恒基兆業發展有限公司
HENDERSON INVESTMENT LIMITED
Stock Code 股份代號：97

2018
Interim Report
中期報告

Contents

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Interim Results and Dividend

The Board of Directors announces that for the six months ended 30 June 2018, the (unaudited) Group's profit attributable to equity shareholders amounted to HK$48 million, representing an increase of HK$12 million or 33% over the HK$36 million for the corresponding period in 2017. Earnings per share were HK 1.6 cents (2017: HK 1.2 cents).

The Board has resolved to pay an interim dividend of HK 2.0 cents per share (2017: HK 2.0 cents per share) to shareholders whose names appear on the Register of Members of the Company on Monday, 10 September 2018 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 from Friday, 7 September 2018 to Monday, 10 September 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 6 September 2018. The interim dividend will be distributed to shareholders on Friday, 14 September 2018.

Management Discussion and Analysis

Business Review

The Group focuses on department store operations in Hong Kong. In order to strengthen the Group's position in the local retailing industry and to expand its store coverage, the Group in May 2018 acquired UNY (HK) Co., Limited (now re-named as "Unicorn Stores (HK) Limited", hereafter referred to as "UNY HK") at the consideration of HK$300 million (subject to adjustment). UNY HK is recognised as a popular brand in Hong Kong, through its about 30 years of retail experience, particularly with regard to the sale of Japanese fresh produce and food products. Currently, UNY HK operates the following stores in densely-populated residential districts which are easily accessible by public transport:

	Location
General merchandise stores-cum-supermarket	
APITA	Cityplaza, Taikoo Shing, Hong Kong Island
UNY	Lok Fu Place, Lok Fu, Kowloon
PIAGO	Telford Plaza, Kowloon Bay, Kowloon
Discount store	
Watashi to Seikatsu*	North Point, Hong Kong Island

** will be closed before 30 September 2018 due to termination of the lease by the landlord.*

The above department stores and Japanese supermarkets are mainly aimed at middle class, affluent spending households, which is a similar approach to the strategy adopted by Citistore. Besides, the acquisition will provide the Group with potential synergies and cost saving opportunities for merchandising and back office functions, by taking advantage of UNY HK's valuable merchandise sourcing experience.

Completion of the acquisition took place on 31 May 2018. In order to offer the same premium service and shopping experience to their customers, both Citistore and UNY HK continue to operate under their own brand names after the acquisition:

(I) Citistore

There are six department stores under the name "Citistore" in Hong Kong, of which five are located in the New Territories (in Tsuen Wan, Yuen Long, Ma On Shan, Tuen Mun and Tseung Kwan O) and the remaining one is located in Tai Kok Tsui, Kowloon.

Citistore recorded a period-on-period increase of 8% in total sales proceeds, derived from the sales of own goods, as well as concessionaire and consignment goods, for the six months ended 30 June 2018 due to the improving local retail market sentiment. The breakdown is as follows:

	For the six months ended 30 June		
	2018	2017	
	HK$ million	HK$ million	Change
Proceeds from sales of own goods	**218**	202	+7.9%
Proceeds from concessionaire and consignment sales	**742**	685	+8.3%
Total:	**960**	887	+8.2%

Sales of Own Goods

During the period under review, Citistore's sales of own goods increased by 8% to HK$218 million and its gross margin remained steady at 35%. The Household & Toys category made up approximately 52% of the sales, the Apparels category contributed approximately 31% and the balance of approximately 17% came from the categories of Foods and Cosmetics.

	For the six months ended 30 June	
	2018	2017
	HK$ million	HK$ million
Sales of own goods	**218**	202
Gross profit (after netting the cost of inventories sold)	**76**	71
Gross margin	**35%**	35%

Concessionaire and Consignment Sales

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 commission (if any), whichever is higher, as its commission income. During the period under review, the total commission income derived from these concessionaire and consignment counters increased by 7% period-on-period to HK$219 million, virtually in line with the period-on-period increase of 8% to HK$742 million in the total sales proceeds generated from these counters as shown below:

	For the six months ended 30 June	
	2018	2017
	HK$ million	HK$ million
Sales proceeds from concessionaire counters	**266**	262
Sales proceeds from consignment counters	**476**	423
Total:	**742**	685
Commission income from concessionaire and consignment counters	**219**	205

Citistore's Profit Contribution

As compared with the period-on-period increase of 8% in its total sales proceeds, Citistore's total operating expenses during the period under review increased by less than 1% to HK$248 million, demonstrating its relentless efforts in raising efficiency and controlling operating costs. Citistore's profit after taxation for the period under review amounted to HK$47 million, representing an increase of HK$15 million or 47% as compared with the corresponding period last year:

	For the six months ended 30 June	
	2018	2017
Operating Expenses	**HK$ million**	HK$ million
Salaries and related costs	**79**	77
Rental and related costs	**124**	120
Selling and marketing expenses	**9**	13
Administrative and other expenses	**36**	36
Total:	**248**	246
Citistore's profit after taxation	**47**	32

(II) UNY HK

As the acquisition of UNY HK was completed on 31 May 2018, only its turnover for the month of June 2018 was recognised in the financial statements of the Group during the period under review. For the month of June 2018, which is usually a low season for this company, UNY HK recorded a total revenue of HK$83 million (which comprises direct sales of own goods in the amount of HK$76 million, as well as commission income from consignment sales of HK$7 million) generating a slight post-tax loss of HK$1 million.

In terms of sales proceeds, UNY HK recorded a total amount of HK$106 million (which included the above-mentioned sales of own goods of HK$76 million and proceeds from consignment sales of HK$30 million) for the month of June 2018. A gross profit of HK$22 million was recognised from its sales of own goods, translating into a gross margin of 29%, whilst its commission income derived from consignment sales amounted to HK$7 million.

Aggregating the above-mentioned operating results of Citistore and UNY HK, the total after-tax profit contribution from the Group's department store operation amounted to HK$46 million for the six months ended 30 June 2018. After taking into account the interest income, dividend income and the overhead expenditures of its head office (including one-off professional fees of HK$4 million in relation to the aforesaid acquisition), the Group's profit attributable to equity shareholders for the six months ended 30 June 2018 amounted to HK$48 million, representing an increase of HK$12 million or 33% over that of HK$36 million for the corresponding period in 2017.

Corporate Finance

The consideration for the acquisition of UNY HK, in the sum of HK$300 million (subject to adjustment), was fully settled by the Group's internal resources on 31 May 2018. As a result, the Group's cash and bank balances decreased from HK$756 million as at 31 December 2017 to HK$444 million as at 30 June 2018. After netting off the Group's bank borrowings of HK$26 million as at 30 June 2018 (31 December 2017: Nil), the Group had net cash of HK$418 million (31 December 2017: HK$756 million) as at 30 June 2018.

Prospects

The acquisition of UNY HK has enabled the Group to expand its general merchandise department store business through larger store coverage and diversify its operations into Japanese supermarket operations specializing in fresh produce and food products. The Group will utilise the resources and expertise of UNY HK to open new Japanese supermarkets and capture business opportunities that Japanese supermarkets present.

In addition, the Group will integrate the businesses of Citistore and UNY HK and identify areas where value can be created. Cost savings are to be achieved from possible operational synergies in logistics, information technology and other back office functions. Although the acquisition and integration costs may have a negative short-term impact, the Group is confident about its future profitability and business prospects.

Condensed Interim Financial Statements

Consolidated Statement of Profit or Loss – unaudited

	Note	For the six months ended 30 June **2018** **HK$ million**	 2017 HK$ million
Revenue	4	**524**	411
Direct costs		**(431)**	(333)
		93	78
Other revenue	5	**5**	5
Other income	6	**7**	6
Selling and marketing expenses		**(9)**	(13)
Administrative expenses		**(39)**	(33)
Profit before taxation	7	**57**	43
Income tax	8	**(9)**	(7)
Profit attributable to equity shareholders of the Company for the period		**48**	36
		HK cents	HK cents
Earnings per share			
– Basic and diluted	9	**1.6**	1.2

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	
	2018	2017
	HK$ million	HK$ million
Profit attributable to equity shareholders of the Company for the period	**48**	36
Other comprehensive income for the period:		
Item that will not be reclassified to profit or loss:		
– Investments in listed securities designated as financial assets at fair value through other comprehensive income: net movement in the fair value reserve	**(2)**	–
Item that may be reclassified subsequently to profit or loss:		
– Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	**–**	2
Total comprehensive income for the period	**46**	38
Attributable to:		
Equity shareholders of the Company	**46**	37
Non-controlling interests	**–**	1
Total comprehensive income for the period	**46**	38

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 2018 (unaudited) HK$ million**	At 31 December 2017 (audited) HK$ million
Non-current assets			
Fixed assets		**106**	90
Trademarks		**45**	45
Investments in listed securities designated as financial assets at fair value through other comprehensive income		**58**	–
Goodwill		**1,072**	810
Deferred tax assets		**10**	1
		1,291	946
Current assets			
Inventories		**131**	59
Trade and other receivables	12	**71**	18
Tax recoverable		**4**	–
Cash and bank balances	13	**444**	756
		650	833
Current liabilities			
Trade and other payables	14	**384**	269
Bank loan	15	**26**	–
Amounts due to affiliates		**78**	67
Current taxation		**12**	5
		500	341
Net current assets		**150**	492
Total assets less current liabilities		**1,441**	1,438
Non-current liabilities			
Provision for reinstatement cost		**18**	–
Deferred tax liabilities		**8**	8
		26	8
NET ASSETS		**1,415**	1,430
CAPITAL AND RESERVES			
Share capital		**612**	612
Reserves		**803**	818
TOTAL EQUITY		**1,415**	1,430

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

	Note	Attributable to equity shareholders of the Company					Non-controlling interests HK$ million	Total equity HK$ million
		Share capital HK$ million	Capital reserve HK$ million	Exchange reserve HK$ million	Retained profits HK$ million	Total HK$ million		
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

	Note	Attributable to equity shareholders of the Company					Non- controlling interests HK$ million	Total equity HK$ million
		Share capital HK$ million	Capital reserve HK$ million	Fair value reserve HK$ million	Retained profits HK$ million	Total HK$ million		
Balance at 1 January 2018		612	10	-	808	1,430	-	1,430
Changes in equity for the six months ended 30 June 2018:								
Profit for the period		-	-	-	48	48	-	48
Other comprehensive income for the period		-	-	(2)	-	(2)	-	(2)
Total comprehensive income for the period		-	-	(2)	48	46	-	46
Dividend approved and paid in respect of the previous financial year	10(b)	-	-	-	(61)	(61)	-	(61)
Balance at 30 June 2018		612	10	(2)	795	1,415	-	1,415

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 **2018** HK$ million	2017 HK$ million
Net cash generated from operating activities			
Profit before taxation		**57**	43
Bank interest income	6	**(5)**	(6)
Dividend income	6	**(2)**	–
Depreciation	7(b)	**16**	17
Amortisation of trademarks	7(b)	**–**	1
Increase in inventories		**(8)**	(1)
Decrease in trade and other receivables		**1**	36
Decrease in trade and other payables		**(28)**	(59)
Increase in amounts due to affiliates		**11**	13
Tax paid			
– Hong Kong		**(3)**	(5)
– outside Hong Kong		**–**	(6)
		39	33
Net cash (used in)/generated from investing activities			
Interest received		**6**	12
Dividends received from investments in listed securities		**2**	–
Additions to fixed assets		**(3)**	(28)
Purchases of investments in listed securities designated as financial assets at fair value through other comprehensive income		**(60)**	–
Acquisition of a subsidiary, net of cash and cash equivalents acquired	16	**(261)**	–
Decrease in deposits with banks over three months of maturity at acquisition		**76**	71
		(240)	55
Net cash used in financing activities			
Dividend paid to shareholders	10(b)	**(61)**	(61)
Proceeds from new bank loan	15	**26**	–
Dividends paid to non-controlling interests		**–**	(22)
Advances to non-controlling interests		**–**	(1)
		(35)	(84)
Net (decrease)/increase in cash and cash equivalents		**(236)**	4
Cash and cash equivalents at 1 January	13	**660**	80
Effect of foreign exchange rate changes		**–**	2
Cash and cash equivalents at 30 June	13	**424**	86

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, including UNY (HK) Co., Limited ("UNY HK") (which was renamed as Unicorn Stores (HK) Limited on 27 July 2018) starting from 1 June 2018 following the completion of the Company's acquisition of UNY HK on 31 May 2018 (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 23 August 2018.

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 2017 ("the 2017 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 2018. 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 2017 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.

The financial information relating to the year ended 31 December 2017 as comparative information that is included in the condensed interim financial statements for the six months ended 30 June 2018 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 2017 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).

Notes to the Unaudited Condensed Interim Financial Statements

1 Basis of preparation (continued)

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 a few new accounting standards 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:

- HKFRS 9, *Financial instruments*

- HKFRS 15, *Revenue from contracts with customers*

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. Under HKFRS 9, for financial assets measured at fair value, fair value gains/losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. For investments in equity instruments designated as financial assets at fair value through other comprehensive income, dividend income, expected credit losses and gains/losses on derecognition are recognised in profit or loss. On derecognition of those investments, the fair value gains/losses previously recognised in other comprehensive income in equity cannot be reclassified to profit or loss under HKFRS 9. In relation to the Group's trade receivables, impairment based on expected credit loss model is considered not to have a significant impact on the Group. Save as disclosed above, there are no material impacts of HKFRS 9 on the Group's financial position at 30 June 2018 and financial performance for the six months then ended.

Under HKFRS 15, revenue from sale of goods and provision of services by the Group would be recognised when the customer obtains control of the promised goods or services in the contract. Revenue from sale of goods is recognised at a point in time when the Group sells a product to the customer. Commission income from consignment and concessionaire counters is recognised at a point in time of sale of goods by counter suppliers. Promotion income is recognised over time when the services are provided. To reflect the terminology under HKFRS 15, the Group has changed the presentation of certain amounts in note 14. In relation to the customer loyalty programme, since its launch prior to 1 January 2018, the Group's accounting policy for the programme is similar to and consistent with the principles of HKFRS 15. In this regard, there are no significant impacts on the Group. Save as disclosed above, there are no material impacts of HKFRS 15 on the Group's financial position at 30 June 2018 and financial performance for the six months then ended.

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 2017 financial statements.

4 Revenue

Revenue represents the direct sales of goods to customers, commission 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	
	2018	2017
	HK$ million	HK$ million
Sales of goods	**294**	202
Commission income from consignment counters (note)	**149**	127
Commission income from concessionaire counters (note)	**77**	78
Promotion income	**4**	4
	524	411

Note: Included total contingent commission income in the aggregate amount of HK$101 million (2017: HK$88 million) during the period. Contingent commission income 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 commission and are recognised as income in the accounting period in which they are earned.

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

	For the six months ended 30 June	
	2018	2017
	HK$ million	HK$ million
Receipts from sales of goods by consignment counters	**506**	423
Receipts from sales of goods by concessionaire counters	**266**	262
	772	685

Notes to the Unaudited Condensed Interim Financial Statements

5 Other revenue

	For the six months ended 30 June	
	2018	2017
	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	
	2018	2017
	HK$ million	HK$ million
Bank interest income	**5**	6
Dividend income	**2**	–
	7	6

7 Profit before taxation

Profit before taxation is arrived at after charging:

		For the six months ended 30 June	
		2018	2017
		HK$ million	HK$ million
(a)	***Staff costs:***		
	Salaries, wages and other benefits	**84**	73
	Contributions to defined contribution retirement plan	**4**	4
(b)	***Other items:***		
	Amortisation of trademarks	**–**	1
	Depreciation	**16**	17
	Operating lease charges in respect of rental premises (note)	**139**	120
	Cost of inventories sold	**196**	131

Note: Included contingent rental expenses of HK$4 million (2017: HK$3 million) during the period.

Notes to the Unaudited Condensed Interim Financial Statements

8 Income tax

	For the six months ended 30 June	
	2018	2017
	HK$ million	HK$ million
Current tax – Hong Kong		
– provision for the period	**10**	13
Deferred taxation		
– origination and reversal of temporary differences	**(1)**	(6)
	9	7

Provision for Hong Kong Profits Tax has been made at 16.5% (2017: 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 was 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 corresponding period of six months ended 30 June 2017 was 5%.

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$48 million (2017: HK$36 million) and 3,047,327,395 (2017: 3,047,327,395) ordinary shares, being the number of ordinary shares in issue throughout the periods.

Notes to the Unaudited Condensed Interim Financial Statements

10 Dividends

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

	For the six months ended 30 June	
	2018	2017
	HK$ million	HK$ million
Interim dividend declared after the end of the reporting period of HK2 cents (2017: 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 period

	For the six months ended 30 June	
	2018	2017
	HK$ million	HK$ million
Final dividend in respect of the previous financial year, approved/declared and paid during the period, of HK2 cents (2017: HK2 cents) per share	**61**	61

11 Segment reporting

No segmental information for the six months ended 30 June 2018 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$524 million (2017: HK$411 million) during the period and the pre-tax profit from operation of which amounted to HK$55 million (2017: HK$39 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 2018 and 2017, and all of the Group's fixed assets, trademarks and goodwill at 30 June 2018 and 31 December 2017 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 2018 (unaudited) HK$ million	At 31 December 2017 (audited) HK$ million
Trade debtors	**14**	12
Deposits, prepayments and other receivables	**57**	6
	71	18

At 30 June 2018, the rental deposits paid relating to the leases to be expired within 12 months from the end of the reporting period amounted to HK$8 million (31 December 2017: Nil).

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 2018 (unaudited) HK$ million	At 31 December 2017 (audited) HK$ million
Current or under 1 month overdue	**14**	12

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.

13 Cash and bank balances

	At 30 June 2018 (unaudited) HK$ million	At 31 December 2017 (audited) HK$ million
Deposits with banks	**353**	669
Cash at bank and in hand	**91**	87
Cash and bank balances in the consolidated statement of financial position	**444**	756
Less: deposits with banks over three months of maturity at acquisition	**(20)**	(96)
Cash and cash equivalents in the condensed consolidated cash flow statement	**424**	660

Included in the cash and bank balances at 30 June 2018 was a pledged bank deposit in the amount of HK$100,752 held by UNY HK, an indirect wholly-owned subsidiary of the Company, in favour of a bank for the purpose of a corporate credit card issued to it by such bank.

Notes to the Unaudited Condensed Interim Financial Statements

14 Trade and other payables

	At 30 June 2018 (unaudited) HK$ million	At 31 December 2017 (audited) HK$ million
Trade creditors	**291**	209
Contract liabilities (note)	**10**	8
Accrued expenses and other payables	**71**	40
Rental deposits	**12**	12
	384	269

Note: Under the requirements of HKFRS 15, the Group has separately presented contract liabilities at 30 June 2018 and 31 December 2017 in relation to prepayments from customers and customer loyalty programme, which were previously included in "Accrued expenses and other payables". The change in presentation has no impact on the total balance of trade and other payables at 30 June 2018 and 31 December 2017.

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

	At 30 June 2018 (unaudited) HK$ million	At 31 December 2017 (audited) HK$ million
Due within 1 month or on demand	**217**	191
Due after 1 month but within 3 months	**74**	18
	291	209

15 Bank loan

At 30 June 2018, the Group had bank borrowings of HK$26 million (31 December 2017: Nil) which were drawn down in June 2018 pursuant to a revolving bank loan facility which has a final maturity date of 31 January 2021. The effective interest rate for the Group related to the bank loan was approximately 1.64% per annum during the six months ended 30 June 2018.

Notes to the Unaudited Condensed Interim Financial Statements

16 Acquisition of a subsidiary

During the six months ended 30 June 2018, Urban Kirin Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, acquired the entire issued share capital of UNY HK for a cash consideration of HK$300 million (the "Acquisition"), subject to adjustment ("Adjustment") which is calculated as the difference between the audited net asset value of UNY HK at 31 May 2018 (calculated in accordance with the terms of the agreement dated 24 May 2018 entered into by the Purchaser in relation to the Acquisition) and HK$38,500,000, and if the difference is a positive figure, it will be capped at HK$31,500,000. The Acquisition was completed on 31 May 2018. Subject to the completion audit of UNY HK and based on the unaudited statement of financial position of UNY HK at 31 May 2018, the fair value of the assets acquired and the liabilities assumed at 31 May 2018 for UNY HK under the Acquisition were as follows:

	HK$ million
Fixed assets	**32**
Deferred tax assets	**8**
Inventories	**64**
Trade and other receivables	**47**
Tax recoverable	**3**
Cash and bank balances	**39**
Trade and other payables	**(146)**
Provisions under non-current liabilities	**(18)**
Fair value of identifiable net assets	**29**
Goodwill	**262**
Net consideration (after Adjustment)	**291**
Satisfied by:	
Cash consideration paid (note)	**300**
Net cash outflow in respect of the Acquisition:	
Cash consideration paid	**300**
Cash and cash equivalents acquired	**(39)**
	261

Note: Cash of HK$300 million was paid as at 30 June 2018 resulting in other receivable relating to the Adjustment of HK$9 million.

The factors which constitute the goodwill arising from the Acquisition comprise, inter alia, (i) UNY HK's retail operating experience of about 30 years in Hong Kong with a particular focus on supplying Japanese fresh produce and food products which have popular brand recognition; (ii) the renowned and long-established general Japanese merchandise store-cum-supermarket currently operated by UNY HK, being "APITA" located in Taikoo Shing; and (iii) the sourcing of Japanese fresh produce and food products which are directly associated with FamilyMart UNY Holdings Co., Ltd., being one of the most well-established retailing brands in Japan.

Notes to the Unaudited Condensed Interim Financial Statements

16 Acquisition of a subsidiary (continued)

Included in the Group's revenue of HK$524 million (see note 4) and the Group's profit attributable to equity shareholders of the Company of HK$48 million for the six months ended 30 June 2018 are the revenue of HK$83 million and the loss after taxation of HK$1 million contributed from UNY HK during the period from 1 June 2018 to 30 June 2018.

Assuming the Acquisition had taken place and was completed on 1 January 2018 and therefore taking into account the revenue and the profit after taxation of UNY HK for the six months ended 30 June 2018, the Group's revenue and profit from operations attributable to equity shareholders of the Company for the six months ended 30 June 2018 (as a combined entity) would have become as follows:

	Revenue HK$ million	Profit from operations attributable to equity shareholders of the Company HK$ million
The Group (excluding the effect of the Acquisition)	**441**	**49**
UNY HK	**532**	**13**
Total	**973**	**62**

Acquisition-related expenditures of HK$4 million have been charged to administrative expenses in the consolidated statement of profit or loss for the six months ended 30 June 2018.

17 Capital commitments

At 30 June 2018, the Group had capital commitments in relation to leasehold improvements contracted but not provided for in these condensed interim financial statements in the amount of HK$3 million (31 December 2017: HK$Nil).

18 Contingent liabilities

At 30 June 2018 and 31 December 2017, the Group did not have any contingent liabilities.

Notes to the Unaudited Condensed Interim Financial Statements

19 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	
	2018	2017
	HK$ million	HK$ million
Rental expenses payable (note (ii))	**114**	111
Cleaning expenses payable	**4**	3

(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	
	2018	2017
	HK$ million	HK$ million
Rental expenses payable (note (iii))	**7**	7

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$26 million for the six months ended 30 June 2018 (2017: HK$23 million).

Note (iii): Including management fees, air-conditioning charges and rates in the aggregate amount of HK$3 million for the six months ended 30 June 2018 (2017: HK$4 million).

20 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 consolidated interim financial statements for the six months ended 30 June 2018.

Material acquisitions and disposals

During the six months ended 30 June 2018, the Group made on-market purchases of certain listed securities which were recognised as "Investments in listed securities designated as financial assets at fair value through other comprehensive income" in the Group's consolidated statement of financial position at 30 June 2018.

On 24 May 2018, Urban Kirin Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, entered into a conditional share purchase agreement (the "Agreement") with FamilyMart UNY Holdings Co., Ltd. of Japan (the "Vendor") pursuant to which the Purchaser acquired from the Vendor the entire issued shares of UNY (HK) Co., Limited ("UNY HK", which was renamed as Unicorn Stores (HK) Limited on 27 July 2018) for an aggregate consideration of HK$300 million (subject to adjustment) (the "Acquisition"). UNY HK is engaged in department store operation in Hong Kong and operates (i) three general merchandise stores-cum-supermarkets under the name "*APITA*" at Cityplaza, Taikoo Shing, Hong Kong Island, "*UNY*" at Lok Fu Place, Lok Fu, Kowloon, and "*PIAGO*" at Telford Plaza, Kowloon Bay, Kowloon; and (ii) a discount store under the name "*Watashi to Seikatsu*" located in North Point, Hong Kong Island, for which the Purchaser has been informed by the Vendor that such discount store will be closed before 30 September 2018 due to termination of the lease by the landlord. Completion of the Acquisition took place on 31 May 2018.

Save for the abovementioned, the Group did not undertake any other significant acquisitions or any significant disposals of assets or subsidiaries during the six months ended 30 June 2018.

Results of operations

During the six months ended 30 June 2018, the Group was engaged in the operation of department stores in Hong Kong under (i) Citistore (Hong Kong) Limited ("Citistore"), a wholly-owned subsidiary of the Company; and (ii) UNY HK, a wholly-owned subsidiary of the Company following the completion of the Acquisition as referred to in the paragraph "Material acquisitions and disposals" above.

(a) Department store operation in Hong Kong

Citistore

The Group recognised the following financial performance of Citistore for the six months ended 30 June 2018 as compared with the corresponding period of six months ended 30 June 2017:

	Note	**Six months ended 30 June** **2018** **HK$ million**	 2017 HK$ million	*Increase/* *(Decrease)* *HK$ million*	*Increase/* *(Decrease)* *%*
Revenue					
– Sales of goods		**218**	202	*16*	*+8%*
– Commission income derived from consignment counters		**142**	127	*15*	*+12%*
– Commission income derived from concessionaire counters		**77**	78	*(1)*	*-1%*
– Promotion income		**4**	4	*–*	*–*
	(i)	**441**	411	*30*	*+7%*
Direct costs					
– Cost of inventories sold		**(142)**	(131)	*(11)*	*+8%*
– Rental and related expenses of the store outlets		**(120)**	(116)	*(4)*	*+3%*
– Staff salaries and related expenses of the store outlets		**(58)**	(56)	*(2)*	*+4%*
– Depreciation charge on leasehold improvements		**(14)**	(15)	*1*	*-7%*
– Others		**(16)**	(15)	*(1)*	*+7%*
	(ii)	**(350)**	(333)	*(17)*	*+5%*
Other revenue		**5**	5	*–*	*–*
Selling and marketing expenses	(iii)	**(9)**	(13)	*4*	*-31%*
Administrative expenses		**(31)**	(31)	*–*	*–*
Profit before taxation		**56**	39	*17*	*+44%*
Income tax		**(9)**	(7)	*(2)*	*+29%*
Profit after taxation attributable to equity shareholders of the Company		**47**	32	*15*	*+47%*

Notes:

(i) The period-on-period increase in revenue of HK$30 million, or 7%, is mainly attributable to (i) a remarkably colder weather during the months of January and February 2018 which resulted in an increase in the sales of winter merchandises in January and February 2018 when compared with that for the corresponding period of January and February 2017; and (ii) a gradually improved retail market sentiment in Hong Kong during the first six months of 2018 which showed signs of recovery when compared with that for the corresponding first six months of 2017.

(ii) The period-on-period increase in direct costs of HK$17 million, or 5%, is mainly represented by the increase in the cost of inventories sold which was in line with the increase in the revenue derived from the sales of goods during the six months ended 30 June 2018.

(iii) Selling and marketing expenses comprise advertising and promotion expenditures. The period-on-period decrease in selling and marketing expenses of HK$4 million, or 31%, is mainly due to the decrease in promotion expenses related to the customer loyalty programme of "Citi-Fun" and redemption coupons.

UNY HK

For the reason that the Group completed the Acquisition of UNY HK on 31 May 2018, for the six months ended 30 June 2018 under review, the Group recognised revenue contribution from UNY HK for the month of June 2018 of HK$83 million which comprises (i) revenue generated from the direct sales of goods in the amount of HK$76 million; and (ii) commission income in respect of sales generated by licensees in the amount of HK$7 million. For the month of June 2018, UNY HK generated overall gross profit of HK$2 million and recognised administrative expenses of HK$3 million, which resulted in a loss after tax of HK$1 million.

Based on the consideration paid by the Group for the Acquisition of HK$300 million on 31 May 2018 (being the completion date of the Acquisition) as reduced by an adjustment amount of HK$9 million which is determined in accordance with the terms of the Agreement and the fair value of UNY HK's identifiable assets less liabilities of HK$29 million at 31 May 2018 (subject to the completion audit of UNY HK), goodwill on acquisition of HK$262 million was recognised in the Group's consolidated statement of financial position at 30 June 2018.

(b) Corporate level

	Note	**Six months ended 30 June** **2018** **HK$ million**	2017 HK$ million	*Increase/ (Decrease) HK$ million*	*Increase/ (Decrease) %*
Other income					
– Bank interest income		**5**	6	*(1)*	*-17%*
– Dividend income	(iv)	**2**	0	*2*	*n/a*
		7	6	*1*	*+17%*
Administrative expenses	(v)	**(5)**	(2)	*(3)*	*+150%*
Profit before taxation		**2**	4	*(2)*	*-50%*
Income tax		**–**	–	*–*	*–*
Profit after taxation attributable to equity shareholders of the Company		**2**	4	*(2)*	*-50%*

Notes:

(iv) As referred to in the paragraph "Material acquisitions and disposals" above, the Group made on-market purchases of certain listed securities during the six months ended 30 June 2018. As a result, the Group recognised dividend income of HK$2 million from such portfolio of listed securities during the six months ended 30 June 2018 (2017: Nil).

(v) The period-on-period increase in the Group's administrative expenses, at corporate level, is mainly attributable to the one-off professional fees payable by the Group of HK$4 million in relation to the Acquisition.

(c) Overall

Aggregating the abovementioned profits after tax of the department store operation in Hong Kong and at corporate level for the six months ended 30 June 2018, the Group recorded total profit after tax attributable to equity shareholders in the amount of HK$48 million for the six months ended 30 June 2018 (2017: HK$36 million), representing a period-on-period increase of HK$12 million, or 33%.

Financial resources, liquidity and loan maturity profile

At 30 June 2018, the Group had bank borrowings of HK$26 million (31 December 2017: Nil) which were drawn down in June 2018 pursuant to a revolving bank loan facility which has a final maturity date of 31 January 2021. The effective interest rate for the Group related to the bank loan was approximately 1.64% per annum during the six months ended 30 June 2018. The Group had net cash and bank balances, after deduction of bank borrowings, of HK$418 million at 30 June 2018 (31 December 2017: HK$756 million).

During the six months ended 30 June 2018, the Group recognised finance costs of (including other borrowing costs) HK$181,662 (2017: Nil).

Based on the Group's net cash and bank balances of HK$418 million at 30 June 2018, 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 2018 and 31 December 2017, the Group was not a contractual party to any arrangements in relation to any derivative financial instruments for speculative or hedging purposes. The Group monitors closely its interest rate exposure and foreign exchange rate exposure and will consider hedging these exposures should the need arise.

Apart from the foregoing, the Group did not have any material exposures to interest rates or foreign exchange rates at 30 June 2018 and 31 December 2017.

Charge on assets

Except for a pledged bank deposit of HK$100,752 at 30 June 2018 held by UNY HK, assets of the Group were not charged to any other parties at 30 June 2018 and 31 December 2017.

Capital commitments

At 30 June 2018, the Group had capital commitments in relation to leasehold improvements contracted but not provided for in the amount of HK$3 million (31 December 2017: HK$Nil).

Contingent liabilities

At 30 June 2018 and 31 December 2017, the Group did not have any contingent liabilities.

Employees and remuneration policy

At 30 June 2018, the Group had 1,064 (31 December 2017: 586) full-time employees and 386 (31 December 2017: 144) part-time employees. The increase in the Group's staff headcount is mainly attributable to the additional 484 full-time employees and 173 part-time employees of UNY HK following the completion of the Acquisition, and the increase of 69 part-time employees of Citistore during the six months ended 30 June 2018.

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

Total staff costs for the six months ended 30 June 2018 amounted to HK$88 million (2017: HK$77 million). The increase in total staff costs for the six months ended 30 June 2018 is mainly attributable to the additional staff costs of UNY HK of HK$9 million for the month of June 2018 following the completion of the Acquisition.

Other Information

Review of Interim Results

The unaudited interim results for the six months ended 30 June 2018 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, 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 2018 and reviewed the systems of internal control, risk management and compliance, and the interim report for the six months ended 30 June 2018.

Corporate Governance

During the six months ended 30 June 2018, 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 for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). Having made specific enquiries, the Company confirmed that all Directors have complied with the required standards 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 the Directors of the Company required to be disclosed are shown as follows:

(a) Dr Lee Ka Kit was appointed as an independent non-executive director of Xiaomi Corporation on 25 June 2018.

(b) Mr Au Siu Kee, Alexander was appointed as the chairman of the Audit Committee of The Independent Schools Foundation Limited on 31 May 2018.

By Order of the Board
Timon LIU Cheung Yuen
Company Secretary

Hong Kong, 23 August 2018

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 Shau 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 2018, 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 the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers 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 Shau Kee	1			2,110,868,943		2,110,868,943	69.27
	Lee Ka Kit	1				2,110,868,943	2,110,868,943	69.27
	Lee Ka Shing	1				2,110,868,943	2,110,868,943	69.27
	Li Ning	1		2,110,868,943			2,110,868,943	69.27
	Lee Tat Man	2	6,666				6,666	0.00
Henderson Land Development Company Limited	Lee Shau Kee	3	14,135,152		3,190,711,619		3,204,846,771	72.82
	Lee Ka Kit	3				3,190,711,619	3,190,711,619	72.50
	Lee Ka Shing	3				3,190,711,619	3,190,711,619	72.50
	Li Ning	3		3,190,711,619			3,190,711,619	72.50
	Lee Tat Man	4	200,272				200,272	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 Shau Kee	5			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00
	Lee Shau Kee	6			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
	Lee Shau 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.

Substantial Shareholders' and Others' Interests

As at 30 June 2018, 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)	2,110,868,943	69.27
Riddick (Cayman) Limited (Note 1)	2,110,868,943	69.27
Hopkins (Cayman) Limited (Note 1)	2,110,868,943	69.27
Henderson Development Limited (Note 1)	2,110,868,943	69.27
Henderson Land Development Company Limited (Note 1)	2,110,868,943	69.27
Kingslee S.A. (Note 1)	2,110,868,943	69.27
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, 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 72.44% held by Henderson Development Limited ("HD"). 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 14,135,152 shares, and for the remaining 3,190,711,619 shares, (i) 1,318,898,971 shares were owned by HD; (ii) 432,547,181 shares were owned by Richbond Investment Limited which was a wholly-owned subsidiary of HD; (iii) 337,404,922 shares were owned by Cameron Enterprise Inc.; 725,352,667 shares were owned by Believegood Limited which was wholly-owned by South Base Limited; 138,997,867 shares were owned by Prosglass Investment Limited which was wholly-owned by Jayasia Investments Limited; 127,901,783 shares were owned by Fancy Eye Limited which was wholly-owned by Mei Yu Ltd.; 106,951,823 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; and (iv) 2,656,405 shares were owned by Fu Sang Company Limited ("Fu Sang"). 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) 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.

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 2018 was the Company or any of its holding companies, subsidiaries 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.

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 2018 and the 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 of the Group are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "*Interim Financial Reporting*".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 August 2018

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