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

# INTERIM REPORT 2019

# 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 2019, the (unaudited) Group's profit attributable to equity shareholders amounted to HK$21 million, representing a decrease of HK$27 million or 56% from HK$48 million for the corresponding period in 2018. Earnings per share were HK 0.7 cents (2018: HK 1.6 cents).

The Board has resolved to pay an interim dividend of HK 2.0 cents per share (2018: HK 2.0 cents per share) to shareholders whose names appear on the Register of Members of the Company on Friday, 6 September 2019 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 Thursday, 5 September 2019 and Friday, 6 September 2019, 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 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 4 September 2019. The interim dividend will be distributed to shareholders on Thursday, 12 September 2019.

# Management Discussion and Analysis

## Business Review

The Group focuses on department store operations. Currently, it operates six department stores under the name "Citistore", as well as two department stores-cum-supermarkets through its recently-acquired "Unicorn Stores (HK) Limited" (formerly known as "UNY (HK) Co., Limited", hereinafter referred to as "UNY HK") in Hong Kong.

### (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 Branches | Location | Total lettable area (square feet) |
|---|---|---|
| Tsuen Wan | KOLOUR • Tsuen Wan II, New Territories | 138,860 |
| Yuen Long | KOLOUR • Yuen Long, New Territories | 54,809 |
| Ma On Shan | MOSTown, New Territories | 65,700 |
| Tuen Mun | North Wing, The Trend Plaza, New Territories | 17,683 |
| Tseung Kwan O | MCP Central, New Territories | 71,668 |
| Tai Kok Tsui | Metro Harbour Plaza, Kowloon | 39,645* |
| | **Total:** | **388,365** |

** Being the lettable area occupied by the shop after downsizing in April 2019.*

During the period under review, Citistore continued to roll out various initiatives to attract more shoppers and raise the market awareness of its brand. In April 2019, Citistore opened a pop-up store for nearly one month in Mira Place, Tsim Sha Tsui, selling exclusively pet products and organizing workshops for the making of pet accessories. This store also collaborated with an animal welfare organization to launch a dog adoption programme, with the aim to promote adoption of abandoned animals. This event was well received by pet lovers, and aroused extensive publicity from media. The brand awareness of Citistore was thus enhanced.

Sales during the high season before Chinese New Year were affected by the exceptionally warm weather in early 2019, whilst consumer sentiment was subsequently dampened by Sino-US trade disputes and social unrest in Hong Kong. As such, Citistore recorded a period-on-period decrease of 6% 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 2019. The breakdown is as follows:

| | For the six months ended 30 June | | |
|---|---|---|---|
| | **2019 HK$ million** | 2018 HK$ million | Change |
| Proceeds from sales of own goods | **209** | 218 | –4% |
| Proceeds from concessionaire and consignment sales | **698** | 742 | –6% |
| **Total:** | **907** | 960 | –6% |

### Sales of Own Goods

During the period under review, Citistore's sales of own goods decreased by 4% to HK$209 million with a lower gross margin of 33% (2018: 35%). The Household and Toys category made up approximately 57% of the sales, the Apparels category contributed approximately 28% and the balance of approximately 15% came from the categories of Foods and Cosmetics.

| | For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **HK$ million** | HK$ million |
| Sales of own goods | **209** | 218 |
| Gross profit (after netting the cost of inventories sold) | **70** | 76 |
| Gross margin | **33%** | 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 decreased by 6% period-on-period to HK$206 million, reflecting the decrease in the sales proceeds generated from both counters as shown below:

| | For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **HK$ million** | HK$ million |
| Sales proceeds from concessionaire counters | **257** | 266 |
| Sales proceeds from consignment counters | **441** | 476 |
| **Total:** | **698** | 742 |
| Commission income from concessionaire and consignment counters | **206** | 219 |

### Citistore's Profit Contribution

With the decrease in gross profit of HK$6 million from the sale of own goods, as well as the decrease in commission income from concessionaire and consignment counters in the aggregate amount of HK$13 million, Citistore's profit after taxation for the period under review decreased by HK$14 million or 30% period-on-period to HK$33 million, despite its relentless efforts in controlling operating costs.

### (II) UNY HK

The acquisition of UNY HK was completed on 31 May 2018. PIAGO at Telford Plaza, a loss-making store included in the acquisition, was closed at the end of March 2019, as originally planned in the course of the acquisition and the post-acquisition integration assessment. Currently, UNY HK operates two department stores-cum-supermarkets in the following densely-populated residential districts:

| | Location | Total lettable area (square feet) |
|---|---|---|
| APITA | Cityplaza, Taikoo Shing, Hong Kong Island | 118,691 |
| UNY | Lok Fu Place, Lok Fu, Kowloon | 70,045* |
| | **Total:** | **188,736** |

** Being the lettable area occupied by the shop after downsizing in June 2019.*

During the period under review, UNY HK generated gross profit (after netting the cost of inventories sold) of HK$133 million against a total sales of own goods of HK$464 million, resulting in a gross margin of 29%. Meanwhile, UNY HK's sales proceeds from consignment counters, and the commission income arose, amounted to HK$181 million and HK$40 million respectively. After deducting the operating expenses, a loss after taxation of HK$17 million was recorded, mainly due to the rental expenditure in the aggregate amount of HK$22 million incurred on the PIAGO premises after its closure on 31 March 2019.

Aggregating the above-mentioned operating results of Citistore and UNY HK, the total after-tax profit contribution from the Group's department store operations amounted to HK$16 million for the six months ended 30 June 2019. After taking into account the interest income, dividend income and the overhead expenditures of its head office, the Group's profit attributable to equity shareholders during the period under review amounted to HK$21 million, representing a decrease of HK$27 million or 56% from that of HK$48 million in the corresponding period of previous year.

## Corporate Finance

At 30 June 2019, the Group's cash and bank balances amounted to HK$398 million (31 December 2018: HK$465 million). After netting off its bank borrowing of HK$10 million (31 December 2018: HK$Nil), the Group had net cash of HK$388 million (31 December 2018: HK$465 million).

## Prospects

Given the ongoing Sino-US trade disputes and social unrest in Hong Kong, consumer sentiment is expected to be weakened. The Group will closely monitor the situation and stay prudent.

The Group will roll out more initiatives to improve the overall shopping environments of its stores. UNY at Lok Fu Place is now undergoing a phased renovation, with the aim to offer a refreshing and comfortable shopping experience for customers. In addition, the Group is integrating the businesses of "Citistore" and "UNY HK". By sharing of market intelligence and integrating their computer information systems, operational synergies will be achieved. Together with continuous promotional efforts and cost savings measures, the Group's competitiveness is set to be further improved.

## Appreciation

Dr Lee Shau Kee, the founder of the Company, retired from the directorship of the Company on 28 May 2019 due to his advanced age. The Board would like to express its sincere gratitude to Dr Lee Shau Kee for his leadership and invaluable contribution to the Group in the past four decades.

# Condensed Interim Financial Statements

## Consolidated Statement of Profit or Loss – unaudited

| | Note | For the six months ended 30 June<br>**2019**<br>**HK$ million** | <br>2018<br>HK$ million |
|---|---|---|---|
| **Revenue** | 4 | **926** | 524 |
| Direct costs | | **(803)** | (435) |
| | | **123** | 89 |
| Other revenue | 5 | **5** | 5 |
| Other (expense)/income, net | 6 | **(16)** | 7 |
| Selling and marketing expenses | | **(16)** | (9) |
| Administrative expenses | | **(50)** | (35) |
| **Profit from operations** | | **46** | 57 |
| Finance costs on lease liabilities | 7(b) | **(22)** | – |
| **Profit before taxation** | 7 | **24** | 57 |
| Income tax | 8 | **(3)** | (9) |
| **Profit attributable to equity shareholders of the Company for the period** | | **21** | 48 |
| | | **HK cents** | HK cents |
| **Earnings per share** | | | |
| – Basic and diluted | 9 | **0.7** | 1.6 |

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

The notes on pages 11 to 24 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 | |
|---|---|---|
| | **2019** | 2018 |
| | **HK$ million** | HK$ million |
| **Profit attributable to equity shareholders of the Company for the period** | **21** | 48 |
| **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) |
| **Total comprehensive income attributable to equity shareholders of the Company for the period** | **21** | 46 |

The notes on pages 11 to 24 form part of these condensed interim financial statements.

# Condensed Interim Financial Statements

## Consolidated Statement of Financial Position

| | Note | **At 30 June 2019 (unaudited) HK$ million** | At 31 December 2018 (audited) HK$ million |
|---|---|---|---|
| **Non-current assets** | | | |
| Fixed assets | | **72** | 92 |
| Right-of-use assets | 12 | **736** | — |
| Trademarks | | **43** | 44 |
| Investments in listed securities designated as financial assets at fair value through other comprehensive income | | **56** | 56 |
| Goodwill | 13 | **1,072** | 1,072 |
| Deferred tax assets | | **25** | 11 |
| | | **2,004** | 1,275 |
| **Current assets** | | | |
| Inventories | | **106** | 123 |
| Trade and other receivables | 14 | **73** | 68 |
| Tax recoverable | | **—** | 2 |
| Cash and bank balances | 15 | **398** | 465 |
| | | **577** | 658 |
| **Current liabilities** | | | |
| Trade and other payables | 16 | **351** | 428 |
| Lease liabilities | 18 | **223** | — |
| Bank loan | 17 | **10** | — |
| Amounts due to affiliates | | **4** | 75 |
| Current taxation | | **13** | 8 |
| | | **601** | 511 |
| **Net current (liabilities)/assets** | | **(24)** | 147 |
| **Total assets less current liabilities** | | **1,980** | 1,422 |
| **Non-current liabilities** | | | |
| Lease liabilities | 18 | **650** | — |
| Provisions for reinstatement costs | | **12** | 13 |
| Deferred tax liabilities | | **7** | 8 |
| | | **669** | 21 |
| **NET ASSETS** | | **1,311** | 1,401 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **612** | 612 |
| Reserves | | **699** | 789 |
| **TOTAL EQUITY** | | **1,311** | 1,401 |

The notes on pages 11 to 24 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 | | | | |
|---|---|---|---|---|---|---|
| | Note | Share capital HK$ million | Capital reserve HK$ million | Fair value reserve (non-recycling) HK$ million | Retained profits HK$ million | Total equity HK$ million |
| **Balance at 1 January 2018** | | 612 | 10 | — | 808 | 1,430 |
| **Changes in equity for the six months ended 30 June 2018:** | | | | | | |
| Profit for the period | | — | — | — | 48 | 48 |
| Other comprehensive income for the period | | — | — | (2) | — | (2) |
| Total comprehensive income for the period | | — | — | (2) | 48 | 46 |
| Dividend approved and paid in respect of the previous financial year | 10(b) | — | — | — | (61) | (61) |
| **Balance at 30 June 2018** | | 612 | 10 | (2) | 795 | 1,415 |

| | | **Attributable to equity shareholders of the Company** | | | | |
|---|---|---|---|---|---|---|
| | **Note** | **Share capital HK$ million** | **Capital reserve HK$ million** | **Fair value reserve (non-recycling) HK$ million** | **Retained profits HK$ million** | **Total equity HK$ million** |
| **Balances at 31 December 2018 and 1 January 2019, as previously reported** | | **612** | **10** | **(4)** | **783** | **1,401** |
| **Impact of change in accounting policy upon adoption of HKFRS 16** | 2 | — | — | — | **(50)** | **(50)** |
| **Balance at 1 January 2019 (restated)** | | **612** | **10** | **(4)** | **733** | **1,351** |
| **Changes in equity for the six months ended 30 June 2019:** | | | | | | |
| Profit for the period | | — | — | — | **21** | **21** |
| Other comprehensive income for the period | | — | — | — | — | — |
| Total comprehensive income for the period | | — | — | — | **21** | **21** |
| Dividend approved and paid in respect of the previous financial year | 10(b) | — | — | — | **(61)** | **(61)** |
| **Balance at 30 June 2019** | | **612** | **10** | **(4)** | **693** | **1,311** |

The notes on pages 11 to 24 form part of these condensed interim financial statements.

# Condensed Interim Financial Statements

## Condensed Consolidated Cash Flow Statement – unaudited

| | | For the six months ended 30 June | |
|---|---|---|---|
| | | **2019** | 2018 |
| | Note | **HK$ million** | HK$ million |
| **Net cash generated from operating activities** | | | |
| Profit before taxation | | **24** | 57 |
| Bank interest income | 6 | **(4)** | (5) |
| Dividend income from investments in listed securities designated as financial assets at fair value through other comprehensive income | 6 | **(2)** | (2) |
| Depreciation on fixed assets | 7(b) | **19** | 16 |
| Depreciation on right-of-use assets | 7(b) | **103** | — |
| Amortisation of trademarks | 7(b) | **1** | — |
| Finance costs on lease liabilities | 7(b) | **22** | — |
| Decrease/(increase) in inventories | | **17** | (8) |
| (Increase)/decrease in trade and other receivables | | **(5)** | 1 |
| Decrease in trade and other payables | | **(67)** | (28) |
| Increase in amounts due to affiliates | | **1** | 11 |
| Tax paid in Hong Kong | | **(2)** | (3) |
| | | **107** | 39 |
| **Net cash used in investing activities** | | | |
| Interest received | | **5** | 6 |
| Dividends received from investments in listed securities designated as financial assets at fair value through other comprehensive income | | **2** | 2 |
| Additions to fixed assets | | **(6)** | (3) |
| 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 | | **—** | (261) |
| (Increase)/decrease in deposits with banks over three months of maturity at acquisition | | **(2)** | 76 |
| | | **(1)** | (240) |
| **Net cash used in financing activities** | | | |
| Dividend paid to shareholders | 10(b) | **(61)** | (61) |
| Payments of lease liabilities to affiliates | | **(89)** | — |
| Payments of lease liabilities to third parties | | **(35)** | — |
| Proceeds from bank loan | | **10** | 26 |
| | | **(175)** | (35) |
| **Net decrease in cash and cash equivalents** | | **(69)** | (236) |
| **Cash and cash equivalents at 1 January** | 15 | **447** | 660 |
| **Cash and cash equivalents at 30 June** | 15 | **378** | 424 |

The notes on pages 11 to 24 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 21 August 2019.

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 2018 ("the 2018 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 2019. 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.

At 30 June 2019, the Group was in a net current liabilities position of HK$24 million. This was mainly due to the recognition of the current portion of lease liabilities of HK$223 million in adopting HKFRS 16, *Leases*. Taking into account the expected cash flows from operations and the investments in unpledged listed securities, the Group's management believes that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Accordingly, these condensed interim financial statements have been prepared on a going concern basis.

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 2018 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 38. 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 2018 as comparative information that is included in the condensed interim financial statements for the six months ended 30 June 2019 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 2018 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 the matter 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 new standard, interpretation and 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:

- HKFRS 16, *Leases*
- HK(IFRIC) Interpretation 23, *Uncertainty over income tax treatments*
- Annual improvements to HKFRSs 2015–2017 cycle

Under HKFRS 16, a lessee is required to recognise, at the earlier of the commencement of a lease or the adoption of HKFRS 16, a right-of-use asset and a lease liability in the statement of financial position, and the related depreciation charge on the right-of-use asset and the related interest expenses on the lease liability in the statement of profit or loss as the distinction between operating and finance leases is removed. The only exceptions are short-term and low value leases in relation to which the "practical expedient" under HKFRS 16 is applicable. The accounting for lessors has not significantly changed. The adoption of HKFRS 16 affects the leases of properties as a lessee previously classified as operating leases prior to the adoption of HKFRS 16, which results in an increase in both assets and liabilities in the lessee's statement of financial position and impacts on the timing of recognition of the financial effects in the lessee's statement of profit or loss over the period of the leases.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability as adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset on the site at which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method during the period from the commencement date of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, unless it is reasonably certain that the Group will obtain ownership of the leased asset upon the expiry of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

# Notes to the Unaudited Condensed Interim Financial Statements

## 2 Changes in accounting policies (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. Lease payments included in the measurement of the lease liability comprise fixed payments, including in-substance fixed payments. The lease liability is measured at amortised cost using the effective interest method, and is re-measured when there is a change in future lease payments arising from a change in an index or rate. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such renewal options impacts the lease term, which may significantly affect the amounts of lease liabilities and right-of-use assets recognised.

The Group applies the modified retrospective approach under HKFRS 16, and therefore no restatement is made to the comparative amounts for the corresponding six months ended 30 June 2018 prior to the first adoption of HKFRS 16. A retrospective adjustment to the Group's retained profits (after tax) at 1 January 2019, for a cumulative decrease in the amount of HK$50 million, was recognised only as referred to in the Group's consolidated statement of changes in equity for the six months ended 30 June 2019.

At transition, except for short-term and low value leases of the Group in respect of which the Company or any of its subsidiaries is a lessee and in relation to which the "practical expedient" under HKFRS 16 is applicable, the Group recognises for each of the remaining leases (the "Remaining Leases") a right-of-use asset, which is measured at its carrying amount as if HKFRS 16 had been applied since the commencement date of the Remaining Lease, discounted at the Group's incremental borrowing rate at 1 January 2019.

At transition, lease liabilities were measured at the present value of the Remaining Leases payments, discounted at the Group's incremental borrowing rate at 1 January 2019. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019 which was 4.8% per annum.

| | **HK$ million** |
|---|---|
| Operating lease commitments at 31 December 2018 as disclosed in the Group's consolidated financial statements for the year ended 31 December 2018 | **1,359** |
| Less: non-rent portion (management fees, air-conditioning charges and rates) | **(243)** |
| | **1,116** |
| Discounted using the Group's incremental borrowing rate at 1 January 2019 | **1,012** |
| Less: recognition exemption for short-term leases | **(46)** |
| **Lease liabilities recognised at 1 January 2019** | **966** |

# Notes to the Unaudited Condensed Interim Financial Statements

## 2 Changes in accounting policies (continued)

The change in accounting policy affected the following items in the consolidated statement of financial position at 1 January 2019:

– right-of-use assets increased by HK$827 million;

– deferred tax assets increased by HK$9 million;

– trade and other payables decreased by HK$8 million;

– amounts due to affiliates decreased by HK$72 million; and

– lease liabilities increased by HK$966 million.

The net impact on retained profits (after tax) at 1 January 2019 was a cumulative decrease of HK$50 million.

Except for HKFRS 16 whose financial impact on the Group is referred to above, none of the interpretation or amendment which is first effective for the current accounting period of the Group, as referred to above, would have 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.

## 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 2018 financial statements.

# Notes to the Unaudited Condensed Interim Financial Statements

## 4 Revenue

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **HK$ million** | HK$ million |
| Sales of goods | **673** | 294 |
| Commission income from consignment counters | **171** | 149 |
| Commission income from concessionaire counters | **75** | 77 |
| Promotion income | **4** | 4 |
| Administration fee income | **3** | — |
| | **926** | 524 |

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 | |
|---|---|---|
| | **2019** | 2018 |
| | **HK$ million** | HK$ million |
| Receipts from sales of goods by consignment counters | **622** | 506 |
| Receipts from sales of goods by concessionaire counters | **257** | 266 |
| | **879** | 772 |

## 5 Other revenue

| | For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **HK$ million** | HK$ million |
| Sponsorship fees | **1** | 1 |
| Rental income for antenna sites | **2** | 2 |
| Sundry income | **2** | 2 |
| | **5** | 5 |

# Notes to the Unaudited Condensed Interim Financial Statements

## 6 Other (expense)/income, net

| | For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **HK$ million** | HK$ million |
| Bank interest income | **4** | 5 |
| Dividend income | **2** | 2 |
| Rental expenditure of a shop premise which ceased business operation | **(22)** | — |
| | **(16)** | 7 |

## 7 Profit before taxation

Profit before taxation is arrived at after charging:

| | For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **HK$ million** | HK$ million |
| ***(a) Staff costs:*** | | |
| Salaries, wages and other benefits | **121** | 84 |
| Contributions to defined contribution retirement plan | **6** | 4 |
| ***(b) Other items:*** | | |
| Amortisation of trademarks | **1** | — |
| Depreciation | | |
| – on fixed assets | **19** | 16 |
| – on right-of-use assets (note 12) | **103** | — |
| Finance costs on lease liabilities (note 18) | **22** | — |
| Operating lease charges in respect of rental premises (note) | **81** | 139 |
| Cost of inventories sold | **470** | 196 |

Note: Included contingent rental expenses of HK$1 million (2018: HK$4 million) during the period.

## 8 Income tax

| | For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **HK$ million** | HK$ million |
| **Current tax – Hong Kong** | | |
| – provision for the period | **9** | 10 |
| **Deferred taxation** | | |
| – origination and reversal of temporary differences | **(6)** | (1) |
| | **3** | 9 |

Provision for Hong Kong Profits Tax has been made at 16.5% (2018: 16.5%) on the estimated assessable profit for the period.

# 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$21 million (2018: HK$48 million) and 3,047,327,395 (2018: 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 period

| | For the six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | **HK$ million** | HK$ million |
| Interim dividend declared after the end of the reporting period of HK2 cents (2018: 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 | |
|---|---|---|
| | **2019** | 2018 |
| | **HK$ million** | HK$ million |
| Final dividend in respect of the previous financial year, approved/declared and paid during the period, of HK2 cents (2018: HK2 cents) per share | **61** | 61 |

## 11 Segment reporting

No segmental information for the six months ended 30 June 2019 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$926 million (2018: HK$524 million) during the period and the pre-tax profit from operation of which amounted to HK$20 million (2018: HK$55 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 2019 and 2018, and all of the Group's fixed assets, right-of-use assets, trademarks and goodwill at 30 June 2019 and 31 December 2018 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 Right-of-use assets

At transition, the Group recognises for each of the Remaining Leases a right-of-use asset related to the premises leased by the Group's department store operation, which is measured at its carrying amount as if HKFRS 16 had been applied since the commencement date of the Remaining Lease, discounted at the Group's incremental borrowing rate at 1 January 2019, and the aggregate effect of which is as follows:

| | **HK$ million** |
|---|---|
| **Cost:** | |
| At 1 January 2019 (upon the adoption of HKFRS 16, *Leases*) | **1,406** |
| Transfer from fixed assets | **3** |
| Addition | **9** |
| At 30 June 2019 | **1,418** |
| **Accumulated depreciation:** | |
| At 1 January 2019 (upon the adoption of HKFRS 16, *Leases*) | **(579)** |
| Charge for the period (see note 7(b)) | **(103)** |
| At 30 June 2019 | **(682)** |
| **Net book value:** | |
| **At 30 June 2019** | **736** |

Depreciation charge on the right-of-use assets is recognised using the straight-line method during the period of 2 years to 9 years, being the period from the commencement dates of the Remaining Leases to the end of the term of the Remaining Leases taking into consideration any renewal options attaching thereto.

The carrying values of the right-of-use assets are amortised to nil on the expiry dates of the Remaining Leases.

## 13 Goodwill

| | **At 30 June 2019 (unaudited) HK$ million** | At 31 December 2018 (audited) HK$ million |
|---|---|---|
| Citistore Goodwill (as defined below) | **810** | 810 |
| UNY HK Goodwill (as defined below) | **262** | 262 |
| | **1,072** | 1,072 |

### (a) Citistore Goodwill

On 1 December 2014, the Company completed its acquisition of the entire issued share capital of Camay Investment Limited and its subsidiaries, namely Citistore (Hong Kong) Limited ("Citistore") and Puretech Investment Limited (the "Citistore Acquisition").

# Notes to the Unaudited Condensed Interim Financial Statements

## 13 Goodwill (continued)

### (a) Citistore Goodwill (continued)

As a result of the Citistore Acquisition, goodwill (the "Citistore Goodwill") was recognised in the Group's consolidated statement of financial position at 31 December 2014 under the acquisition method of accounting in accordance with HKFRS 3 (Revised), *Business combinations*. The Citistore Goodwill is allocated to the Group's department store operation under Citistore and is tested for impairment at the end of the reporting period.

Impairment assessment is carried out by determining the value in use of the cash-generating unit under Citistore. The value in use is represented by the net present value of future forecast pre-tax net cash inflows of the cash-generating unit which is determined on the basis of the discounted cashflow model, by adopting a discount factor equal to pre-tax discount rate of 13.6% (31 December 2018: 13.9%) and the forecast capital expenditure for each period of twelve months ending on 30 June 2020, 2021, 2022, 2023 and 2024 and subsequently a terminal value into perpetuity in accordance with the perpetual growth model, all of which are based on management's expectations of market development.

The Directors have assessed that there was no impairment on the Citistore Goodwill at 30 June 2019, for the reason that in relation to the cash-generating unit under Citistore, the recoverable amount calculated based on value in use exceeded the carrying value at 30 June 2019.

### (b) UNY HK Goodwill

On 31 May 2018, Urban Kirin Limited, a wholly-owned subsidiary of the Company, acquired the entire issued share capital of UNY (HK) Co., Limited ("UNY HK", which was renamed as Unicorn Stores (HK) Limited on 27 July 2018) for an adjusted cash consideration of HK$291 million (the "UNY HK Acquisition").

As a result of the UNY HK Acquisition, and based on the fair value of UNY HK's identifiable assets less liabilities of HK$29 million at 31 May 2018, goodwill in the amount of HK$262 million (the "UNY HK Goodwill") was recognised in the Group's consolidated statement of financial position at 31 May 2018 under the acquisition method of accounting in accordance with HKFRS 3 (Revised), *Business combinations*. The UNY HK Goodwill is allocated to the Group's department store operation under UNY HK and is tested for impairment at the end of the reporting period.

Impairment assessment is carried out by determining the fair value less cost of disposal of the cash-generating unit under UNY HK. The fair value less cost of disposal is represented by the net present value of future forecast post-tax net cash inflows of the cash-generating unit which is determined on the basis of the discounted cashflow model, by adopting a discount factor equal to post-tax discount rate of 11.0% (31 December 2018: 11.0%) and the forecast capital expenditure for each period of twelve months ending on 30 June 2020, 2021, 2022, 2023 and 2024 and subsequently a terminal value into perpetuity in accordance with the perpetual growth model as well as an estimated cost of disposal in line with industry benchmarks, all of which are based on management's expectations of market development.

The Directors have assessed that there was no impairment on the UNY HK Goodwill at 30 June 2019, for the reason that in relation to the cash-generating unit under UNY HK, the recoverable amount calculated based on fair value less cost of disposal exceeded the carrying value at 30 June 2019.

# Notes to the Unaudited Condensed Interim Financial Statements

## 14 Trade and other receivables

| | At 30 June 2019 (unaudited) HK$ million | At 31 December 2018 (audited) HK$ million |
|---|---|---|
| Trade debtors | **20** | 15 |
| Deposits, prepayments and other receivables | **53** | 53 |
| | **73** | 68 |

At 30 June 2019, all of the trade and other receivables were expected to be recovered or recognised as expense within one year from the end of the reporting period, except for rental deposit of HK$17 million (31 December 2018: HK$17 million) which is expected to be recovered after more than one year from the end of the reporting period.

At the end of the reporting period, the ageing analysis of trade debtors net of loss allowances is as follows:

| | At 30 June 2019 (unaudited) HK$ million | At 31 December 2018 (audited) HK$ million |
|---|---|---|
| Current or under 1 month overdue | **20** | 15 |

In respect of trade and other receivables, the Group considers the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis for each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the assets at the end of each reporting period with the risk of default at the date of initial recognition. It considers available, reasonable and supportive forward-looking information. Especially, the following indicators are incorporated:

– external credit rating of the counterparty (as far as available);

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;

– actual or expected significant changes in the operating results of the counterparty; and

– significant expected changes in the performance and behaviour of the counterparty, including changes in the payment status of the counterparty and changes in the operating results of the counterparty.

A default on trade and other receivables is when the counterparty fails to make contractual payments when they fall due.

Trade and other receivables are written off when there is no reasonable expectation of recovery.

The Group considers the identified expected credit losses on trade and other receivables at 30 June 2019 and 31 December 2018 as minimal.

# Notes to the Unaudited Condensed Interim Financial Statements

## 15 Cash and bank balances

| | **At 30 June 2019 (unaudited) HK$ million** | At 31 December 2018 (audited) HK$ million |
|---|---|---|
| Deposits with banks | **349** | 346 |
| Cash at bank and in hand | **49** | 119 |
| Cash and bank balances in the consolidated statement of financial position | **398** | 465 |
| Less: deposits with banks over three months of maturity at acquisition | **(20)** | (18) |
| Cash and cash equivalents in the condensed consolidated cash flow statement | **378** | 447 |

Included in the cash and bank balances at 30 June 2019 was a pledged bank deposit in the amount of HK$101,158 (31 December 2018: HK$101,158) 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.

## 16 Trade and other payables

| | **At 30 June 2019 (unaudited) HK$ million** | At 31 December 2018 (audited) HK$ million |
|---|---|---|
| Trade creditors | **256** | 319 |
| Contract liabilities (note) | **10** | 12 |
| Accrued expenses and other payables | **73** | 85 |
| Deposits received | **12** | 12 |
| | **351** | 428 |

Note: During the six months ended 30 June 2019, HK$6 million (2018: HK$5 million) that was included in contract liabilities at the beginning of the reporting period was recognised as revenue. Most of the contract liabilities at 30 June 2019 and 31 December 2018 were expected to be recognised within one year.

At 30 June 2019, all of the trade and other payables were interest-free and repayable within one year or on demand except for an amount of HK$2 million (31 December 2018: HK$1 million) which was expected to be settled after more than one year.

# Notes to the Unaudited Condensed Interim Financial Statements

## 16 Trade and other payables (continued)

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

| | **At 30 June 2019 (unaudited) HK$ million** | At 31 December 2018 (audited) HK$ million |
|---|---|---|
| Due within 1 month or on demand | **227** | 281 |
| Due after 1 month but within 3 months | **29** | 38 |
| | **256** | 319 |

## 17 Bank loan

At 30 June 2019, the Group had bank borrowing of HK$10 million (31 December 2018: Nil) which was drawdown in June 2019 pursuant to the term and revolving bank loan facilities which have a final maturity date of 31 January 2021. The effective interest rate for the Group related to the bank loan was approximately 2.83% per annum during the six months ended 30 June 2019 (2018: 1.64% per annum).

## 18 Lease liabilities

At transition, lease liabilities were measured at the present value of the Remaining Leases payments, discounted at the Group's incremental borrowing rate at 1 January 2019, and the aggregate effect is as follows:

| | **HK$ million** |
|---|---|
| At 1 January 2019 (upon the adoption of HKFRS 16, *Leases*) | **966** |
| Addition | **9** |
| Lease payments according to the terms of the Remaining Leases made during the period | **(124)** |
| Finance costs on the lease liabilities (see note 7(b)) | **22** |
| **At 30 June 2019** | **873** |
| Represented by: | |
| Amount classified under current liabilities | **223** |
| Amount classified under non-current liabilities | **650** |
| **At 30 June 2019** | **873** |

Finance cost is determined and recognised on the basis of the Group's incremental borrowing rate of 4.8% per annum at 1 January 2019, on the carrying balance of the lease liability of each Remaining Lease upon initial recognition on 1 January 2019, and after deducting the lease payments made for such Remaining Lease during the six months ended 30 June 2019. The Directors considered the Group's incremental borrowing rate, as referred to above, to be appropriate in view of the market environment and economic conditions under which each Remaining Lease operates.

The carrying balances of the lease liabilities are amortised to nil on the expiry dates of the Remaining Leases.

Included in lease liabilities at 30 June 2019 is an amount of HK$689 million relating to the lease liabilities payable to affiliates.

# Notes to the Unaudited Condensed Interim Financial Statements

## 19 Capital commitments

At 30 June 2019, 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$59 million (31 December 2018: HK$3 million).

## 20 Contingent liabilities

At 30 June 2019 and 31 December 2018, the Group did not have any contingent liabilities.

## 21 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 | |
|---|---|---|
| | **2019** | 2018 |
| | **HK$ million** | HK$ million |
| Cash rental paid (note (ii)) | **115** | 103 |
| Cleaning expenses payable | **4** | 4 |

### (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 | |
|---|---|---|
| | **2019** | 2018 |
| | **HK$ million** | HK$ million |
| Cash rental paid (note (iii)) | **5** | 6 |

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 2019 (2018: HK$25 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 2019 (2018: HK$3 million).

# Notes to the Unaudited Condensed Interim Financial Statements

## 22 Non-adjusting event 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).

## 23 Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation.

# 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 2019.

## Adoption of new accounting standard

Hong Kong Financial Reporting Standard 16, *Leases* ("HKFRS 16") became effective for the Group commencing on 1 January 2019, under which a lessee is required to recognise, at the earlier of the commencement of a lease or the adoption of HKFRS 16, a right-of-use asset and a lease liability in the statement of financial position, and the related depreciation charge on the right-of-use asset and the related interest expenses on the lease liability in the statement of profit or loss.

The Group has adopted the modified retrospective approach under HKFRS 16 and does not restate comparative amounts for the corresponding six months ended 30 June 2018 prior to the first adoption of HKFRS 16. As a result, in relation to the relevant leases of which the Company or any of its subsidiaries is a lessee, the Group recognised a retrospective adjustment to the consolidated retained profits (after tax) at 1 January 2019 for a cumulative decrease of HK$50 million. Furthermore, the Group recognised (i) right-of-use assets and lease liabilities of HK$827 million and HK$966 million respectively in the Group's consolidated statement of financial position at 1 January 2019; and (ii) depreciation charge on the right-of-use assets and finance costs on the lease liabilities in the amounts of HK$103 million and HK$22 million respectively in the Group's consolidated statement of profit or loss for the six months ended 30 June 2019.

## Material acquisitions and disposals

The Group did not undertake any significant acquisitions or disposals of assets or subsidiaries during the six months ended 30 June 2019.

## Results of operations

During the six months ended 30 June 2019, 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) Unicorn Stores (HK) Limited ("UNY HK", a wholly-owned subsidiary of the Company and which was formerly known as UNY (HK) Co., Limited until 27 July 2018 on which date the current name was adopted).

## (a) Department store operation in Hong Kong

**Citistore**

The Group recognised the following financial performance of Citistore for the six months ended 30 June 2019 as compared with the corresponding period of six months ended 30 June 2018:

| | Note | Six months ended 30 June 2019 HK$ million | Six months ended 30 June 2018 HK$ million | *Increase/ (Decrease) HK$ million* | *Increase/ (Decrease) %* |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| – Sales of goods | | **209** | 218 | *(9)* | *–4%* |
| – Commission income derived from consignment counters | | **131** | 142 | *(11)* | *–8%* |
| – Commission income derived from concessionaire counters | | **75** | 77 | *(2)* | *–3%* |
| – Promotion income | | **4** | 4 | *–* | *–* |
| | (i) | **419** | 441 | *(22)* | *–5%* |
| **Direct costs** | | | | | |
| – Cost of inventories sold | | **(139)** | (142) | *3* | *–2%* |
| – Rental and related expenses | (ii) | **(31)** | (120) | *89* | *–74%* |
| – Staff salaries and related expenses | | **(57)** | (58) | *1* | *–2%* |
| – Depreciation charge on leasehold improvements | | **(12)** | (14) | *2* | *–14%* |
| – Depreciation charge on right-of-use assets | (ii) | **(69)** | – | *(69)* | *n/a* |
| – Others | | **(20)** | (19) | *(1)* | *+5%* |
| | | **(328)** | (353) | *25* | *–7%* |
| Other revenue | | **4** | 5 | *(1)* | *–20%* |
| Selling and marketing expenses | | **(8)** | (9) | *1* | *–11%* |
| Administrative expenses | (iii) | **(30)** | (28) | *(2)* | *+7%* |
| **Profit from operations** | | **57** | 56 | *1* | *+2%* |
| Finance costs on lease liabilities | (ii) | **(17)** | – | *(17)* | *n/a* |
| **Profit before taxation** | | **40** | 56 | *(16)* | *–29%* |
| Income tax | (iv) | **(7)** | (9) | *2* | *–22%* |
| **Profit after taxation attributable to equity shareholders of the Company** | | **33** | 47 | *(14)* | *–30%* |

Notes:

(i) The period-on-period decrease in revenue of HK$22 million, or 5%, is mainly attributable to a remarkably warmer weather during the months of January and February 2019 which resulted in a decrease in the sales of winter merchandises in January and February 2019 when compared with that for the corresponding period of January and February 2018, and the cautious consumption and retail market sentiment in Hong Kong starting from May 2019 amid external uncertainties.

(ii) The Group has adopted HKFRS 16 on 1 January 2019 under which the "practical expedient" is applicable to the short-term leases of a reporting entity whose expiry dates are within one year from the date of initial adoption of HKFRS 16. As a result, the accounting treatment of HKFRS 16 is not applicable to such short-term leases, and therefore the rental and related expenses of such short-term leases continued to be recognised in the reporting entity's statement of profit or loss for the six months ended 30 June 2019.

Also, under HKFRS 16, the distinction between operating and finance leases is removed. As a result, for each tenancy lease of Citistore other than the short-term leases in relation to which the "practical expedient" under HKFRS 16 is applicable, Citistore has recognised the following:

- right-of-use assets in the statement of financial position measured at their carrying amounts (as if HKFRS 16 had been applied since the commencement date of the tenancy lease) but discounted using Citistore's incremental borrowing rate at 1 January 2019. Accordingly, Citistore recognised the related depreciation charge on the right-of-use assets in the aggregate amount of HK$71 million (of which HK$69 million is classified under "Direct costs" and HK$2 million is classified under "Administrative expenses" as referred to in note (iii) below) in the statement of profit or loss for the six months ended 30 June 2019; and

- lease liabilities in the statement of financial position, which are interest-bearing at Citistore's incremental borrowing rate at 1 January 2019. Accordingly, Citistore recognised the related finance costs on the lease liabilities in the amount of HK$17 million in the statement of profit or loss for the six months ended 30 June 2019.

As the Group applies the modified retrospective approach under HKFRS 16, no reinstatement is made to the comparative amounts for the corresponding six months ended 30 June 2018 prior to the first adoption of HKFRS 16. Therefore, for the purpose of direct comparison between the two periods of six months ended 30 June 2019 and 2018, the rental and related expenses of HK$32 million (of which HK$31 million is classified under "Direct costs" and HK$1 million is classified under "Administrative expenses" as referred to in note (iii) below), the depreciation charge on right-of-use assets of HK$71 million (see above) and the finance costs on the lease liabilities of HK$17 million (see above) are aggregated which amounted to HK$120 million for the six months ended 30 June 2019 (2018: rental and related expenses of HK$124 million, comprising an amount of HK$120 million which is classified under "Direct costs" and an amount of HK$4 million which is classified under "Administrative expenses" as referred to in note (iii) below), and the period-on-period decrease of HK$4 million is attributable to the decrease in turnover rentals payable by Citistore due to the decrease in revenue during the six months ended 30 June 2019.

(iii) Administrative expenses include, in relation to the head office of Citistore, the depreciation charge on the right-of-use assets in the amount of HK$2 million (2018: Nil) and the rental expenditure in the amount of HK$1 million (2018: HK$4 million).

(iv) Income tax charge relates to the provision for Hong Kong Profits Tax for the six months ended 30 June 2019. The period-on-period decrease in income tax charge of HK$2 million, or 22%, is mainly due to the period-on-period decrease in Citistore's profit before tax of HK$16 million for the six months ended 30 June 2019.

Goodwill on acquisition in the amount of HK$810 million (31 December 2018: HK$810 million) (the "Citistore Goodwill"), which arose from the Group's acquisition of Citistore in 2014, was recognised in the Group's consolidated statement of financial position at 30 June 2019. The Citistore Goodwill was tested for impairment at 30 June 2019 by determining the value in use of Citistore as a cash-generating unit in comparison with the carrying amount of the Citistore Goodwill at 30 June 2019. The directors of the Company have assessed that there was no impairment on the carrying amount of the Citistore Goodwill at 30 June 2019.

**UNY HK**

Since the acquisition of UNY HK was completed on 31 May 2018 (the "UNY HK Acquisition"), the 2018 comparative figures below only contained the financial performance of UNY HK for the month of June 2018.

| | | Six months ended 30 June | | | |
|---|---|---|---|---|---|
| | Note | **2019 HK$ million** | 2018 HK$ million | *Increase HK$ million* | *Increase %* |
| **Revenue** | | | | | |
| – Sales of goods | | **464** | 76 | *388* | *+511%* |
| – Commission income derived from consignment counters | | **40** | 7 | *33* | *+471%* |
| – Administration fee income | | **3** | – | *3* | *n/a* |
| | | **507** | 83 | *424* | *+511%* |
| **Direct costs** | | | | | |
| – Cost of inventories sold | | **(331)** | (54) | *(277)* | *+513%* |
| – Rental and related expenses | (v) | **(47)** | (15) | *(32)* | *+213%* |
| – Staff salaries and related expenses | | **(40)** | (7) | *(33)* | *+471%* |
| – Depreciation charge on leasehold improvements | | **(5)** | (1) | *(4)* | *+400%* |
| – Depreciation charge on right-of-use assets | (v) | **(31)** | – | *(31)* | *n/a* |
| – Others | | **(21)** | (5) | *(16)* | *+320%* |
| | | **(475)** | (82) | *(393)* | *+479%* |
| Other revenue | | **1** | – | *1* | *n/a* |
| Other expense | (vi) | **(22)** | – | *(22)* | *n/a* |
| Selling and marketing expenses | | **(8)** | – | *(8)* | *n/a* |
| Administrative expenses | (vii) | **(18)** | (2) | *(16)* | *+800%* |
| **Loss from operations** | | **(15)** | (1) | *(14)* | *+1,400%* |
| Finance costs on lease liabilities | (v) | **(5)** | – | *(5)* | *n/a* |
| **Loss before taxation** | | **(20)** | (1) | *(19)* | *+1,900%* |
| Income tax | (viii) | **3** | – | *3* | *n/a* |
| **Loss after taxation attributable to equity shareholders of the Company** | | **(17)** | (1) | *(16)* | *+1,600%* |

Notes:

(v) Under HKFRS 16, the distinction between operating and finance leases is removed. As a result, for each tenancy lease of UNY HK other than the short-term leases in relation to which the "practical expedient" under HKFRS 16 is applicable, UNY HK has recognised the following:

- right-of-use assets in the statement of financial position measured at their carrying amounts (as if HKFRS 16 had been applied since the commencement date of the tenancy lease) but discounted using UNY HK's incremental borrowing rate at 1 January 2019. Accordingly, UNY HK recognised the related depreciation charge on the right-of-use assets in the aggregate amount of HK$32 million (of which HK$31 million is classified under "Direct costs" and HK$ 1 million is classified under "Administrative expenses" as referred to in note (vii) below) in the statement of profit or loss for the six months ended 30 June 2019; and

- lease liabilities in the statement of financial position, which are interest-bearing at UNY HK's incremental borrowing rate at 1 January 2019. Accordingly, UNY HK recognised the related finance costs on the lease liabilities in the amount of HK$5 million in the statement of profit or loss for the six months ended 30 June 2019.

As the Group applies the modified retrospective approach under HKFRS 16, no reinstatement is made to the comparative amounts for the corresponding six months ended 30 June 2018 prior to the first adoption of HKFRS 16. Therefore, for the purpose of direct comparison between the two periods of six months ended 30 June 2019 and 2018, the rental and related expenses of HK$49 million (of which HK$47 million is classified under "Direct costs" and HK$2 million is classified under "Administrative expenses" as referred to in note (vii) below), the depreciation charge on right-of-use assets of HK$32 million (see above) and the finance costs on the lease liabilities of HK$5 million (see above) are aggregated which amounted to HK$86 million for the six months ended 30 June 2019 (2018: rental and related expenses of HK$15 million which are classified under "Direct costs"), and the period-on-period increase of HK$71 million is attributable to the effect of recognising UNY HK's financial performance for the full six months ended 30 June 2019 when compared with the financial performance only for the month of June 2018 for the corresponding six months ended 30 June 2018.

(vi) Other expense in the amount of HK$22 million for the six months ended 30 June 2019 (2018: Nil) represents the rental expenditure of the shop premise of the PIAGO store at Kowloon Bay, whose business operation ceased on 31 March 2019, for the period from 1 April 2019 to 20 October 2019 (being the expiry date of the tenancy lease).

(vii) Administrative expenses include, in relation to the head office of UNY HK, the depreciation charge on the right-of-use asset in the amount of HK$1 million (2018: Nil) and the rental expenditure in the amount of HK$2 million (2018: Nil).

(viii) UNY HK recognised an income tax credit of HK$3 million for the six months ended 30 June 2019 (2018: Nil) mainly due to the period-on-period increase in UNY HK's loss before tax of HK$19 million for the six months ended 30 June 2019.

On 31 March 2019, UNY HK ceased its business operation of the PIAGO store at Kowloon Bay but, during the period from 1 April 2019 to 20 October 2019, UNY HK continued to incur rental expenditure on the shop premise of PIAGO (whose tenancy lease shall expire on 20 October 2019). For the period from 1 April 2019 to 20 October 2019, the aggregate amount of rental expenditure incurred by UNY HK on the PIAGO premise amounted to HK$22 million (see note (vi) above), which mainly accounted for UNY HK's loss for the six months ended 30 June 2019.

Goodwill on acquisition in the amount of HK$262 million (31 December 2018: HK$262 million) (the "UNY HK Goodwill"), which arose from the UNY HK Acquisition, was recognised in the Group's consolidated statement of financial position at 30 June 2019. The UNY HK Goodwill was tested for impairment at 30 June 2019 by determining the fair value less cost of disposal of UNY HK as a cash-generating unit in comparison with the carrying amount of the UNY HK Goodwill at 30 June 2019. The directors of the Company have assessed that there was no impairment on the carrying amount of the UNY HK Goodwill at 30 June 2019.

## (b) Corporate level

| | Note | Six months ended 30 June 2019 HK$ million | 2018 HK$ million | *Increase/ (Decrease) HK$ million* | *Increase/ (Decrease) %* |
|---|---|---|---|---|---|
| **Other income** | | | | | |
| – Bank interest income | | **4** | 5 | *(1)* | *–20%* |
| – Dividend income | | **2** | 2 | *–* | *–* |
| | | **6** | 7 | *(1)* | *–14%* |
| Administrative expenses | (ix) | **(2)** | (5) | *3* | *–60%* |
| **Profit before taxation** | | **4** | 2 | *2* | *+100%* |
| Income tax | | **1** | – | *1* | *n/a* |
| **Profit after taxation attributable to equity shareholders of the Company** | | **5** | 2 | *3* | *+150%* |

Note:

(ix) The period-on-period decrease of HK$3 million, or 60%, in the Group's administrative expenses at corporate level is mainly attributable to the savings during the period in the legal and professional expenses incurred by the Group for the acquisition of UNY HK during the corresponding six months ended 30 June 2018.

## (c) Overall

Aggregating the abovementioned profit/(loss) after tax of the department store operation in HK and profit after tax at corporate level for the six months ended 30 June 2019, the Group recorded total profit after tax attributable to equity shareholders in the amount of HK$21 million for the six months ended 30 June 2019 (2018: HK$48 million), representing a period-on-period decrease of HK$27 million, or 56%.

## Finance costs on bank borrowing

During the six months ended 30 June 2019, the Group recognised finance costs (including other borrowing costs) of HK$35,179 (2018: HK$181,662) in relation to the Group's bank borrowing drawdown at 30 June 2019 as referred to in the paragraph headed "Financial resources, liquidity and loan maturity profile" below.

## Financial resources, liquidity and loan maturity profile

At 30 June 2019, the Group had bank borrowing of HK$10 million (31 December 2018: Nil) which was drawdown in June 2019 pursuant to the term and revolving bank loan facilities which have a final maturity date of 31 January 2021. The effective interest rate for the Group related to the bank loan was approximately 2.83% per annum during the six months ended 30 June 2019 (2018: 1.64% per annum).

At 30 June 2019, the Group had cash and bank balances of HK$398 million (31 December 2018: HK$465 million). Therefore, after the deduction of bank borrowing of HK$10 million (31 December 2018: Nil) and excluding the Group's lease liabilities recognised under HKFRS 16 of HK$873 million at 30 June 2019 (31 December 2018: Nil), the Group had net cash and bank balances of HK$388 million at 30 June 2019 (31 December 2018: HK$465 million).

For the six months ended 30 June 2019, the Group's profit from operations (including bank interest income but excluding finance costs) before taxation amounted to HK$46 million (2018: HK$57 million). Based on the Group's finance costs of HK$35,179 for the six months ended 30 June 2019 (2018: HK$181,662) as referred to in the paragraph headed "Finance costs on bank borrowing" above, the Group's interest cover was 1,308 times for the six months ended 30 June 2019 (2018: 314 times).

Based on the Group's net cash and bank balances of HK$388 million at 30 June 2019, 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 2019 and 31 December 2018, 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 2019 and 31 December 2018.

## Charge on assets

Except for pledged bank deposits of HK$101,158 at 30 June 2019 (31 December 2018: HK$101,158) held by UNY HK, assets of the Group were not charged to any parties at 30 June 2019 and 31 December 2018.

## Capital commitments

At 30 June 2019, the Group had capital commitments in relation to leasehold improvements contracted but not provided for in the amount of HK$59 million (31 December 2018: HK$3 million).

## Contingent liabilities

At 30 June 2019 and 31 December 2018, the Group did not have any contingent liabilities.

## Employees and remuneration policy

At 30 June 2019, the Group had 952 (31 December 2018: 1,017) full-time employees and 277 (31 December 2018: 271) part-time employees. The decrease in the Group's headcount of full-time employees is mainly attributable to the reduction in UNY HK's staff headcount after the cessation of UNY HK's business operation of the PIAGO store at Kowloon Bay on 31 March 2019.

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 2019 amounted to HK$127 million (2018: HK$88 million). The increase in total staff costs for the six months ended 30 June 2019 is mainly due to the addition of UNY HK's staff costs for the full six months ended 30 June 2019, whilst for the corresponding six months ended 30 June 2018 the Group recognised UNY HK's staff costs only for the month of June 2018.

# Other Information

## Review of Interim Results

The unaudited interim results for the six months ended 30 June 2019 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 38.

## 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 2019 and reviewed the systems of internal control, risk management and compliance, and the interim report for the six months ended 30 June 2019.

## Corporate Governance

During the six months ended 30 June 2019, 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 during the period and up to the date of this report required to be disclosed are shown as follows:

(a) Each of Dr Lee Ka Kit and Mr Lee Ka Shing was appointed as chairman and managing director of Henderson Land Development Company Limited with effect from the conclusion of its annual general meeting held on 28 May 2019, as well as chairman of The Hong Kong and China Gas Company Limited with effect from the conclusion of its annual general meeting held on even date.

(b) Dr Lam Ko Yin, Colin was awarded an Honorary Fellowship by The Chinese University of Hong Kong on 6 May 2019.

By Order of the Board
**Timon LIU Cheung Yuen**
*Company Secretary*

Hong Kong, 21 August 2019

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

# Disclosure of Interests

## Directors' Interests in Shares

As at 30 June 2019, 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 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 Ka Kit | 3 | | | | 3,509,782,778 | 3,509,782,778 | 72.50 |
| | Lee Ka Shing | 3 | | | | 3,509,782,778 | 3,509,782,778 | 72.50 |
| | Li Ning | 3 | | 3,509,782,778 | | | 3,509,782,778 | 72.50 |
| | Lee Tat Man | 4 | 220,299 | | | | 220,299 | 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 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 2019, 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:** | | |
| Lee Shau Kee (Note 1) | 2,110,868,943 | 69.27 |
| 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, (i) 1,450,788,868 shares were owned by HD; (ii) 475,801,899 shares were owned by Richbond Investment Limited which was a wholly-owned subsidiary of HD; (iii) 371,145,414 shares were owned by Cameron Enterprise Inc.; 797,887,933 shares were owned by Believegood Limited which was wholly-owned by South Base Limited; 152,897,653 shares were owned by Prosglass Investment Limited which was wholly-owned by Jayasia Investments Limited; 140,691,961 shares were owned by Fancy Eye Limited which was wholly-owned by Mei Yu Ltd.; 117,647,005 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) 2,922,045 shares were owned by Fu Sang Company Limited ("Fu Sang"). Hopkins as trustee of the Unit Trust owned all the issued ordinary shares of HD as set out in Note 1 and Fu Sang. 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. These shares were held by Fu Sang.

## 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 2019 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 24, which comprise the consolidated statement of financial position of Henderson Investment Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2019 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, 21 August 2019

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