



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

Stock Code 股份代號：97

2020

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Interim Report  
中期報告

## Contents

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2	Interim Results and Dividend
2	Closure of Register of Members
3	Management Discussion and Analysis
	Business Review
7	Corporate Finance
7	Prospects
	Condensed Interim Financial Statements
8	Consolidated Statement of Profit or Loss
9	Consolidated Statement of Profit or Loss and Other Comprehensive Income
10	Consolidated Statement of Financial Position
11	Consolidated Statement of Changes in Equity
12	Condensed Consolidated Cash Flow Statement
13	Notes to the Unaudited Condensed Interim Financial Statements
28	Financial Review
34	Other Information
36	Disclosure of Interests
40	Review Report of the Independent Auditor

## Interim Results and Dividend

The Group's (unaudited) profit attributable to equity shareholders for the six months ended 30 June 2020 amounted to HK\$48 million, representing an increase of HK\$27 million or 129% over HK\$21 million for the corresponding period in 2019. The increase in profit was mainly due to non-recurring expenditure in the corresponding period of last year. Earnings per share were HK 1.6 cents (2019: HK 0.7 cents).

The Board has resolved to pay an interim dividend of HK 1.0 cent per share (2019: HK 2.0 cents per share) to shareholders whose names appear on the Register of Members of the Company on Monday, 7 September 2020 and such interim dividend will not be subject to any withholding tax in Hong Kong.

## Closure of Register of Members

The Register of Members of the Company will be closed from Friday, 4 September 2020 to Monday, 7 September 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 3 September 2020. The interim dividend will be distributed to shareholders on Friday, 11 September 2020.

## Management Discussion and Analysis

### Business Review

During the period, the novel coronavirus (COVID-19) pandemic dampened consumer sentiment. In addition, the related precautionary measures adopted in Hong Kong and overseas brought inbound tourism to a standstill and seriously disrupted various consumption activities. According to the information released by The Census and Statistics Department, the value of total retail sales in Hong Kong for the first half of 2020 decreased by 33.3% compared with the same period in 2019.

The Group currently operates six department stores under the name “Citistore”, as well as three department stores and/or supermarkets through “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*
<b>Total:</b>		<b>388,365</b>

\* Downsized from 84,667 square feet to 39,645 square feet since April 2019.

In addition to launching a number of precautionary measures (such as continuous cleansing and disinfection of the store areas), Citistore rolled out the following initiatives during the period under review to mitigate the negative impact of the pandemic:

- It shortened daily operations by about 2 hours on average since mid-February 2020 as a result of a decrease in customer volume at its stores amid the pandemic.
- It intensified its promotional efforts and strengthened ties with its “Citi-Fun” members by offering additional shopping benefits. The resultant customer response has been positive, with “Citi-Fun” membership numbers increasing to over 330,000 to date.
- The revamp of its Ma On Shan store was completed in June 2020, offering a refreshing shopping experience with the introduction of more proprietary brands.

Due to the pandemic, Citistore recorded a period-on-period decrease of 17% 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 2020. The breakdown is as follows:

	For the six months ended 30 June		Change
	2020 HK\$ million	2019 HK\$ million	
Proceeds from sales of own goods	189	209	-10%
Proceeds from concessionaire and consignment sales	560	698	-20%
<b>Total:</b>	<b>749</b>	<b>907</b>	<b>-17%</b>

### Sales of Own Goods

During the period under review, Citistore's sales of own goods decreased by 10% period-on-period to HK\$189 million, whilst its gross margin remained steady at 33%. The Household and Toys category made up approximately 63% of the sales, the Apparels category contributed approximately 22% and the balance of approximately 15% came from the Foods and Cosmetics categories.

	For the six months ended 30 June	
	2020 HK\$ million	2019 HK\$ million
Sales of own goods	189	209
Gross profit (after netting the cost of inventories sold)	62	70
Gross margin	33%	33%

### Concessionaire and Consignment Sales

Citistore's concessionaire sales are conducted by concessionaires operating from their own shop spaces within Citistore's stores under licence agreements, whilst consignment sales comprise the sales of consignors' products on consignment basis in designated shelves or areas. 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 17% period-on-period to HK\$171 million, resulting from the period-on-period decrease in the sales proceeds generated by both counters as shown below:

	For the six months ended 30 June	
	2020 HK\$ million	2019 HK\$ million
Sales proceeds from concessionaire counters	179	257
Sales proceeds from consignment counters	381	441
<b>Total:</b>	<b>560</b>	<b>698</b>
Commission income from concessionaire and consignment counters	171	206

### 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 concessionaire and consignment counters in the aggregate amount of HK\$35 million, Citistore's profit after taxation for the period under review still increased by HK\$1 million or 3% period-on-period to HK\$34 million. The main reasons are the decrease in rental related expenses of HK\$27 million during the period under review, and wage subsidies of HK\$5 million accrued for June 2020 from the "Employment Support Scheme" under the Hong Kong Government's Anti-epidemic Fund.

## (II) UNY HK

In June 2020, UNY HK extended its business operation to the New Territories and opened a new Japanese supermarket in Yuen Long, offering customers fresh Japanese produce and food products as well as daily necessities. Many new concepts were introduced by this supermarket, satisfying the discerning tastes of its customers.

Currently, UNY HK operates three department stores and/or supermarkets in the following densely-populated residential districts:

Location		Total lettable area (square feet)
<i>Store-cum-supermarket</i>		
APITA	Cityplaza, Taikoo Shing, Hong Kong Island	118,691
UNY Lok Fu	Lok Fu Place, Lok Fu, Kowloon	70,045*
<i>Supermarket</i>		
UNY Yuen Long	KOLOUR • Yuen Long, New Territories	19,795
<b>Total:</b>		<b>208,531</b>

\* Downsized from 112,464 square feet to 70,045 square feet since June 2019.

UNY HK enhanced the product mix of fresh food and introduced its "Style One" house-brand Japanese groceries and snacks to its supermarkets. Meanwhile, the public maintained social distancing amid the pandemic and stayed at home, resulting in an increase in purchasing of food and daily necessities at supermarkets. In turn, this resulted in supermarkets at the Taikoo Shing and Lok Fu stores recording improved sales. In addition, the above new Japanese supermarket in Yuen Long opened in June 2020. Despite the closure of PIAGO store at Telford Plaza at the end of March 2019, UNY HK recorded a period-on-period decrease of merely 1% in total proceeds derived from the sales of own goods and consignment sales for the six months ended 30 June 2020. The breakdown is as follows:

	For the six months ended 30 June		Change
	2020 HK\$ million	2019 HK\$ million	
Proceeds from sales of own goods	480	464	+3%
Proceeds from consignment sales	157	181	-13%
<b>Total:</b>	<b>637</b>	<b>645</b>	<b>-1%</b>

### Sales of Own Goods

	For the six months ended 30 June	
	2020	2019
	HK\$ million	HK\$ million
Sales of own goods	480	464
Gross profit (after netting the cost of inventories sold)	141	133
Gross margin	29%	29%

### Consignment Sales

	For the six months ended 30 June	
	2020	2019
	HK\$ million	HK\$ million
Sales proceeds from consignment counters	157	181
Commission income from consignment counters and administration fee income	37	43

### UNY HK's Profit Contribution

After deducting operating expenses, UNY HK recorded a profit after taxation of HK\$12 million during the period under review. Included therein were wage subsidies of HK\$4 million accrued for June 2020 from the "Employment Support Scheme" under the Hong Kong Government's Anti-epidemic Fund, whilst a loss of HK\$17 million was recorded for the same period last year due to the rental expenditure in the aggregate amount of HK\$22 million incurred on the PIAGO premises after its closure.

The after-tax profit contribution from Citistore and UNY HK amounted to HK\$46 million in aggregate for the six months ended 30 June 2020. Included therein were wage subsidies totalling HK\$9 million from the "Employment Support Scheme". After taking into account the interest income, dividend income and the administrative expenditures of its head office, the Group's profit attributable to equity shareholders during the period under review amounted to HK\$48 million, representing an increase of HK\$27 million or 129% over that of HK\$21 million in the corresponding period of the previous year.

## Corporate Finance

Given its strong financial position, the Group had no bank borrowings (31 December 2019: HK\$Nil) and its cash and bank balances amounted to HK\$349 million (31 December 2019: HK\$363 million) at 30 June 2020.

## Prospects

Given the lingering of the pandemic, it is expected that the operating environment for the Group's department store business will remain challenging, although wage subsidies from the "Employment Support Scheme" under the Hong Kong Government's Anti-epidemic Fund should alleviate some of the pressure. Whereas, the Group's supermarket business should stay resilient.

The pandemic has caused changes to customers' preferences and consumption patterns. In view of the emerging trend for online food ordering, "UNY HK" launched its own online food ordering and delivery services in July 2020 at APITA for its freshly made sushi, sashimi and other delicacies. Citistore and UNY HK will also continue to optimise their merchandise mix and customer services to respond to the ever changing market demands.

The Group will continue to seize market opportunities to expand its store network and online business, thereby improving its overall results.

## Appreciation

Mr Lee Tat Man stepped down from his position of Executive Director of the Company on 8 June 2020. On behalf of the Board, I would like to express my sincere gratitude to Mr Lee Tat Man for his invaluable contribution to the Company over the past 40 years.

## Condensed Interim Financial Statements

### Consolidated Statement of Profit or Loss – unaudited

	Note	For the six months ended 30 June	
		2020 HK\$ million	2019 HK\$ million
<b>Revenue</b>	4	<b>880</b>	926
Direct costs		(764)	(803)
		<b>116</b>	123
Other revenue	5	6	5
Other income/(expense), net	6	14	(16)
Selling and marketing expenses		(11)	(16)
Administrative expenses		(51)	(50)
<b>Profit from operations</b>		<b>74</b>	46
Finance costs on lease liabilities	7(b)	(19)	(22)
<b>Profit before taxation</b>	7	<b>55</b>	24
Income tax	8	(7)	(3)
<b>Profit attributable to equity shareholders of the Company for the period</b>		<b>48</b>	21
		<b>HK cents</b>	HK cents
<b>Earnings per share</b>			
– Basic and diluted	9	1.6	0.7

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

The notes on pages 13 to 27 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	
	2020	2019
	HK\$ million	HK\$ million
<b>Profit attributable to equity shareholders of the Company for the period</b>	48	21
<b>Other comprehensive income for the period:</b>		
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)	(8)	–
<b>Total comprehensive income attributable to equity shareholders of the Company for the period</b>	<b>40</b>	<b>21</b>

The notes on pages 13 to 27 form part of these condensed interim financial statements.

## Condensed Interim Financial Statements

### Consolidated Statement of Financial Position

	Note	At 30 June 2020 (unaudited) HK\$ million	At 31 December 2019 (audited) HK\$ million
<b>Non-current assets</b>			
Fixed assets		122	118
Right-of-use assets	12	647	699
Trademarks		41	42
Investments in listed securities designated as financial assets at fair value through other comprehensive income		45	53
Goodwill	13	1,072	1,072
Deferred tax assets		26	26
		<b>1,953</b>	<b>2,010</b>
<b>Current assets</b>			
Inventories		119	110
Trade and other receivables	14	57	63
Cash and bank balances	15	349	363
		<b>525</b>	<b>536</b>
<b>Current liabilities</b>			
Trade and other payables	16	382	382
Lease liabilities	17	243	222
Amounts due to affiliates		2	1
Current taxation		4	21
		<b>631</b>	<b>626</b>
<b>Net current liabilities</b>		<b>(106)</b>	<b>(90)</b>
<b>Total assets less current liabilities</b>		<b>1,847</b>	<b>1,920</b>
<b>Non-current liabilities</b>			
Lease liabilities	17	525	608
Provision for reinstatement costs		17	17
Deferred tax liabilities		7	7
		<b>549</b>	<b>632</b>
<b>NET ASSETS</b>		<b>1,298</b>	<b>1,288</b>
<b>CAPITAL AND RESERVES</b>			
Share capital		612	612
Reserves		686	676
<b>TOTAL EQUITY</b>		<b>1,298</b>	<b>1,288</b>

The notes on pages 13 to 27 form part of these condensed interim financial statements.

## Condensed Interim Financial Statements

### Consolidated Statement of Changes in Equity – unaudited

	Attributable to equity shareholders of the Company					Total equity HK\$ million
	Note	Share capital HK\$ million	Capital reserve HK\$ million	Fair value reserve (non-recycling) HK\$ million	Retained profits HK\$ million	
<b>Balance at 1 January 2019</b>		612	10	(4)	733	1,351
<b>Changes in equity for the six months ended 30 June 2019:</b>						
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)
<b>Balance at 30 June 2019</b>		612	10	(4)	693	1,311

	Attributable to equity shareholders of the Company					Total equity HK\$ million
	Note	Share capital HK\$ million	Capital reserve HK\$ million	Fair value reserve (non-recycling) HK\$ million	Retained profits HK\$ million	
<b>Balance at 1 January 2020</b>		612	10	(7)	673	1,288
<b>Changes in equity for the six months ended 30 June 2020:</b>						
Profit for the period		–	–	–	48	48
Other comprehensive income for the period		–	–	(8)	–	(8)
Total comprehensive income for the period		–	–	(8)	48	40
Dividend approved and paid in respect of the previous financial year	10(b)	–	–	–	(30)	(30)
<b>Balance at 30 June 2020</b>		612	10	(15)	691	1,298

The notes on pages 13 to 27 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	
		2020 HK\$ million	2019 HK\$ million
<b>Net cash generated from operating activities</b>			
Profit before taxation		55	24
Bank interest income	6	(3)	(4)
Dividend income from investments in listed securities designated as financial assets at fair value through other comprehensive income	6	(1)	(2)
Depreciation on fixed assets	7(b)	21	19
Depreciation on right-of-use assets	7(b)	111	103
Amortisation of trademarks	7(b)	1	1
Finance costs on lease liabilities	7(b)	19	22
Rent concessions		(12)	–
(Increase)/decrease in inventories		(9)	17
Decrease/(increase) in trade and other receivables		3	(5)
Decrease in trade and other payables		(9)	(67)
Increase in amounts due to affiliates		1	1
Tax paid in Hong Kong		(24)	(2)
		<b>153</b>	<b>107</b>
<b>Net cash generated from/(used in) investing activities</b>			
Interest received		4	5
Dividends received from investments in listed securities designated as financial assets at fair value through other comprehensive income		1	2
Additions to fixed assets		(19)	(6)
Decrease/(increase) in deposits with banks over three months of maturity at acquisition		20	(2)
		<b>6</b>	<b>(1)</b>
<b>Net cash used in financing activities</b>			
Dividend paid to shareholders	10(b)	(30)	(61)
Interest payments of lease liabilities to affiliates		(13)	(17)
Principal repayments of lease liabilities to affiliates		(59)	(72)
Interest payments of lease liabilities to third parties		(7)	(5)
Principal repayments of lease liabilities to third parties		(44)	(30)
Proceeds from bank loan		–	10
		<b>(153)</b>	<b>(175)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
<b>Cash and cash equivalents at 1 January</b>	15	<b>343</b>	<b>447</b>
<b>Cash and cash equivalents at 30 June</b>	15	<b>349</b>	<b>378</b>

The notes on pages 13 to 27 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 20 August 2020.

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 2019 (“the 2019 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 2020. 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. Given the COVID-19 pandemic has caused and will likely cause significant disruptions to economic activities, the uncertainties associated with accounting estimates and assumptions may also be increased accordingly.

At 30 June 2020, the Group was in a net current liabilities position of HK\$106 million (31 December 2019: HK\$90 million). This was mainly due to the recognition of the current portion of lease liabilities of HK\$243 million at 30 June 2020 (31 December 2019: HK\$222 million) under HKFRS 16, *Leases*. Taking into account the expected cash flows from operations, the available cash and bank balances 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 2019 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 40. 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 2019 as comparative information that is included in the condensed interim financial statements for the six months ended 30 June 2020 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 2019 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 a number of amendments to HKFRS and HKASs and a revised Conceptual Framework that are first effective for the current accounting period of the Group and the Company, which are relevant to the Group's condensed interim financial statements for the current accounting period:

- Amendments to HKFRS 3, *Definition of a business*
- Amendments to HKAS 1 and HKAS 8, *Definition of material*
- Revised Conceptual Framework

The directors of the Company ("Directors") have assessed and considered that none of the abovementioned amendments and the revised Conceptual Framework has any material impact on the Group's financial position at 30 June 2020 or the Group's financial performance for the six months then ended.

Also, the Group as a lessee has early adopted the amendment to HKFRS 16, *COVID-19- related rent concessions*, in the Group's condensed interim financial statements for the current accounting period. Under the amendment, the Group has applied the practical expedient to elect not to assess whether a rent concession that meets the following conditions is a lease modification. The Group applies the amendment to all rent concessions occurring as a direct consequence of the COVID-19 pandemic and where all of the following conditions are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) there is no substantive change to other terms and conditions of the lease.

## Notes to the Unaudited Condensed Interim Financial Statements

### 2 Changes in accounting policies *(continued)*

During the six months ended 30 June 2020, the Group recognised HK\$12 million in profit or loss to reflect changes in lease payments that arose from rent concessions to which the Group as a lessee has applied the practical expedient.

While the amendment requires retrospective application with the cumulative effect of initially applying this amendment recognised as an adjustment to the opening balance of equity at the beginning of the reporting period in which the lessee first applies the amendment, there is no impact on the opening balances of the Group's consolidated statement of financial position at 1 January 2020.

Save as disclosed above, 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 has caused and will likely cause significant 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 2019 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	
	2020 HK\$ million	2019 HK\$ million
Sales of goods	669	673
Commission income from consignment counters	149	171
Commission income from concessionaire counters	56	75
Promotion income	3	4
Administration fee income	3	3
	<b>880</b>	<b>926</b>

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	
	2020 HK\$ million	2019 HK\$ million
Receipts from sales of goods by consignment counters	538	622
Receipts from sales of goods by concessionaire counters	179	257
	<b>717</b>	<b>879</b>

## Notes to the Unaudited Condensed Interim Financial Statements

### 5 Other revenue

	For the six months ended 30 June	
	2020	2019
	HK\$ million	HK\$ million
Sponsorship fees	1	1
Rental income for antenna sites	2	2
Sundry income	3	2
	<b>6</b>	<b>5</b>

### 6 Other income/(expense), net

	For the six months ended 30 June	
	2020	2019
	HK\$ million	HK\$ million
Bank interest income	3	4
Dividend income	1	2
Rental expenditure of a shop premise which ceased business operation	–	(22)
Government subsidies (note)	10	–
	<b>14</b>	<b>(16)</b>

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

Included in the amount of government subsidies recognised for the six months ended 30 June 2020 is an amount of HK\$9 million, being the aggregate amount of approved subsidies from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by the Government of the Hong Kong Special Administrative Region of the People's Republic of China, for the Group's subsidiaries, namely Citistore (Hong Kong) Limited and Unicorn Stores (HK) Limited, in relation to the month of June 2020 in the amounts of HK\$5 million and HK\$4 million respectively.

## 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	
	2020	2019
	HK\$ million	HK\$ million
<b>(a) Staff costs:</b>		
Salaries, wages and other benefits	125	121
Contributions to defined contribution retirement plans	6	6
<b>(b) Other items:</b>		
Amortisation of trademarks	1	1
Depreciation		
– on fixed assets	21	19
– on right-of-use assets	(note 12) 111	103
Finance costs on lease liabilities	(note 17) 19	22
Expenses relating to short-term leases	–	29
Other charges in respect of rental premises (note)	49	52
Cost of inventories sold	466	470

Note: Included contingent rental expenses of HK\$Nil million (2019: HK\$1 million) during the period.

### 8 Income tax

	For the six months ended 30 June	
	2020	2019
	HK\$ million	HK\$ million
<b>Current tax – Hong Kong</b>		
– provision for the period	7	9
<b>Deferred taxation</b>		
– origination and reversal of temporary differences	–	(6)
	7	3

Provision for Hong Kong Profits Tax has been made at 16.5% (2019: 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\$48 million (2019: HK\$21 million) and 3,047,327,395 (2019: 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	
	2020	2019
	HK\$ million	HK\$ million
Interim dividend declared after the end of the reporting period of HK1 cent (2019: HK2 cents) per share	30	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	
	2020	2019
	HK\$ million	HK\$ million
Final dividend in respect of the previous financial year, approved/declared and paid during the period, of HK1 cent (2019: HK2 cents) per share	30	61

### 11 Segment reporting

No segmental information for the six months ended 30 June 2020 and 2019 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\$880 million (2019: HK\$926 million) during the period and the pre-tax profit from operation (after finance costs on lease liabilities) of which amounted to HK\$53 million (2019: HK\$20 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 2020 and 2019, and all of the Group's fixed assets, right-of-use assets, trademarks and goodwill at 30 June 2020 and 31 December 2019 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
<b>Cost:</b>	
At 1 January 2019 (upon the adoption of HKFRS 16, <i>Leases</i> )	1,406
Transfer from fixed assets	3
Addition for the year (note 17)	156
Change in basic rent due to modification of certain lease terms (note 17)	(71)
	1,494
At 31 December 2019 – <i>audited</i>	1,494
<b>Accumulated depreciation:</b>	
At 1 January 2019 (upon the adoption of HKFRS 16)	(579)
Charge for the year	(216)
	(795)
At 31 December 2019 – <i>audited</i>	(795)
<b>Net book value:</b>	
At 31 December 2019 – <i>audited</i>	699
<b>Cost:</b>	
At 1 January 2020	1,494
Addition for the period (note 17)	54
Lease payment made before lease commencement	1
Reinstatement cost	4
Write back on expiry of leases	(2)
	1,551
At 30 June 2020 – <i>unaudited</i>	1,551
<b>Accumulated depreciation:</b>	
At 1 January 2020	(795)
Charge for the period (note 7(b))	(111)
Write back on expiry of leases	2
	(904)
At 30 June 2020 – <i>unaudited</i>	(904)
<b>Net book value:</b>	
At 30 June 2020 – <i>unaudited</i>	647

Except for short-term leases and leases of low-value assets of the Group in 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 2020 (unaudited) HK\$ million	At 31 December 2019 (audited) HK\$ million
Citistore Goodwill (as defined below)	810	810
UNY HK Goodwill (as defined below)	262	262
	<b>1,072</b>	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”).

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 stores 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 (excluding the rental expenditures of the store outlets and other rental premises for each future period of twelve months ending on 30 June 2021, 2022, 2023, 2024 and 2025 recognised as lease liabilities at 30 June 2020) of the cash-generating unit which is determined on the basis of the discounted cashflow model, by adopting a discount factor which equals to the pre-tax discount rate of 13.1% (31 December 2019: 12.8%) and the forecast capital expenditure for each future period of twelve months ending on 30 June 2021, 2022, 2023, 2024 and 2025 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 2020.

At 30 June 2020, in relation to the cash-generating unit under Citistore, the recoverable amount calculated based on value in use (after deducting the carrying amounts of the fixed assets, trademarks, right-of-use assets and negative working capital of Citistore at 30 June 2020) exceeded the carrying value. If the post-tax discount rate had been 1% higher, there would be a potential implication for impairment on the Citistore Goodwill in the estimated amount of HK\$40 million. If the forecast receipts from gross sales for each future period of twelve months ending 30 June 2021, 2022, 2023, 2024 and 2025 had been 6% lower, there would be a potential implication for impairment on the Citistore Goodwill in the estimated amount of HK\$263 million.

## Notes to the Unaudited Condensed Interim Financial Statements

### 13 Goodwill (continued)

#### (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 supermarket-cum-stores 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 (excluding the rental expenditures of the store outlets and other rental premises for each future period of twelve months ending on 30 June 2021, 2022, 2023, 2024 and 2025 recognised as lease liabilities at 30 June 2020) of the cash-generating unit which is determined on the basis of the discounted cashflow model, by adopting a discount factor which equals to the post-tax discount rate of 11.5% (31 December 2019: 11.0%) and the forecast capital expenditure for each future period of twelve months ending on 30 June 2021, 2022, 2023, 2024 and 2025 and subsequently a terminal value into perpetuity in accordance with the perpetual growth model as well as an estimated cost of disposal based on the Group’s experience with disposal of assets/businesses and in line with industry benchmarks, all of which are based on management’s expectations of market development and management’s plan on the opening of new stores.

The Directors have assessed that there was no impairment on the UNY HK Goodwill at 30 June 2020.

At 30 June 2020, in relation to the cash-generating unit under UNY HK, 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 UNY HK at 30 June 2020) exceeded the carrying value. At 30 June 2020, the Directors considered that reasonably possible change in each of the key assumptions would not have resulted in an impairment loss on the UNY HK Goodwill.

## Notes to the Unaudited Condensed Interim Financial Statements

### 14 Trade and other receivables

	At 30 June 2020 (unaudited) HK\$ million	At 31 December 2019 (audited) HK\$ million
Trade debtors	7	12
Deposits, prepayments and other receivables	50	51
	57	63

At 30 June 2020, 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\$27 million (31 December 2019: HK\$25 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 2020 (unaudited) HK\$ million	At 31 December 2019 (audited) HK\$ million
Current or under 1 month overdue	7	12

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 2020 and 31 December 2019 as minimal.

## Notes to the Unaudited Condensed Interim Financial Statements

### 15 Cash and bank balances

	At 30 June 2020 (unaudited) HK\$ million	At 31 December 2019 (audited) HK\$ million
Deposits with banks	249	269
Cash at bank and in hand	100	94
Cash and bank balances in the consolidated statement of financial position	349	363
Less: deposits with banks over three months of maturity at acquisition	–	(20)
Cash and cash equivalents in the condensed consolidated cash flow statement	349	343

Included in the cash and bank balances at 30 June 2020 was a pledged bank deposit in the amount of HK\$101,562 (31 December 2019: HK\$101,562) 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 2020 (unaudited) HK\$ million	At 31 December 2019 (audited) HK\$ million
Trade creditors	263	281
Contract liabilities (note)	14	14
Accrued expenses and other payables	95	75
Deposits received	10	12
	382	382

Note: During the six months ended 30 June 2020, HK\$8 million (Year ended 31 December 2019: HK\$9 million) that was included in contract liabilities at the beginning of the reporting period was recognised as receipts from sales of goods under revenue (note 4). Most of the contract liabilities at 30 June 2020 and 31 December 2019 were expected to be recognised within one year.

At 30 June 2020, all of the trade and other payables were interest-free and repayable within one year or on demand except for an amount of HK\$Nil (31 December 2019: HK\$3 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 2020 (unaudited) HK\$ million	At 31 December 2019 (audited) HK\$ million
Due within 1 month or on demand	225	242
Due after 1 month but within 3 months	38	39
	263	281

## Notes to the Unaudited Condensed Interim Financial Statements

### 17 Lease liabilities

	HK\$ million
At 1 January 2019 (upon the adoption of HKFRS 16)	966
Addition for the year (note 12)	156
Change in basic rent due to modification of certain lease terms (note 12)	(71)
Effects of rent concessions and reduction	(13)
Lease payments made during the year	(252)
Finance costs on lease liabilities for the year	44
<b>At 31 December 2019 – audited</b>	<b>830</b>
At 1 January 2020	<b>830</b>
Addition for the period (note 12)	<b>54</b>
Effect of rent concessions	<b>(12)</b>
Lease payments made during the period	<b>(123)</b>
Finance costs on lease liabilities for the period (note 7(b))	<b>19</b>
<b>At 30 June 2020 – unaudited</b>	<b>768</b>

	At 30 June 2020 (unaudited) HK\$ million	At 31 December 2019 (audited) HK\$ million
Represented by:		
Amount classified under current liabilities		
– contractual maturity within 1 year	243	222
Amounts classified under non-current liabilities		
– contractual maturity after 1 year and within 2 years	232	237
– contractual maturity after 2 years and within 5 years	293	356
– contractual maturity after 5 years	-	15
	<b>525</b>	<b>608</b>
Total carrying amount of lease liabilities	<b>768</b>	<b>830</b>

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 at initial recognition, adjusted for modification of certain leases, and after deducting the lease payments made for such Remaining Lease during the six months ended 30 June 2020 and during the corresponding year ended 31 December 2019. 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 2020 is an amount of HK\$521 million (31 December 2019: HK\$539 million) relating to the lease liabilities payable to affiliates.

## Notes to the Unaudited Condensed Interim Financial Statements

### 18 Capital commitments

At 30 June 2020, 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\$2 million (31 December 2019: HK\$4 million).

### 19 Contingent liabilities

At 30 June 2020 and 31 December 2019, the Group did not have any contingent liabilities.

### 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	
	2020 HK\$ million	2019 HK\$ million
Cash rental paid and payable (note (ii))	100	115
Cleaning expenses	4	4
Management fee income	1	-

During the six months ended 30 June 2020, the addition to right-of-use assets (see note 12) included an addition of HK\$49 million (2019: Nil) 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	
	2020 HK\$ million	2019 HK\$ million
Cash rental paid and payable (note (iii))	3	5

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\$27 million for the six months ended 30 June 2020 (2019: HK\$26 million).

Note (iii): Included management fees, air-conditioning charges and rates in the aggregate amount of HK\$2 million for the six months ended 30 June 2020 (2019: HK\$3 million).

During the six months ended 30 June 2020, the addition to right-of-use assets (see note 12) included an addition of HK\$4 million (2019: Nil) in relation to a tenancy lease entered into with a related company.

Furthermore, at 30 June 2020, the 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 and a fellow subsidiary of the Group for an aggregate amount of up to HK\$1,000 million (31 December 2019: HK\$1,000 million).

### 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).

## 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 2020.

### 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 2020.

### Results of operations

During the six months ended 30 June 2020, the Group was engaged in the operation of (i) department stores in Hong Kong under Citistore (Hong Kong) Limited ("Citistore", a wholly-owned subsidiary of the Company); and (ii) supermarket-cum-stores in Hong Kong under 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 stores and supermarket-cum-stores operations in Hong Kong

##### Citistore

The Group recognised the following financial performance of Citistore for the six months ended 30 June 2020 as compared with the corresponding six months ended 30 June 2019:

	Note	Six months ended 30 June		Increase/ (Decrease) HK\$ million	Increase/ (Decrease) %
		2020 HK\$ million	2019 HK\$ million		
<b>Revenue</b>					
- Sales of goods		189	209	(20)	-10%
- Commission income derived from consignment counters		115	131	(16)	-12%
- Commission income derived from concessionaire counters		56	75	(19)	-25%
- Promotion income		3	4	(1)	-25%
	(i)	363	419	(56)	-13%
<b>Direct costs</b>					
- Cost of inventories sold		(127)	(139)	12	-9%
- Rental and related expenses	(ii)	(16)	(31)	15	-48%
- Staff salaries and related expenses		(57)	(57)	-	-
- Depreciation charge on fixed assets		(11)	(12)	1	-8%
- Depreciation charge on right-of-use assets	(ii)	(62)	(69)	7	-10%
- Others		(15)	(20)	5	-25%
		(288)	(328)	40	-12%
Other revenue		3	4	(1)	-25%
Other income	(iii)	6	-	6	n/a
Selling and marketing expenses		(4)	(8)	4	-50%
Administrative expenses		(28)	(30)	2	-7%
<b>Profit from operations</b>		52	57	(5)	-9%
Finance costs on lease liabilities	(ii)	(12)	(17)	5	-29%
<b>Profit before taxation</b>		40	40	-	-
Income tax charge		(6)	(7)	1	-14%
<b>Profit after taxation attributable to equity shareholders of the Company</b>		34	33	1	+3%

Notes:

- (i) The period-on-period decrease in revenue of HK\$56 million, or 13%, is mainly attributable to the unfavourable impact of the outbreak of the COVID-19 pandemic since early January 2020 which affected business and economic activities in Hong Kong, including the retail sector, during the six months ended 30 June 2020.

During the six months ended 30 June 2020, the number of customers at Citistore's store outlets had been reduced in comparison with that for the corresponding six months ended 30 June 2019. Commencing from 10 February 2020 and up to 30 June 2020, the operating business hours of Citistore's store outlets had been shortened by a total of 1,465 hours (2019: Nil).

- (ii) Under HKFRS16 "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 HKFRS16 or lease commencement.

On the other hand, for each tenancy lease of Citistore other than the short-term leases in relation to which the "practical expedient" under HKFRS16 has been applied (as mentioned above), Citistore has recognised the following:

- right-of-use assets in the statement of financial position measured at their carrying amounts (as if HKFRS16 had been applied since the commencement date of the tenancy lease). Accordingly, Citistore recognised the related depreciation charge on the right-of-use assets in the aggregate amount of HK\$64 million (2019: HK\$71 million), which comprised amounts of HK\$62 million (2019: HK\$69 million) classified under "Direct costs" and HK\$2 million (2019: HK\$2 million) classified under "Administrative expenses", in the statement of profit or loss for the six months ended 30 June 2020; and
- lease liabilities in the statement of financial position, which are interest-bearing at Citistore's estimated incremental borrowing rate. Accordingly, Citistore recognised the related finance cost on the lease liabilities in the amount of HK\$12 million (2019: HK\$17 million) in the statement of profit or loss for the six months ended 30 June 2020.

Based on the above, for the purpose of comparison between the two periods of six months ended 30 June 2020 and 2019, the rental and related expenses of HK\$17 million (2019: HK\$32 million) which comprised HK\$16 million (2019: HK\$31 million) classified under "Direct costs" and HK\$1 million (2019: HK\$1 million) classified under "Administrative expenses", the depreciation charge on right-of-use assets of HK\$64 million (2019: HK\$71 million) (see above) and the finance cost on the lease liabilities of HK\$12 million (2019: HK\$17 million) (see above) are aggregated which amounted to HK\$93 million for the six months ended 30 June 2020 (2019: HK\$120 million). The period-on-period decrease of HK\$27 million is mainly attributable to the decrease in turnover rentals payable by Citistore due to the decrease in revenue during the six months ended 30 June 2020, as well as the rental reduction granted to Citistore by the landlords of the store outlets in the second half of 2019 and rent concessions granted to Citistore in 2020.

- (iii) Other income of HK\$6 million for the six months ended 30 June 2020 mainly comprises Citistore's application in June 2020 for the subsidy (the "Citistore ESS Subsidy") from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by the Government of the Hong Kong Special Administrative Region of the People's Republic of China ("HKSAR Government"), which shall be applied towards the payroll costs of Citistore's eligible staff members for the months of June 2020, July 2020 and August 2020. The Citistore ESS Subsidy application has been approved by the HKSAR Government, and out of which an amount of HK\$5 million relating to the month of June 2020 was recognised as "Other income" for the six months ended 30 June 2020 accordingly.

Goodwill on acquisition in the amount of HK\$810 million (31 December 2019: 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 2020. The Citistore Goodwill was tested for impairment at 30 June 2020 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 2020. The directors of the Company have assessed that there was no impairment on the carrying amount of the Citistore Goodwill at 30 June 2020.

## UNY HK

During the six months ended 30 June 2020, UNY HK opened a new supermarket at Yuen Long, the New Territories, Hong Kong, which commenced business operation in June 2020.

The Group recognised the following financial performance of UNY HK for the six months ended 30 June 2020 as compared with the corresponding six months ended 30 June 2019:

	Note	Six months ended 30 June		Increase/ (Decrease) HK\$ million	Increase/ (Decrease) %
		2020 HK\$ million	2019 HK\$ million		
<b>Revenue</b>					
- Sales of goods		480	464	16	+3%
- Commission income derived from consignment counters		34	40	(6)	-15%
- Administration fee income		3	3	-	-
	(iv)	517	507	10	+2%
<b>Direct costs</b>					
- Cost of inventories sold		(339)	(331)	(8)	+2%
- Rental and related expenses	(v)	(19)	(47)	28	-60%
- Staff salaries and related expenses		(41)	(40)	(1)	+3%
- Depreciation charge on fixed assets		(8)	(5)	(3)	+60%
- Depreciation charge on right-of-use assets	(v)	(46)	(31)	(15)	+48%
- Others		(23)	(21)	(2)	+10%
		(476)	(475)	(1)	+0.2%
Other revenue		3	1	2	+200%
Other income	(vi)	4	-	4	n/a
Other expense	(vii)	-	(22)	22	-100%
Selling and marketing expenses		(7)	(8)	1	-13%
Administrative expenses		(21)	(18)	(3)	+17%
<b>Profit/(loss) from operations</b>		<b>20</b>	<b>(15)</b>	<b>35</b>	<b>+233%</b>
Finance costs on lease liabilities	(v)	(7)	(5)	(2)	+40%
<b>Profit/(loss) before taxation</b>		<b>13</b>	<b>(20)</b>	<b>33</b>	<b>+165%</b>
Income tax (charge)/credit		(1)	3	(4)	+133%
<b>Profit/(loss) after taxation attributable to equity shareholders of the Company</b>		<b>12</b>	<b>(17)</b>	<b>29</b>	<b>+171%</b>

Notes:

- (iv) The period-on-period increase in revenue of HK\$10 million, or 2%, is mainly attributable to the period-on-period increase in revenue contributions from the APITA supermarket-cum-store at Taikoo Shing, the UNY supermarket-cum-store at Lok Fu and the new UNY supermarket at Yuen Long, despite the loss of revenue contribution from the PIAGO supermarket-cum-store at Kowloon Bay (which ceased business operation on 31 March 2019) during the six months ended 30 June 2020.
- (v) Under HKFRS16 “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 HKFRS16 or lease commencement.

On the other hand, for each tenancy lease of UNY HK other than the short-term leases in relation to which the “practical expedient” under HKFRS16 has been applied (as mentioned above), UNY HK has recognised the following:

- right-of-use assets in the statement of financial position measured at their carrying amounts (as if HKFRS16 had been applied since the commencement date of the tenancy lease). Accordingly, UNY HK recognised the related depreciation charge on the right-of-use assets in the aggregate amount of HK\$47 million (2019: HK\$32 million), which comprised amounts of HK\$46 million (2019: HK\$31 million) classified under “Direct costs” and HK\$1 million (2019: HK\$1 million) classified under “Administrative expenses”, in the statement of profit or loss for the six months ended 30 June 2020; and
- lease liabilities in the statement of financial position, which are interest-bearing at UNY HK’s estimated incremental borrowing rate. Accordingly, UNY HK recognised the related finance cost on the lease liabilities in the amount of HK\$7 million (2019: HK\$5 million) in the statement of profit or loss for the six months ended 30 June 2020.

Based on the above, for the purpose of comparison between the two periods of six months ended 30 June 2020 and 2019, the rental and related expenses of HK\$20 million (2019: HK\$49 million) which comprised HK\$19 million (2019: HK\$47 million) classified under “Direct costs” and HK\$1 million (2019: HK\$2 million) classified under “Administrative expenses”, the depreciation charge on right-of-use assets of HK\$47 million (2019: HK\$32 million) (see above) and the finance cost on the lease liabilities of HK\$7 million (2019: HK\$5 million) (see above) are aggregated which amounted to HK\$74 million for the six months ended 30 June 2020 (2019: HK\$86 million). The period-on-period decrease of HK\$12 million is mainly attributable to the savings on the aforementioned items of depreciation charge, finance costs and rental and related expenses which resulted from the cessation of business operation of the PIAGO supermarket-cum-store on 31 March 2019.

- (vi) In June 2020, UNY HK made an application for the subsidy (the “UNY ESS Subsidy”) from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by the HKSAR Government, which shall be applied towards the payroll costs of UNY HK’s eligible staff members for the months of June 2020, July 2020 and August 2020. At 30 June 2020, UNY HK had received the UNY ESS Subsidy from the HKSAR Government, and out of which an amount of HK\$4 million relating to the month of June 2020 was recognised as “Other income” for the six months ended 30 June 2020 accordingly.
- (vii) Other expense in the amount of HK\$22 million for the corresponding six months ended 30 June 2019 represents the rental expenditure of the shop premises of the PIAGO supermarket-cum-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).

Goodwill on acquisition in the amount of HK\$262 million (31 December 2019: HK\$262 million) (the “UNY HK Goodwill”), which arose from the Group’s acquisition of UNY HK in 2018, was recognised in the Group’s consolidated statement of financial position at 30 June 2020. The UNY HK Goodwill was tested for impairment at 30 June 2020 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 2020. The directors of the Company have assessed that there was no impairment on the carrying amount of the UNY HK Goodwill at 30 June 2020.

## (b) Overall

Aggregating the abovementioned profits after tax of the department stores and supermarket-cum-stores operations in Hong Kong and the profit after tax at corporate level of HK\$2 million for the six months ended 30 June 2020 (2019: HK\$5 million) mainly due to the Group’s bank interest income and dividend income less administrative expenses, the Group recorded total profit after tax attributable to equity shareholders in the amount of HK\$48 million for the six months ended 30 June 2020 (2019: HK\$21 million), representing a period-on-period increase of HK\$27 million, or 129%.

## Finance costs on bank borrowing

During the six months ended 30 June 2020 and excluding the finance costs on lease liabilities recognised by the Group under HKFRS16, the Group did not recognise any finance costs (including other borrowing costs) on bank borrowing (2019: HK\$35,179). The effective interest rate for the Group related to the bank borrowing was approximately 2.83% per annum during the corresponding six months ended 30 June 2019.

## Financial resources, liquidity and loan maturity profile

At 30 June 2020, the Group did not have any bank borrowing (31 December 2019: Nil).

At 30 June 2020, the Group had cash and bank balances of HK\$349 million (31 December 2019: HK\$363 million). Excluding the Group's lease liabilities recognised under HKFRS16 of HK\$768 million at 30 June 2020 (31 December 2019: HK\$830 million), the Group had net cash and bank balances of HK\$349 million at 30 June 2020 (31 December 2019: HK\$363 million).

For the six months ended 30 June 2020, the Group's profit from operations (including bank interest income but excluding finance costs) before taxation amounted to HK\$74 million (2019: HK\$46 million). Based on the Group's finance costs related to bank borrowing (and excluding the finance costs on lease liabilities recognised by the Group under HKFRS16) of HK\$Nil for the six months ended 30 June 2020 (2019: HK\$35,179) as referred to in the paragraph headed "Finance costs on bank borrowing" above, there was no interest cover for the Group for the six months ended 30 June 2020 (2019: the Group's interest cover was 1,308 times).

Based on the Group's net cash and bank balances of HK\$349 million at 30 June 2020, 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 2020 and 31 December 2019, 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 2020 and 31 December 2019.

## Charge on assets

Except for a pledged bank deposit of HK\$101,562 at 30 June 2020 (31 December 2019: HK\$101,562) held by UNY HK, assets of the Group were not charged to any parties at 30 June 2020 and 31 December 2019.

## Capital commitments

At 30 June 2020, the Group had capital commitments in relation to fixed assets contracted but not provided for in the amount of HK\$2 million (31 December 2019: HK\$4 million).

## Contingent liabilities

At 30 June 2020 and 31 December 2019, the Group did not have any contingent liabilities.

## Employees and remuneration policy

At 30 June 2020, the Group had 1,062 (31 December 2019: 934) full-time employees and 200 (31 December 2019: 254) part-time employees. The increase in the Group's headcount of full-time employees is mainly due to the increase in the full-time employees of UNY HK during the six months ended 30 June 2020 resulting from the opening of a new supermarket at Yuen Long which commenced business operation in June 2020.

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 2020 amounted to HK\$131 million (2019: HK\$127 million). The increase in total staff costs for the six months ended 30 June 2020 is mainly due to the increase in the staff costs of UNY HK during the six months ended 30 June 2020 resulting from the opening of a new supermarket at Yuen Long which commenced business operation in June 2020.

## Other Information

### Review of Interim Results

The unaudited interim results for the six months ended 30 June 2020 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 40.

### 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 2020 and reviewed the systems of internal control, risk management and compliance, and the interim report for the six months ended 30 June 2020.

### Corporate Governance

During the six months ended 30 June 2020, 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 Directors of the Company during the period and up to the date of this report required to be disclosed are shown as follows:

- (a) Dr Lam Ko Yin, Colin was appointed as a member of the Court of The Hong Kong University of Science and Technology with effect from 7 July 2020.
- (b) Mr Kwong Che Keung, Gordon retired as an independent non-executive director of Global Digital Creations Holdings Limited at the conclusion of its annual general meeting held on 22 May 2020 and was appointed as an independent non-executive director of COSCO SHIPPING International (Hong Kong) Co., Ltd. on 9 July 2020.

By Order of the Board

**Lee Ka Shing**

*Chairman*

Hong Kong, 20 August 2020

*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 2020, 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

**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	3				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	3				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	3		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, Mr Lee Ka Shing and Mr Li Ning in the shares, underlying shares and debentures of the associated corporations of the Company which are solely derived from their deemed interests in Henderson Development Limited, Henderson Land Development Company Limited and/or the Company and not from any separate personal interests of their own, in respect of which an application for waiver from strict compliance with the disclosure requirements under paragraph 41(2) of Appendix 16 to the Listing Rules has been made to, and granted by the Stock Exchange.

## Substantial Shareholders' and Others' Interests

As at 30 June 2020, 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	%
<b>Substantial Shareholders:</b>		
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
<b>Person other than Substantial Shareholders:</b>		
Gainwise Investment Limited (Note 1)	217,250,000	7.13

#### Notes:

- 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.
- 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.
- These shares were held by Hopkins as trustee of the Unit Trust.
- These shares were held by Hopkins as trustee of the Unit Trust.
- 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 2020 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 8 to 27, which comprise the consolidated statement of financial position of Henderson Investment Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2020 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, 20 August 2020



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

