HENDERSON INVESTMENT LIMITED
恒 基 兆 業 發 展 有 限 公 司

Stock Code 股份代號：97

2022
Interim Report
中 期 報 告

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Chairman's Statement

Interim Results and Dividend

The Group's (unaudited) profit attributable to equity shareholders for the six months ended 30 June 2022 amounted to HK$24 million, representing a decrease of HK$6 million or 20% from HK$30 million for the corresponding period in 2021. The decrease in profit for the period under review was mainly due to the adverse impacts on the Group's department store business caused by the local fifth wave of the COVID-19 pandemic, which were partially offset by the wage subsidies from the Government's "Employment Support Scheme" and the rent concessions from certain landlords. Earnings per share were HK 0.8 cent (2021: HK 1.0 cent).

The Board has resolved to pay an interim dividend of HK 1.0 cent per share (2021: HK 1.0 cent per share) to shareholders whose names appear on the Register of Members of the Company on Thursday, 8 September 2022 and such interim dividend will not be subject to any withholding tax in Hong Kong.

Closure of Register of Members

For the purpose of determining the entitlement to the interim dividend, the Register of Members of the Company will be closed on Wednesday, 7 September 2022 and Thursday, 8 September 2022, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Tuesday, 6 September 2022. The interim dividend will be distributed to shareholders on Thursday, 15 September 2022.

Business Review

In early 2022, the local fifth wave of the COVID-19 pandemic severely dampened consumption sentiment in Hong Kong. With the receding local epidemic, as well as the Government's launch of a new round of Consumption Voucher Scheme, the retail sector has gradually recovered since April 2022. However, the value of total retail sales in Hong Kong for first half of 2022 still decreased by 2.6% compared with the corresponding period of last year, whilst supermarkets' sales increased by 3.3% period-on-period as the public purchased more food and daily necessities at supermarkets amid the pandemic.

The Group's business activities are principally carried out by two wholly-owned subsidiaries: (i) Citistore (Hong Kong) Limited, which operates five department stores under the name of "Citistore" and four household specialty stores under the name of "Citilife" (hereinafter collectively referred to as "Citistore"); and (ii) Unicorn Stores (HK) Limited, which operates two department stores-cum-supermarkets under the name of "APITA" or "UNY" and two supermarkets under the name of "UNY" (hereinafter collectively referred to as "Unicorn").

(I) Citistore

During the period under review, Citistore adjusted its store network and closed down a Citilife store in Shatin, whilst a new counter of Citilife was opened in UNY Lok Fu. Meanwhile, a new online shop was launched so as to provide greater flexibility for its customers through diversified shopping channels.

In addition, the "Citi-Fun" customer loyalty programme was migrated to a new integrated membership programme (namely, "CU APP") and shoppers can now earn bonus points for their spending at all of the Group's retail brands, both online and offline, and redeem fabulous rewards. Customer response to this initiative has been positive, with CU APP membership numbers surpassing 330,000 to date.

As at 30 June 2022, there were five department stores under the name of Citistore and four household specialty stores under the name of Citilife in the following densely-populated residential districts:

	Location	Total lettable area (square feet)
*Department store**		
Citistore's Tsuen Wan store	KOLOUR • Tsuen Wan II, New Territories	138,860
Citistore's Tuen Mun store	The Trend Plaza, New Territories	17,683
Citistore's Yuen Long store	KOLOUR • Yuen Long, New Territories	54,809
Citistore's Ma On Shan store	MOSTown, New Territories	65,700
Citistore's Tseung Kwan O store	MCP Central, New Territories	71,668
Household speciality store		
Citilife's Wong Tai Sin store	Temple Mall, Kowloon	1,629
Citilife's Tuen Mun store	Leung King Plaza, New Territories	1,284
Citilife's Cheung Sha Wan store	The Addition, Kowloon	1,386
Citilife's Tin Shui Wai store	T Town South, New Territories	3,660
	Total:	**356,679**

* *A Citilife counter was also set up in each store, in addition to a Citilife counter in UNY Lok Fu.*

Affected by the above-mentioned unfavourable market conditions, Citistore recorded a period-on-period decrease of 5% in the aggregate sales proceeds derived from the sales of own goods, consignment sales and concessionaire sales for the six months ended 30 June 2022. The breakdown is as follows:

	For the six months ended 30 June		
	2022	2021	
	HK$ million	HK$ million	Change
Proceeds from sales of own goods	**180**	200	-10%
Proceeds from consignment sales	**396**	405	-2%
Proceeds from concessionaire sales	**164**	178	-8%
Total:	**740**	783	-5%

Sales of Own Goods

During the period under review, Citistore's sales of own goods decreased by 10% to HK$180 million with a slightly lower gross margin of 31% mainly due to intensified price competition in the sluggish retail market.

	For the six months ended 30 June	
	2022	2021
	HK$ million	HK$ million
Sales of own goods	**180**	200
Gross profit (after netting the cost of inventories sold)	**56**	64
Gross margin	**31%**	32%

Consignment and Concessionaire Sales

Citistore's consignment sales comprise the sales of consignors' products on consignment basis in designated shelves or areas, whilst concessionaire sales are conducted by concessionaires operating from their own shop spaces within Citistore's stores under licence agreements. Citistore charges these consignment and concessionaire 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 consignment and concessionaire counters decreased by 3% period-on-period to HK$166 million, reflecting the decrease in the sales proceeds generated by both counters as shown below:

	For the six months ended 30 June		
	2022	2021	
	HK$ million	HK$ million	Change
Commission income:			
— derived from consignment counters	**119**	121	-2%
— derived from concessionaire counters	**47**	50	-6%
Total:	**166**	171	-3%

Citistore's Profit Contribution

With the decrease in gross profit of HK$8 million from the sales of own goods, as well as the decrease in commission income from consignment and concessionaire counters in the aggregate amount of HK$5 million, Citistore's profit after taxation for the period under review still increased by HK$7 million or 21% period-on-period to HK$40 million. The main reasons are Citistore's receipt of the wage subsidies of HK$8 million during the period from the Government's "Employment Support Scheme", as well as the net decrease in its total operating expenses of HK$12 million (which included the rent concessions of HK$4 million granted by certain landlords).

(II) Unicorn

Unicorn is striving to make changes in order to attract more shoppers. Following the renovation of its Lok Fu store, as well as an addition of two Japanese supermarkets in Yuen Long and Tseung Kwan O, APITA at Taikoo Shing also commenced its phased renovations during the period under review. Phase 1 renovation of its ground floor was completed in June 2022, offering shoppers a refreshing touch of Japanese vogue.

As at 30 June 2022, there were two department stores-cum-supermarkets and two supermarkets in the following densely-populated residential districts:

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

During the period under review, Unicorn's department store business was hard-hit by the local fifth wave of the pandemic, despite an increase in market demand for food and daily necessities at its supermarkets. As such, the same store sales of APITA and UNY Lok Fu recorded a period-on-period decrease of 8%. Including the additional contributions from UNY Tseung Kwan O and the online store, which were both opened in November 2021, Unicorn recorded a period-on-period increase of 8% in total proceeds derived from the sales of own goods and consignment sales for the six months ended 30 June 2022. The breakdown is as follows:

	For the six months ended 30 June		
	2022	2021	
	HK$ million	HK$ million	Change
Proceeds from sales of own goods	**536**	480	+12%
Proceeds from consignment sales	**167**	171	-2%
Total:	**703**	651	+8%
Sales of Own Goods			
Gross profit from sales of own goods (after netting the cost of inventories sold)	**151**	139	
Gross margin	**28%**	29%	
Consignment Sales			
Commission income from consignment counters	**39**	37	

Unicorn's Profit Contribution

Due to the increase in operating costs caused by the addition of UNY Tseung Kwan O and the renewal of the tenancy agreement of APITA, Unicorn recorded a loss after taxation of HK$14 million for the six months ended 30 June 2022 (2021: HK$5 million) despite its receipt of wage subsidies of HK$2 million during the period from the Government's "Employment Support Scheme".

Consolidated Results

During the period under review, summarised below are:

	For the six months ended 30 June					
	2022 HK$ million			2021 HK$ million		
	Citistore	**Unicorn**	**Total**	Citistore	Unicorn	Total
The Group's major revenue						
Sales of own goods	**180**	**536**	**716**	200	480	680
Commission income from consignment sales	**119**	**39**	**158**	121	37	158
Commission income from concessionaire sales	**47**	**–**	**47**	50	–	50
Sales proceeds from consignment and concessionaire counters						
Sales proceeds from consignment counters	**396**	**167**	**563**	405	171	576
Sales proceeds from concessionaire counters	**164**	**–**	**164**	178	–	178

The after-tax profit contribution from Citistore and Unicorn amounted to HK$26 million in aggregate for the six months ended 30 June 2022. After taking into account the interest income, dividend income and overhead expenses of its head office and centralised distribution centre, the Group's profit attributable to equity shareholders during the period under review amounted to HK$24 million, representing a decrease of HK$6 million or 20% from that of HK$30 million for the corresponding period of last year.

Corporate Finance

Given its strong financial position, the Group had no bank borrowings (31 December 2021: HK$Nil) and its cash and bank balances amounted to HK$276 million (31 December 2021: HK$360 million) at 30 June 2022.

Prospects

With the Government's next round of disbursement of consumption vouchers, consumer sentiment is expected to be further improved. However, as the number of new confirmed COVID-19 cases remains relatively high, the Group will keep a close eye on the development of the local epidemic and stay prudent.

The Group will continue to roll out various initiatives to enrich customers' shopping experience. For instance, in addition to the implementation of a new point-of-sale (POS) system, Citistore will also bring in an array of new food counters and kids' amusement zones in certain stores. Unicorn will continue the phased renovations for APITA. The application functions of the new online shops and the integrated membership programme (namely, "CU APP"), will also be strengthened so as to enhance cross promotions and fully integrate online and offline operations of both Citistore and Unicorn.

The 58,500-square-foot centralised distribution centre, which integrates the warehouse and logistic functions for both Citistore and Unicorn, was operating smoothly during the period under review. Its cold storage is also expected to come into operation in late 2022. Together with its strengthened sourcing collaboration, the Group's operational efficiency and cost effectiveness are set to be further improved.

Dr Lee Ka Shing
Chairman

Hong Kong, 23 August 2022

Financial Review

The following discussions should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022.

Material acquisitions and disposals

The Group did not undertake any significant acquisition or disposal of assets or subsidiaries during the six months ended 30 June 2022.

Results of operations

(a) Department stores and supermarket-cum-stores operations in Hong Kong

Citistore (Hong Kong) Limited ("Citistore")

The Group recognised the following financial performance of Citistore for the six months ended 30 June 2022 as compared with the corresponding six months ended 30 June 2021:

	Note	**Six months ended 30 June** **2022** **HK$ million**	2021 HK$ million	*Increase/ (Decrease) HK$ million*	*Increase/ (Decrease) %*
Revenue					
– Sales of goods		**180**	200	*(20)*	*-10%*
– Commission income derived from consignment and concessionaire counters		**166**	171	*(5)*	*-3%*
– Promotion income		**4**	4	–	–
	(i)	**350**	375	*(25)*	*-7%*
Direct costs					
– Cost of inventories sold		**(124)**	(136)	*12*	*-9%*
– Rental and related expenses	(ii)	**(22)**	(29)	*7*	*-24%*
– Depreciation charge on right-of-use assets	(ii)	**(49)**	(55)	*6*	*-11%*
– Others		**(82)**	(81)	*(1)*	*+1%*
		(277)	(301)	*24*	*-8%*
Other income	(iii)	**11**	3	*8*	*+267%*
Other expenses		**(33)**	(29)	*(4)*	*+14%*
Profit from operations		**51**	48	*3*	*+6%*
Finance costs on lease liabilities	(ii)	**(5)**	(9)	*4*	*-44%*
Profit before taxation		**46**	39	*7*	*+18%*
Income tax charge		**(6)**	(6)	–	–
Profit after taxation attributable to equity shareholders of the Company		**40**	33	*7*	*+21%*

Notes:

(i) The period-on-period decrease in revenue of HK$25 million, or 7%, was mainly attributable to the decrease in revenue contribution from the sales of own goods and commission income from consignment and concessionaire counters, which in turn was due to the period-on-period increase of an aggregate of 375 shortened operating business hours of the store outlets of Citistore and Citilife during the six months ended 30 June 2022 mainly because of the Fifth Wave of the COVID-19 pandemic during the months of February 2022 and March 2022. Nevertheless, this was partially offset by the following:

- the period-on-period increase in revenue contribution of HK$12 million from the Citilife store outlets during the six months ended 30 June 2022, which had increased from two store outlets during the corresponding six months ended 30 June 2021 to six store outlets during the six months ended 30 June 2022; and

- the "Consumption Voucher Programme" launched by HKSAR Government in April 2022 which had a favourable impact on revenue generation from Citistore and Citilife.

(ii) Under HKFRS 16 *Leases*, the "practical expedient" is applicable to the short-term leases of a reporting entity whose expiry dates are within one year from the date of initial adoption of HKFRS 16 or lease commencement.

On the other hand, for each tenancy lease of Citistore (including Citilife) other than the short-term leases in relation to which the "practical expedient" under HKFRS 16 has been applied (as mentioned above), Citistore (including Citilife) 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). Accordingly, Citistore (including Citilife) recognised the related depreciation charge on right-of-use assets in the aggregate amount of HK$52 million (2021: HK$57 million), which comprised amounts of HK$49 million (2021: HK$55 million) classified under "Direct costs" and HK$3 million (2021: HK$2 million) classified under "Other expenses", in the statement of profit or loss for the six months ended 30 June 2022; and

- lease liabilities in the statement of financial position, which are interest-bearing at Citistore's estimated incremental borrowing rate. Accordingly, Citistore (including Citilife) recognised the related finance cost on lease liabilities in the amount of HK$5 million (2021: HK$9 million) in the statement of profit or loss for the six months ended 30 June 2022.

Based on the above, for the purpose of comparison between the two financial periods ended 30 June 2022 and 30 June 2021, the rental and related expenses of HK$23 million (2021: HK$30 million) which comprised HK$22 million (2021: HK$29 million) classified under "Direct costs" and HK$1 million (2021: HK$1 million) classified under "Other expenses", the depreciation charge on right-of-use assets of HK$52 million (2021: HK$57 million) (see above) and the finance cost on lease liabilities of HK$5 million (2021: HK$9 million) (see above) are aggregated which amounted to HK$80 million for the six months ended 30 June 2022 (2021: HK$96 million).

The abovementioned period-on-period decrease of HK$16 million for the six months ended 30 June 2022 was mainly attributable to the savings in rental and operating expenditures of Citistore's Tai Kok Tsui store which was closed down on 30 June 2021 as well as the rent concessions granted to Citistore by the landlords of the store outlets in the aggregate amount of HK$5 million (before tax) during the six months ended 30 June 2022 (2021: Nil).

(iii) Other income for the six months ended 30 June 2022 included the approved government subsidies from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme promulgated by the HKSAR Government ("ESS Subsidy") to Citistore in relation to the months of May 2022 and June 2022 and in the aggregate amount of HK$8 million (2021: Nil).

Unicorn Stores (HK) Limited ("Unicorn")

The Group recognised the following financial performance of Unicorn for the six months ended 30 June 2022 as compared with the corresponding six months ended 30 June 2021:

	Note	Six months ended 30 June **2022** **HK$ million**	 2021 HK$ million	*Increase/ (Decrease)* *HK$ million*	*Increase/ (Decrease)* *%*
Revenue					
– Sales of goods		**536**	480	*56*	*+12%*
– Commission income derived from consignment counters		**39**	37	*2*	*+5%*
– Administration fee income		**3**	3	*–*	*–*
	(iv)	**578**	520	*58*	*+11%*
Direct costs					
– Cost of inventories sold		**(385)**	(341)	*(44)*	*+13%*
– Rental and related expenses	(v)	**(20)**	(22)	*2*	*-9%*
– Depreciation charge on right-of-use assets	(v)	**(56)**	(50)	*(6)*	*+12%*
– Others		**(95)**	(81)	*(14)*	*+17%*
		(556)	(494)	*(62)*	*+13%*
Other income	(vi)	**5**	2	*3*	*+150%*
Other expenses		**(28)**	(29)	*1*	*-3%*
Loss from operations		**(1)**	(1)	*–*	*–*
Finance costs on lease liabilities	(v)	**(16)**	(5)	*(11)*	*+220%*
Loss before taxation		**(17)**	(6)	*(11)*	*+183%*
Income tax credit		**3**	1	*2*	*+200%*
Loss after taxation attributable to equity shareholders of the Company		**(14)**	(5)	*(9)*	*+180%*

Notes:

(iv) The period-on-period increase in revenue of HK$58 million, or 11%, was mainly attributable to the increase in revenue contribution from the sales of own goods and commission income from consignment counters, which in turn was due to the contribution from the UNY supermarket at Tseung Kwan O which commenced business operation in November 2021.

(v) Under HKFRS 16, the "practical expedient" is applicable to the short-term leases of a reporting entity whose expiry dates are within one year from the date of initial adoption of HKFRS 16 or lease commencement.

On the other hand, for each tenancy lease of Unicorn other than the short-term leases in relation to which the "practical expedient" under HKFRS 16 has been applied (as mentioned above), Unicorn 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). Accordingly, Unicorn recognised the related depreciation charge on right-of-use assets in the aggregate amount of HK$57 million (2021: HK$51 million), which comprised amounts of HK$56 million (2021: HK$50 million) classified under "Direct costs" and HK$1 million (2021: HK$1 million) classified under "Other expenses", in the statement of profit or loss for the six months ended 30 June 2022; and

- lease liabilities in the statement of financial position, which are interest-bearing at Unicorn's estimated incremental borrowing rate. Accordingly, Unicorn recognised the related finance cost on lease liabilities in the amount of HK$16 million (2021: HK$5 million) in the statement of profit or loss for the six months ended 30 June 2022.

Based on the above, for the purpose of comparison between the two financial periods ended 30 June 2022 and 30 June 2021, the rental and related expenses of HK$20 million (2021: HK$22 million) which comprised HK$20 million (2021: HK$22 million) classified under "Direct costs" and HK$Nil (2021: HK$Nil) classified under "Other expenses", the depreciation charge on right-of-use assets of HK$57 million (2021: HK$51 million) (see above) and the finance cost on lease liabilities of HK$16 million (2021: HK$5 million) (see above) are aggregated which amounted to HK$93 million for the six months ended 30 June 2022 (2021: HK$78 million).

The abovementioned period-on-period increase of HK$15 million for the six months ended 30 June 2022 was mainly attributable to the increased contributions to depreciation charge on right-of-use assets and finance cost on lease liabilities from the UNY supermarket at Tseung Kwan O which commenced business operation in November 2021, and from the commencement of the tenancy lease on 1 March 2022 of the APITA supermarket-cum-store at Taikoo Shing, Hong Kong which was renewed on 18 March 2022.

(vi) Other income for the six months ended 30 June 2022 included the approved ESS Subsidy to Unicorn in relation to the months of May 2022 and June 2022 and in the aggregate amount of HK$2 million (2021: Nil).

(b) Overall

Aggregating the abovementioned profit/loss after tax of the department stores and supermarket cum-stores operations in Hong Kong, and taking into consideration the net corporate expenditure of the Group, the Group recorded total profit after tax attributable to equity shareholders in the amount of HK$24 million for the six months ended 30 June 2022 (2021: HK$30 million), representing a period-on-period decrease of HK$6 million, or 20%.

Excluding the effects of the ESS Subsidy in the aggregate amount of HK$10 million and the rent concessions granted to Citistore by the landlords of the store outlets in the aggregate amount of HK$4 million (after tax), both during the six months ended 30 June 2022, the Group's total profit after tax attributable to equity shareholders for the six months ended 30 June 2022 would become HK$10 million, representing a period-on-period decrease of HK$20 million, or 67%.

Finance costs on bank borrowing

During the six months ended 30 June 2022 and excluding the finance costs on the lease liabilities recognised by the Group under HKFRS 16, the Group did not recognise any finance costs (including other borrowing costs) on bank borrowing (2021: Nil).

Financial resources, liquidity and loan maturity profile

At 30 June 2022, the Group did not have any bank borrowing (31 December 2021: Nil) other than the Group's lease liabilities recognised under HKFRS 16 of HK$870 million at 30 June 2022 (31 December 2021: HK$502 million), and had cash and bank balances of HK$276 million (31 December 2021: HK$360 million). The decrease of HK$84 million (or 23%) in the Group's cash and bank balances during the six months ended 30 June 2022 is mainly attributable to (i) net cash outflows from operating, investing and financing activities (other than (ii) and (iii) below) in the aggregate amount of HK$31 million; (ii) cash outflow on the addition of fixed assets of HK$23 million; and (iii) the Group's payment of the final dividend of HK$30 million for the previous year ended 31 December 2021.

For the six months ended 30 June 2022, the Group's profit from operations (including bank interest income but excluding finance costs) before taxation amounted to HK$49 million (2021: HK$49 million). Excluding the finance costs on lease liabilities recognised by the Group under HKFRS 16, as the Group did not recognise any finance costs (including other borrowing costs) on bank borrowing (2021: Nil), there was no interest cover for the Group for the six months ended 30 June 2022 (2021: None).

Taking into account the expected cash flows from operations, the available cash and bank balances, the investments in unpledged listed securities which are realisable into cash, and the banking facility available to the Group, 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 2022 and 31 December 2021, 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 2022 and 31 December 2021.

Charge on assets

Assets of the Group were not charged to any parties at 30 June 2022 and 31 December 2021.

Capital commitments

At 30 June 2022, the Group had capital commitments in relation to fixed assets contracted but not provided for in the amount of HK$68 million (31 December 2021: HK$14 million), which includes the contracted capital expenditures for phase one renovation of Unicorn's store outlet at Taikoo Shing, Hong Kong.

Contingent liabilities

At 30 June 2022 and 31 December 2021, the Group did not have any contingent liabilities.

Employees and remuneration policy

At 30 June 2022, the Group had 1,086 (31 December 2021: 1,134) full-time employees and 92 (31 December 2021: 103) part-time employees. Total staff costs for the six months ended 30 June 2022 amounted to HK$139 million (2021: HK$137 million).

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

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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 14 to 36, which comprise the consolidated statement of financial position of Henderson Investment Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2022 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 notes, comprising significant accounting policies and other explanatory information. 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 2022

Condensed Interim Financial Statements

Consolidated Statement of Profit or Loss – unaudited

	Note	For the six months ended 30 June 2022 HK$ million	2021 HK$ million
Revenue	4	**928**	895
Direct costs		**(831)**	(795)
		97	100
Other revenue	5	**6**	5
Other income	6	**12**	4
Selling and marketing expenses		**(12)**	(13)
Administrative expenses		**(54)**	(47)
Profit from operations		**49**	49
Finance costs on lease liabilities	7(b)	**(22)**	(14)
Profit before taxation	7	**27**	35
Income tax	8	**(3)**	(5)
Profit attributable to equity shareholders of the Company for the period		**24**	30
		HK cent	HK cent
Earnings per share			
– Basic and diluted	9	**0.8**	1.0

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

The notes on pages 19 to 36 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	
	2022	2021
	HK$ million	HK$ million
Profit attributable to equity shareholders of the Company for the period	**24**	30
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 (non-recycling)	–	3
Total comprehensive income attributable to equity shareholders of the Company for the period	**24**	33

The notes on pages 19 to 36 form part of these condensed interim financial statements.

Condensed Interim Financial Statements

Consolidated Statement of Financial Position

	Note	**At 30 June 2022 (unaudited) HK$ million**	At 31 December 2021 (audited) HK$ million
Non-current assets			
Fixed assets		**125**	144
Right-of-use assets	12	**792**	413
Trademarks		**38**	39
Investments in listed securities designated as financial assets at fair value through other comprehensive income		**48**	48
Goodwill	13	**1,072**	1,072
Deferred tax assets		**32**	30
		2,107	1,746
Current assets			
Inventories		**130**	134
Trade and other receivables	14	**40**	56
Cash and bank balances	15	**276**	360
		446	550
Current liabilities			
Trade and other payables	16	**336**	442
Lease liabilities	17	**258**	213
Amounts due to affiliates		**1**	3
Provision for reinstatement costs		**–**	12
Current taxation		**2**	1
		597	671
Net current liabilities		**(151)**	(121)
Total assets less current liabilities		**1,956**	1,625
Non-current liabilities			
Lease liabilities	17	**612**	289
Provision for reinstatement costs		**19**	5
Deferred tax liabilities		**7**	7
		638	301
NET ASSETS		**1,318**	1,324
CAPITAL AND RESERVES			
Share capital		**612**	612
Reserves		**706**	712
TOTAL EQUITY		**1,318**	1,324

The notes on pages 19 to 36 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 2021		612	10	(15)	740	1,347
Changes in equity for the six months ended 30 June 2021:						
Profit for the period		–	–	–	30	30
Other comprehensive income for the period		–	–	3	–	3
Total comprehensive income for the period		–	–	3	30	33
Dividend approved and paid in respect of the previous financial year	10(b)	–	–	–	(30)	(30)
Balance at 30 June 2021		612	10	(12)	740	1,350

		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 2022		**612**	**10**	**(12)**	**714**	**1,324**
Changes in equity for the six months ended 30 June 2022:						
Profit for the period		–	–	–	**24**	**24**
Total comprehensive income for the period		–	–	–	**24**	**24**
Dividend approved and paid in respect of the previous financial year	10(b)	–	–	–	**(30)**	**(30)**
Balance at 30 June 2022		**612**	**10**	**(12)**	**708**	**1,318**

The notes on pages 19 to 36 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 2022 HK$ million	2021 HK$ million
Net cash generated from operating activities			
Profit before taxation		**27**	35
Bank interest income	6	**(1)**	(1)
Dividend income from investments in securities designated as financial assets at fair value through other comprehensive income	6	**(1)**	(3)
Depreciation on fixed assets	7(b)	**23**	20
Depreciation on right-of-use assets	7(b)	**113**	108
Amortisation of trademarks	7(b)	**1**	1
Finance costs on lease liabilities	7(b)	**22**	14
Decrease/(increase) in inventories		**4**	(3)
Decrease in trade and other receivables		**3**	2
Decrease in trade and other payables		**(89)**	(36)
(Decrease)/increase in amounts due to affiliates		**(2)**	3
Tax paid in Hong Kong		**(4)**	(4)
		96	136
Net cash used in investing activities			
Interest received		**1**	1
Dividends received from investments in securities designated as financial assets at fair value through other comprehensive income		**1**	1
Additions to fixed assets		**(23)**	(12)
Payment made before the commencement of a lease		**–**	(1)
		(21)	(11)
Net cash used in financing activities			
Dividend paid to shareholders	10(b)	**(30)**	(30)
Interest payments of lease liabilities to affiliates		**(7)**	(9)
Principal repayments of lease liabilities to affiliates		**(82)**	(80)
Interest payments of lease liabilities to third parties		**(13)**	(5)
Principal repayments of lease liabilities to third parties		**(27)**	(50)
		(159)	(174)
Net decrease in cash and cash equivalents		**(84)**	(49)
Cash and cash equivalents at 1 January	15	**360**	415
Cash and cash equivalents at 30 June	15	**276**	366

The notes on pages 19 to 36 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 23 August 2022.

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 2021 ("the 2021 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 2022. Details of these changes in accounting policies are set out in note 2.

These 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 2021 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 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. Given the COVID-19 pandemic and the subsequent outbreak of Omicron variant have caused and will likely continue to cause disruptions to economic activities, the uncertainties associated with accounting estimates and assumptions may also be increased accordingly.

At 30 June 2022, the Group was in a net current liabilities position of HK$151 million (31 December 2021: HK$121 million). This was mainly due to the recognition of the current portion of lease liabilities of HK$258 million at 30 June 2022 (31 December 2021: HK$213 million) under HKFRS 16, *Leases*. Taking into account the expected cash flows from operations, the available cash and bank balances, the investments in unpledged listed securities which are realisable into cash, and the banking facility available to the Group, 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.

These 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 ("Directors") is included on page 13. 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 2021 as comparative information that is included in the condensed interim financial statements for the six months ended 30 June 2022 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 2021 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 statutory 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 Group has applied the following amendments to HKASs and HKFRSs issued by the HKICPA that are first effective for the current accounting period of the Group and the Company, and which are relevant to the Group's condensed interim financial statements for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment ("PPE") the proceeds generated from selling items produced ("products"), before such item of PPE is available for use. Instead, in such circumstances, the related sales proceeds of the products, together with the costs of producing these products as determined by HKAS 2, *Inventories*, shall be included in profit or loss.

An entity shall apply the amendments retrospectively, but only to items of PPE available for use at or after the beginning of the earliest period during which the entity first applies the amendments.

- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – costs of fulfilling a contract*

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling that contract. Entities are required to apply the amendments to contracts that exist at the date when the amendments are first applied, with the cumulative effect of applying the amendments to be recognised as an adjustment to the opening balance of retained profits in equity.

Notes to the Unaudited Condensed Interim Financial Statements

2 Changes in accounting policies (continued)

- Amendments to HKFRS 3 (Revised), *Business combinations: Reference to the Conceptual Framework*

The amendments update the reference to the latest version of the Conceptual Framework issued in March 2018, and add an exception to the requirement for an entity to refer to the Conceptual Framework in determining what constitutes an asset or a liability. The exception relates to liabilities and contingent liabilities that would have been within the scope of HKAS 37, *Provisions, contingent liabilities and contingent assets* or HK(IFRIC)-Int 21, *Levies* if they were incurred by an entity separately, rather than being assumed by an entity in a business combination. Under the exception, when applying HKFRS 3 (Revised), an entity should apply the more specific criteria in HKAS 37 or HK(IFRIC)-Int 21 respectively (instead of the Conceptual Framework) to determine whether a present obligation exists at the date on which the liability or contingent liability has been incurred by the entity.

- Annual Improvements to HKFRSs 2018-2020 Cycle

This package of annual improvements contains, inter alia, amendment to HKFRS 9, *Financial instruments* and amendment to an illustrative example accompanying HKFRS 16, *Leases*. The amendment to HKFRS 9 clarifies that only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf, are included when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The amendment to illustrative example 13 accompanying HKFRS 16 removes reference to a reimbursement relating to leasehold improvements, as the illustrative example had not explained clearly whether the reimbursement would meet the definition of a lease incentive under HKFRS 16.

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. Given the COVID-19 pandemic and the subsequent outbreak of Omicron variant have caused and will likely continue to cause disruptions to economic activities, the uncertainties associated with accounting estimates and assumptions may also be increased accordingly.

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 2021 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	
	2022	2021
	HK$ million	HK$ million
Sales of goods	**716**	680
Commission income from consignment counters	**158**	158
Commission income from concessionaire counters	**47**	50
Promotion income	**4**	4
Administration fee income	**3**	3
	928	895

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	
	2022	2021
	HK$ million	HK$ million
Receipts from sales of goods by consignment counters	**563**	576
Receipts from sales of goods by concessionaire counters	**164**	178
	727	754

Notes to the Unaudited Condensed Interim Financial Statements

5 Other revenue

	For the six months ended 30 June	
	2022	2021
	HK$ million	HK$ million
Sponsorship fees	**1**	1
Rental income for antenna sites	**1**	2
Sundry income	**4**	2
	6	5

6 Other income

	For the six months ended 30 June	
	2022	2021
	HK$ million	HK$ million
Bank interest income	**1**	1
Dividend income	**1**	3
Government subsidies (note)	**10**	–
	12	4

Note: Grants from the government were recognised at their fair value where there was a reasonable assurance that the grant would be received (if the amount was not received at the end of the reporting period) and the Group would comply with all attached conditions, if any. Government grants relating to costs were deferred and recognised in profit or loss over the period necessary to match them with the costs that they were intended to compensate.

The government subsidies recognised for the six months ended 30 June 2022 related to the approved subsidies from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme promulgated by the HKSAR Government, and comprised HK$8 million (2021: Nil) for Citistore (Hong Kong) Limited ("Citistore") and HK$2 million (2021: Nil) for Unicorn Stores (HK) Limited ("Unicorn"), in relation to the months of May 2022 and June 2022.

Notes to the Unaudited Condensed Interim Financial Statements

7 Profit before taxation

Profit before taxation is arrived at after charging:

		For the six months ended 30 June	
		2022	2021
		HK$ million	HK$ million
(a) Staff costs:			
Salaries, wages and other benefits		**133**	131
Contributions to defined contribution retirement plans		**6**	6
(b) Other items:			
Amortisation of trademarks		**1**	1
Depreciation			
– on fixed assets		**23**	20
– on right-of-use assets	(note 12)	**113**	108
Finance costs on lease liabilities	(note 17)	**22**	14
Expenses relating to short-term leases		**1**	1
Other charges in respect of rental premises			
– net of rent concessions for 2022 (note)		**43**	51
Cost of inventories sold		**509**	477

Note: Included contingent rental expenses of HK$Nil (2021: HK$1 million) during the six months ended 30 June 2022. Furthermore, rent concessions in the amount of HK$5 million (2021: Nil) have been granted to Citistore by the landlords of the store outlets during the six months ended 30 June 2022.

8 Income tax

	For the six months ended 30 June	
	2022	2021
	HK$ million	HK$ million
Current tax – Hong Kong		
– provision for the period	**5**	5
Deferred taxation		
– origination and reversal of temporary differences	**(2)**	–
	3	5

Provision for Hong Kong Profits Tax has been made at 16.5% (2021: 16.5%) on the estimated assessable profit for the period.

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$24 million (2021: HK$30 million) and 3,047,327,395 (2021: 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	
	2022	2021
	HK$ million	HK$ million
Interim dividend declared after the end of the reporting period of HK1 cent (2021: HK1 cent) per share	**30**	30

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	
	2022	2021
	HK$ million	HK$ million
Final dividend in respect of the previous financial year, approved/declared and paid during the period, of HK1 cent (2021: HK1 cent) per share	**30**	30

11 Segment reporting

No segmental information for the six months ended 30 June 2022 and 30 June 2021 is presented as the Group's revenue and trading results for the periods were generated solely from its department stores and supermarket-cum-stores operations in Hong Kong, the revenue of which amounted to HK$928 million (2021: HK$895 million) during the period and the pre-tax profit from operation (after finance costs on lease liabilities) of which amounted to HK$28 million (2021: HK$33 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 2022 and 30 June 2021, and all of the Group's fixed assets, right-of-use assets, trademarks and goodwill at 30 June 2022 and 31 December 2021 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

	HK$ million
Cost:	
At 1 January 2021	1,573
Addition for the year (note 17)	129
Change in basic rent due to modification of certain lease terms (note 17)	(47)
Reassessment of lease term (note 17)	(2)
Reinstatement cost	1
Write back on expiry of leases	(27)
At 31 December 2021 – *audited*	1,627
Accumulated depreciation:	
At 1 January 2021	(1,021)
Charge for the year	(220)
Write back on expiry of leases	27
At 31 December 2021 – *audited*	(1,214)
Net book value:	
At 31 December 2021 – *audited*	413
Cost:	
At 1 January 2022	**1,627**
Addition for the period (note 17)	**492**
Write back on expiry of leases	**(1)**
At 30 June 2022 – *unaudited*	**2,118**
Accumulated depreciation:	
At 1 January 2022	**(1,214)**
Charge for the period (note 7(b))	**(113)**
Write back on expiry of leases	**1**
At 30 June 2022 – *unaudited*	**(1,326)**
Net book value:	
At 30 June 2022 – *unaudited*	**792**

Except for short-term leases and leases of low-value assets of the Group of which the Company or any of its subsidiaries is a lessee and in relation to which the recognition exemption under HKFRS 16 is applicable, the Group recognises for each of the remaining leases (the "Remaining Leases") a right-of-use asset.

Depreciation charge on the right-of-use assets is recognised using the straight-line method during the period of 1 year to 9 years, being the period from the dates of the commencement/modification of the Remaining Leases to the end of the term of the Remaining Leases taking into consideration the renewal options attaching thereto (if any).

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

Notes to the Unaudited Condensed Interim Financial Statements

13 Goodwill

	At 30 June 2022 (unaudited) HK$ million	At 31 December 2021 (audited) HK$ million
Citistore Goodwill (as defined below)	**810**	810
Unicorn 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 and Puretech Investment Limited (the "Citistore Acquisition"). As a result of the Citistore Acquisition, goodwill (the "Citistore Goodwill") was recognised in the Group's consolidated statement of financial position at 1 December 2014 under the acquisition method of accounting in accordance with HKFRS 3 (Revised), *Business combinations*. The Citistore Goodwill is allocated to the Group's department stores operation under Citistore and is tested for impairment at the end of the reporting period.

Impairment assessment is carried out by determining the fair value less cost of disposal of the cash-generating unit under Citistore. The fair value less cost of disposal is represented by the net present value of future forecast post-tax net cash inflows (excluding the rental expenditures of the store outlets and other rental premises recognised as lease liabilities at 30 June 2022) for the five future periods of twelve months ending on 30 June 2023, 30 June 2024, 30 June 2025, 30 June 2026 and 30 June 2027 of the cash-generating unit which is determined on the basis of the discounted cashflow model and management's expectations of market development and management's plan on the opening of new stores, and the following assumptions:

(i) an average increase of 9.1% in the forecast receipts from gross sales for each of the five future periods of twelve months ending on 30 June 2023, 30 June 2024, 30 June 2025, 30 June 2026 and 30 June 2027;

(ii) an average increase of 0.4 percentage point in the gross profit margin for each of the five future periods of twelve months ending on 30 June 2023, 30 June 2024, 30 June 2025, 30 June 2026 and 30 June 2027;

(iii) a terminal value into perpetuity in accordance with the perpetual growth model, which is determined based on the forecast net cash inflow for the period of twelve months subsequent to 30 June 2027 and assuming a terminal perpetual growth rate of 2% for each subsequent period of twelve months thereafter; and

(iv) an estimated cost of disposal which is determined based on the Group's experience with disposal of assets/businesses and in line with industry benchmarks.

Notes to the Unaudited Condensed Interim Financial Statements

13 Goodwill (continued)

(a) Citistore Goodwill (continued)

The abovementioned forecast changes in the receipts from gross sales in each of the five future periods of twelve months ending on 30 June 2023, 30 June 2024, 30 June 2025, 30 June 2026 and 30 June 2027 are based on the expectations of the Group's management of their plans and market development at 30 June 2022. A post-tax discount rate of 11% (31 December 2021: 11%), which represents the Group's current market assessment of the risks specific to the cash-generating unit under Citistore, is used to determine the discount factor under the discounted cashflow model.

The Directors have assessed that there was no impairment on the Citistore Goodwill at 30 June 2022.

At 30 June 2022, in relation to the cash-generating unit under Citistore, the recoverable amount calculated based on fair value less cost of disposal (after deducting the carrying amounts of the fixed assets, trademarks, right-of-use assets and negative working capital of Citistore at 30 June 2022) exceeded the carrying value. If the post-tax discount rate had been 1% higher or if the forecast receipts from gross sales had been 3% lower or if the forecast gross profit margin had been 1.5% lower for each of the five future periods of twelve months ending on 30 June 2023, 30 June 2024, 30 June 2025, 30 June 2026 and 30 June 2027, the Directors have assessed that it would not result in an impairment loss on the Citistore Goodwill. In this regard, by adopting a 3% decrease in the forecast receipts from gross sales of Citistore and a 1.5% decrease in the forecast gross profit margin for each of the five future periods of twelve months ending on 30 June 2023, 30 June 2024, 30 June 2025, 30 June 2026 and 30 June 2027 in the aforementioned sensitivity analyses, consideration has been given to, among others, (i) the feature of Citistore's business operation of department stores in Hong Kong; (ii) the sensitivity of Citistore's business operation to the economic and market conditions in Hong Kong; and (iii) Citistore's actual versus budgeted financial performances in the past years.

(b) Unicorn Goodwill

On 31 May 2018, Urban Kirin Limited, a wholly-owned subsidiary of the Company, acquired the entire issued share capital of UNY (HK) Co., Limited (which was renamed as Unicorn on 27 July 2018) (the "Unicorn Acquisition"). As a result of the Unicorn Acquisition, goodwill (the "Unicorn Goodwill") was recognised in the Group's consolidated statement of financial position at 31 May 2018 under the acquisition method of accounting in accordance with HKFRS 3 (Revised), *Business combinations*. The Unicorn Goodwill is allocated to the Group's supermarket-cum-stores operation under Unicorn and is tested for impairment at the end of the reporting period.

Notes to the Unaudited Condensed Interim Financial Statements

13 Goodwill (continued)

(b) Unicorn Goodwill (continued)

Impairment assessment is carried out by determining the fair value less cost of disposal of the cash-generating unit under Unicorn. The fair value less cost of disposal is represented by the net present value of future forecast post-tax net cash inflows (excluding the rental expenditures of the store outlets and other rental premises recognised as lease liabilities at 30 June 2022) for the five future periods of twelve months ending on 30 June 2023, 30 June 2024, 30 June 2025, 30 June 2026 and 30 June 2027 of the cash-generating unit which is determined on the basis of the discounted cashflow model and management's expectations of market development and management's plan on the opening of new stores, and the following assumptions:

(i) an average increase of 17.6% in the forecast receipts from gross sales for each of the five future periods of twelve months ending on 30 June 2023, 30 June 2024, 30 June 2025, 30 June 2026 and 30 June 2027;

(ii) an average increase of 0.5 percentage point in the gross profit margin for each of the five future periods of twelve months ending on 30 June 2023, 30 June 2024, 30 June 2025, 30 June 2026 and 30 June 2027;

(iii) a terminal value into perpetuity in accordance with the perpetual growth model, which is determined based on the forecast net cash inflow for the period of twelve months subsequent to 30 June 2027 and assuming a terminal perpetual growth rate of 2% for each subsequent period of twelve months thereafter; and

(iv) an estimated cost of disposal which is determined based on the Group's experience with disposal of assets/businesses and in line with industry benchmarks.

The abovementioned forecast changes in the receipts from gross sales in each of the five future periods of twelve months ending on 30 June 2023, 30 June 2024, 30 June 2025, 30 June 2026 and 30 June 2027 are based on the expectations of the Group's management of their plans and market development at 30 June 2022. A post-tax discount rate of 11% (31 December 2021: 11%), which represents the Group's current market assessment of the risks specific to the cash-generating unit under Unicorn, is used to determine the discount factor under the discounted cashflow model.

The Directors have assessed that there was no impairment on the Unicorn Goodwill at 30 June 2022.

Notes to the Unaudited Condensed Interim Financial Statements

13 Goodwill (continued)

(b) Unicorn Goodwill (continued)

At 30 June 2022, in relation to the cash-generating unit under Unicorn, the recoverable amount calculated based on fair value less cost of disposal (after deducting the carrying amounts of the fixed assets, right-of-use assets and negative working capital of Unicorn at 30 June 2022) exceeded the carrying value. If the post-tax discount rate had been 1% higher or if the forecast receipts from gross sales for each of the five future periods of twelve months ending on 30 June 2023, 30 June 2024, 30 June 2025, 30 June 2026 and 30 June 2027 had been 3% lower, the Directors have assessed that it would not result in an impairment loss on the Unicorn Goodwill. However, if the forecast gross profit margin for each of the five future periods of twelve months ending on 30 June 2023, 30 June 2024, 30 June 2025, 30 June 2026 and 30 June 2027 had been 1.5% lower, there would be a potential implication for impairment on the Unicorn Goodwill in an estimated amount of HK$159 million. In this regard, by adopting a 3% decrease in the forecast receipts from gross sales of Unicorn and a 1.5% decrease in the forecast gross profit margin for each of the five future periods of twelve months ending on 30 June 2023, 30 June 2024, 30 June 2025, 30 June 2026 and 30 June 2027 in the aforementioned sensitivity analyses, consideration has been given to, among others, (i) the feature of Unicorn's business operation of supermarket-cum-stores in Hong Kong; (ii) the sensitivity of Unicorn's business operation to the economic and market conditions in Hong Kong; and (iii) Unicorn's actual versus budgeted financial performances in the past years.

Notes to the Unaudited Condensed Interim Financial Statements

14 Trade and other receivables

	At 30 June 2022 (unaudited) HK$ million	At 31 December 2021 (audited) HK$ million
Trade debtors	**9**	16
Deposits, prepayments and other receivables	**31**	40
	40	56

At 30 June 2022, 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 various deposits of HK$12 million (31 December 2021: HK$10 million) which are 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 2022 (unaudited) HK$ million	At 31 December 2021 (audited) HK$ million
Current or under 1 month overdue	**9**	16

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 default occurring on the assets at the end of each reporting period with the risk of default occurring on the assets 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.

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 2022 and 31 December 2021 as minimal.

Notes to the Unaudited Condensed Interim Financial Statements

15 Cash and bank balances

	At 30 June 2022 (unaudited) HK$ million	At 31 December 2021 (audited) HK$ million
Deposits with banks	**185**	238
Cash at bank and in hand	**91**	122
Cash and bank balances in the consolidated statement of financial position and cash and cash equivalents in the condensed consolidated cash flow statement	**276**	360

16 Trade and other payables

	At 30 June 2022 (unaudited) HK$ million	At 31 December 2021 (audited) HK$ million
Trade creditors	**246**	311
Contract liabilities (note)	**15**	18
Accrued expenses and other payables	**67**	105
Deposits received	**8**	8
	336	442

Note: During the six months ended 30 June 2022, HK$8 million (Year ended 31 December 2021: HK$9 million) that was included in contract liabilities at the beginning of the reporting period was recognised as revenue (note 4). Most of the contract liabilities at 30 June 2022 and 31 December 2021 were expected to be recognised within one year.

At 30 June 2022, all of the trade and other payables were interest-free and repayable within one year or on demand except for an amount of HK$1 million (31 December 2021: HK$2 million) which was expected to be settled after more than one year.

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

	At 30 June 2022 (unaudited) HK$ million	At 31 December 2021 (audited) HK$ million
Due within 1 month or on demand	**225**	261
Due after 1 month but within 3 months	**21**	50
	246	311

Notes to the Unaudited Condensed Interim Financial Statements

17 Lease liabilities

	HK$ million
At 1 January 2021	674
Addition for the year (note 12)	129
Change in basic rent due to modification of certain lease terms (note 12)	(47)
Reassessment of lease term (note 12)	(2)
Lease payments made during the year	(278)
Finance costs on lease liabilities for the year	26
At 31 December 2021 – *audited*	502
At 1 January 2022	**502**
Addition for the period (note 12)	**492**
Lease payments made during the period	**(129)**
Reclassification of rental deposits paid from trade and other receivables	**(17)**
Finance costs on lease liabilities for the period (note 7(b))	**22**
At 30 June 2022 – *unaudited*	**870**

	At 30 June 2022 (unaudited) HK$ million	At 31 December 2021 (audited) HK$ million
Represented by:		
Amount classified under current liabilities		
– contractual maturity within 1 year	**258**	213
Amounts classified under non-current liabilities		
– contractual maturity after 1 year and within 2 years	**151**	171
– contractual maturity after 2 years and within 5 years	**277**	118
– contractual maturity after 5 years	**184**	–
	612	289
Total carrying amount of lease liabilities	**870**	502

Notes to the Unaudited Condensed Interim Financial Statements

17 Lease liabilities (continued)

Finance cost is determined and recognised on the basis of the Group's estimated incremental borrowing rate of 4.8% per annum on the carrying balance of the lease liability of each Remaining Lease (see note 12) at initial recognition, adjusted for modification/reassessment of the lease term for certain leases, and after deducting the lease payments made for such Remaining Lease during the six months ended 30 June 2022 and during the corresponding year ended 31 December 2021. The Directors considered the Group's estimated incremental borrowing rate, as referred to above, to be appropriate in view of the market environment and economic conditions under which each Remaining Lease operates.

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

Included in lease liabilities at 30 June 2022 is an amount of HK$259 million (31 December 2021: HK$343 million) relating to the lease liabilities payable to affiliates.

18 Capital commitments

At 30 June 2022, the Group had capital commitments in relation to fixed assets contracted but not provided for in these condensed interim financial statements in the amount of HK$68 million (31 December 2021: HK$14 million).

19 Contingent liabilities

At 30 June 2022 and 31 December 2021, the Group did not have any contingent liabilities.

Notes to the Unaudited Condensed Interim Financial Statements

20 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	
	2022	2021
	HK$ million	HK$ million
Cash rental paid and payable (note (ii))	**118**	113
Cleaning expenses	**4**	4
Management fee income	**1**	1

During the six months ended 30 June 2022, the addition to right-of-use assets (see note 12) included an amount of HK$Nil (2021: HK$1 million) in relation to a tenancy lease entered into with a fellow subsidiary.

Notes to the Unaudited Condensed Interim Financial Statements

20 Material related party transactions (continued)

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

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

	For the six months ended 30 June	
	2022	2021
	HK$ million	HK$ million
Cash rental paid and payable (note (iii))	–	4
Reinstatement costs payable	–	2

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): Included management fees, air-conditioning charges and rates in the aggregate amount of HK$33 million for the six months ended 30 June 2022 (2021: HK$28 million).

Note (iii): Included management fees, air-conditioning charges and rates in the aggregate amount of HK$Nil for the six months ended 30 June 2022 (2021: HK$2 million).

Furthermore, at 30 June 2022, an intermediate holding company of the Company had issued a corporate guarantee in favour of a bank in relation to a banking facility granted by such bank to a direct wholly-owned subsidiary of the Company, a fellow subsidiary of the Group and a related company of the Group for an aggregate amount of up to HK$1,000 million (31 December 2021: HK$1,000 million), the maximum sub-limit of which available to the Group amounted to HK$500 million (31 December 2021: HK$500 million).

At 30 June 2022 and 31 December 2021, a bank had issued a letter of guarantee to a landlord in lieu of rental deposit in connection with a store operated by an indirect wholly-owned subsidiary of the Company in an amount of HK$3 million under a banking facility granted to an intermediate holding company of the Company.

21 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).

Other Information

Review of Interim Results

The unaudited interim results for the six months ended 30 June 2022 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 13.

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 2022 and reviewed the systems of internal control, risk management and compliance, and the interim report for the six months ended 30 June 2022.

Corporate Governance

During the six months ended 30 June 2022, 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 the CG Code. The Company is of the view that it is in the best interest of the Company to let Dr Lee Ka Shing act in the dual capacity as the Chairman and Managing Director given Dr Lee's in-depth expertise and knowledge in business and the Group. Although the roles of the chairman and the chief executive officer of the Company have not been segregated, powers and authorities have not been over-concentrated as all major decisions are made in consultation with Board members and senior management who possess the relevant knowledge and expertise, as well as appropriate Board committees. Hence, the current arrangements are subject to adequate checks and balances notwithstanding the deviation.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 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.

On behalf of the Board
Dr Lee Ka Shing
Chairman

Hong Kong, 23 August 2022

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 and Li Ning; 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 2022, 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 (the "Stock Exchange") 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
Henderson Land Development Company Limited	Lee Ka Kit	2				3,509,782,778	3,509,782,778	72.50
	Lee Ka Shing	2				3,509,782,778	3,509,782,778	72.50
	Li Ning	2		3,509,782,778			3,509,782,778	72.50
Miramar Hotel and Investment Company, Limited	Lee Ka Kit	3				345,999,980	345,999,980	50.08
	Lee Ka Shing	3				345,999,980	345,999,980	50.08
	Li Ning	3		345,999,980			345,999,980	50.08

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	4				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Kit	4				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Kit	5				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Lee Ka Shing	4				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Shing	4				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Shing	5				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Li Ning	4		8,190 (Ordinary A Shares)			8,190 (Ordinary A Shares)	100.00
	Li Ning	4		3,510 (Non-voting B Shares)			3,510 (Non-voting B Shares)	100.00
	Li Ning	5		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, other than the deemed interests of Dr Lee Ka Kit, Dr Lee Ka Shing and Mr Li Ning in the shares, underlying shares and debentures of the unlisted associated corporations of the Company which are solely derived from their deemed interests in Henderson Development Limited, Henderson Land Development Company Limited, Miramar Hotel and Investment Company, Limited and/or the Company and not from any separate personal interests of their own, in respect of which a waiver from strict compliance with the disclosure requirements under paragraph 41(2) of Appendix 16 to the Listing Rules has been applied to, and granted by the Stock Exchange.

Substantial Shareholders' and Others' Interests

As at 30 June 2022, 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
Person 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 Dr 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. 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 Dr 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.

3. Of these shares, 120,735,300 shares, 128,658,680 shares and 96,606,000 shares were respectively owned by Higgins Holdings Limited, Multiglade Holdings Limited and Threadwell Limited, all of which were wholly-owned subsidiaries of Aynbury Investments Limited which in turn was 100% held by HL. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Dr Lee Ka Kit and Dr Lee Ka Shing were taken to be interested in HL as set out in Note 2 and 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 HL as set out in Note 2 and these shares by virtue of the SFO.

4. These shares were held by Hopkins as trustee of the Unit Trust.

5. 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 2022 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.

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