star (S.B.S.) by the Government of the Hong Kong Special Administrative Region on 30 June 2017.
 - (c) Mr Kwong Che Keung, Gordon ceased to be the independent non-executive director of COSCO SHIPPING Holdings Co., Ltd. and CITIC Telecom International Holdings Limited on 25 May 2017 and 1 June 2017 respectively.
 - (d) Professor Ko Ping Keung was appointed an independent non-executive director of Q Technology (Group) Company Limited on 31 May 2017.
- (ii) By a resolution passed at the annual general meeting of the Company held on 5 June 2017, the director's fees were revised to HK\$50,000 per annum for each Executive Director/Independent Non-executive Director and a fee of HK\$200,000 per annum for acting as a member of the Audit Committee with effect from 1 July 2017.

By Order of the Board
Timon LIU Cheung Yuen
Company Secretary

Hong Kong, 22 August 2017

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

Disclosure of Interests

Directors' Interests in Shares

As at 30 June 2017, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to SFO or the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Ordinary Shares (unless otherwise specified)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Investment Limited	Lee Chau Kee	1			2,115,274,943		2,115,274,943	69.41
	Lee Ka Kit	1				2,115,274,943	2,115,274,943	69.41
	Lee Ka Shing	1				2,115,274,943	2,115,274,943	69.41
	Li Ning	1		2,115,274,943			2,115,274,943	69.41
	Lee Tat Man	2	6,666				6,666	0.00
Henderson Land Development Company Limited	Lee Chau Kee	3	12,850,138		2,911,184,185		2,924,034,323	73.08
	Lee Ka Kit	3				2,911,184,185	2,911,184,185	72.76
	Lee Ka Shing	3				2,911,184,185	2,911,184,185	72.76
	Li Ning	3		2,911,184,185			2,911,184,185	72.76
	Lee Tat Man	4	182,066				182,066	0.00

Ordinary Shares (unless otherwise specified) (continued)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Development Limited	Lee Chau Kee	5			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00
	Lee Chau Kee	6			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
	Lee Chau Kee	7	35,000,000 (Non-voting Deferred Shares)		15,000,000 (Non-voting Deferred Shares)		50,000,000 (Non-voting Deferred Shares)	100.00
	Lee Ka Kit	5				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Kit	6				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Kit	7				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Lee Ka Shing	5				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Shing	6				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Shing	7				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
Li Ning	5			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00	
Li Ning	6			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00	
Li Ning	7			15,000,000 (Non-voting Deferred Shares)		15,000,000 (Non-voting Deferred Shares)	30.00	

Save as disclosed above, none of the Directors or the Chief Executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations as defined in the SFO.

Share Option Schemes

The Company and its subsidiaries have no share option schemes.

Arrangements to Purchase Shares or Debentures

At no time during the six months ended 30 June 2017 was the Company or any of its holding companies, subsidiary companies or fellow subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders' and Others' Interests

As at 30 June 2017, the interests and short positions of every person, other than Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long Positions

	No. of shares in which interested	% Interest
Substantial Shareholders:		
Rimmer (Cayman) Limited (Note 1)	2,115,274,943	69.41
Riddick (Cayman) Limited (Note 1)	2,115,274,943	69.41
Hopkins (Cayman) Limited (Note 1)	2,115,274,943	69.41
Henderson Development Limited (Note 1)	2,115,274,943	69.41
Henderson Land Development Company Limited (Note 1)	2,115,274,943	69.41
Kingslee S.A. (Note 1)	2,115,274,943	69.41
Banshing Investment Limited (Note 1)	843,249,284	27.67
Markshing Investment Limited (Note 1)	602,398,418	19.77
Covite Investment Limited (Note 1)	363,328,900	11.92
Persons other than Substantial Shareholders:		
Gainwise Investment Limited (Note 1)	217,250,000	7.13

Notes:

1. Of these shares, (i) 843,249,284 shares, 602,398,418 shares, 363,328,900 shares, 217,250,000 shares and 84,642,341 shares were respectively owned by Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited, Gainwise Investment Limited and Darnman Investment Limited, all of which were wholly-owned subsidiaries of Kingslee S.A. which was 100% held by Henderson Land Development Company Limited (“HL”) which in turn was taken to be 72.70% held by Henderson Development Limited (“HD”); and (ii) 3,000,000 shares and 1,406,000 shares were respectively owned by Tako Assets Limited and Thommen Limited, both were wholly-owned subsidiaries of Hong Kong Ferry (Holdings) Company Limited (“HKF”) in which HL held 33.41%. Hopkins (Cayman) Limited (“Hopkins”) as trustee of a unit trust (the “Unit Trust”) owned all the issued ordinary shares of HD. Rimmer (Cayman) Limited (“Rimmer”) and Riddick (Cayman) Limited (“Riddick”), as trustees of respective discretionary trusts, held units in the Unit Trust. The entire issued share capital of Hopkins, Rimmer and Riddick were owned by Dr Lee Shau Kee. Dr Lee Shau Kee was taken to be interested in these shares by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in these shares by virtue of the SFO.
2. Mr Lee Tat Man was the beneficial owner of these shares.
3. Of these shares, Dr Lee Shau Kee was the beneficial owner of 12,850,138 shares, and for the remaining 2,911,184,185 shares, (i) 1,198,999,065 shares were owned by HD; (ii) 393,224,710 shares were owned by Richbond Investment Limited which was a wholly-owned subsidiary of HD; (iii) 306,731,747 shares were owned by Cameron Enterprise Inc.; 659,411,516 shares were owned by Believegood Limited which was wholly-owned by South Base Limited; 126,361,698 shares were owned by Prosglass Investment Limited which was wholly-owned by Jayasia Investments Limited; 116,274,349 shares were owned by Fancy Eye Limited which was wholly-owned by Mei Yu Ltd.; 97,228,930 shares were owned by Spreadral Limited which was wholly-owned by World Crest Ltd.; and Cameron Enterprise Inc., South Base Limited, Jayasia Investments Limited, Mei Yu Ltd. and World Crest Ltd. were wholly-owned subsidiaries of Yamina Investment Limited which in turn was 100% held by HD; (iv) 9,023,042 shares were owned by Superfun Enterprises Limited, a wholly-owned subsidiary of The Hong Kong and China Gas Company Limited (“China Gas”) which was 41.53% held by HL which in turn was taken to be 72.70% held by HD; (v) 2,414,914 shares were owned by Fu Sang Company Limited (“Fu Sang”); and (vi) 1,031,013 shares and 483,201 shares were respectively owned by Tako Assets Limited and Thommen Limited, both were wholly-owned subsidiaries of HKF in which HL held 33.41%. Dr Lee Shau Kee was taken to be interested in HD as set out in Note 1, Fu Sang (all the issued ordinary shares of which were owned by Hopkins as trustee of the Unit Trust), China Gas and HL by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr Li Ning was taken to be interested in these shares by virtue of the SFO.
4. Mr Lee Tat Man was the beneficial owner of these shares.
5. These shares were held by Hopkins as trustee of the Unit Trust.
6. These shares were held by Hopkins as trustee of the Unit Trust.
7. Of these shares, Dr Lee Shau Kee was the beneficial owner of 35,000,000 shares, and Fu Sang owned the remaining 15,000,000 shares.



羅兵咸永道

**REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF HENDERSON INVESTMENT LIMITED**
(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the condensed interim financial statements set out on pages 6 to 21, which comprise the consolidated statement of financial position of Henderson Investment Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2017 and the related consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on the condensed interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed interim financial statements in accordance with Hong Kong Accounting Standard 34 “*Interim Financial Reporting*”. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” issued by the Hong Kong Institute of Certified Public Accountants. A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “*Interim Financial Reporting*”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 August 2017



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恒基兆業發展有限公司
HENDERSON INVESTMENT LIMITED

