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恒基兆業發展有限公司
HENDERSON INVESTMENT LIMITED
Incorporated in Hong Kong with limited liability
(Stock Code : 97)

2018 INTERIM RESULTS ANNOUNCEMENT

INTERIM RESULTS AND DIVIDEND

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

The Board has resolved to pay an interim dividend of HK 2.0 cents per share (2017: HK 2.0 cents per share) to shareholders whose names appear on the Register of Members of the Company on Monday, 10 September 2018 and such interim dividend will not be subject to any withholding tax in Hong Kong.

CLOSURE OF REGISTER OF MEMBERS

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

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

(I) Citistore

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

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

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

Sales of Own Goods

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

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

Concessionaire and Consignment Sales

Citistore's concessionaire sales are conducted by licensing portions of shop spaces to its concessionaires for setting up their own concession counters to sell their products, whilst consignment sales comprise the sales of consignors' own products on or in designated shelves, areas or spaces. Citistore charges these concessionaire and consignment counters on the basis of revenue sharing or basic rent (if any), whichever is higher, as its commission income. During the period under review, the total commission income derived from these concessionaire and consignment counters increased by 7% period-on-period to HK\$219 million, virtually in line with the period-on-period increase of 8% to HK\$742 million in the total sales proceeds generated from these counters as shown below:

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

Citistore's Profit Contribution

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

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

(II) UNY HK

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

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

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

CORPORATE FINANCE

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

PROSPECTS

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

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

BUSINESS RESULTS

Consolidated Statement of Profit or Loss

for the six months ended 30 June 2018 – unaudited

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

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

**Consolidated Statement of Profit or Loss and
Other Comprehensive Income**
for the six months ended 30 June 2018 – unaudited

	For the six months ended 30 June	
	2018	2017
	HK\$ million	HK\$ million
Profit attributable to equity shareholders of the Company for the period	48	36
Other comprehensive income for the period:		
Item that will not be reclassified to profit or loss:		
– Investments in listed securities designated as financial assets at fair value through other comprehensive income: net movement in the fair value reserve	(2)	-
Item that may be reclassified subsequently to profit or loss:		
– Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	-	2
Total comprehensive income for the period	46	38
Attributable to:		
Equity shareholders of the Company	46	37
Non-controlling interests	-	1
Total comprehensive income for the period	46	38

Consolidated Statement of Financial Position

		At 30 June 2018 (unaudited) HK\$ million	At 31 December 2017 (audited) HK\$ million
	Note		
Non-current assets			
Fixed assets		106	90
Trademarks		45	45
Investments in listed securities designated as financial assets at fair value through other comprehensive income		58	-
Goodwill		1,072	810
Deferred tax assets		10	1
		1,291	946
Current assets			
Inventories		131	59
Trade and other receivables	12	71	18
Tax recoverable		4	-
Cash and bank balances		444	756
		650	833
Current liabilities			
Trade and other payables	13	384	269
Bank loan		26	-
Amounts due to affiliates		78	67
Current taxation		12	5
		500	341
Net current assets		150	492
Total assets less current liabilities		1,441	1,438
Non-current liabilities			
Provision for reinstatement cost		18	-
Deferred tax liabilities		8	8
		26	8
NET ASSETS		1,415	1,430
CAPITAL AND RESERVES			
Share capital		612	612
Reserves		803	818
TOTAL EQUITY		1,415	1,430

NOTES

1 Review of results

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 Hong Kong Institute of Certified Public Accountants (“HKICPA”). PwC’s independent review report to the Board of Directors is included in the interim report to be sent to shareholders. In addition, the condensed interim financial statements have been reviewed with no disagreement by the Company’s Audit Committee.

2 Basis of preparation

The condensed interim financial statements comprise those of Henderson Investment Limited (“the Company”) and its subsidiaries, including UNY (HK) Co., Limited (“UNY HK”) (which was renamed as Unicorn Stores (HK) Limited on 27 July 2018) starting from 1 June 2018 following the completion of the Company’s acquisition of UNY HK on 31 May 2018 (collectively referred to as “the Group”).

The 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 HKICPA.

The condensed interim financial statements have been prepared in accordance with the same accounting policies adopted in the Company’s consolidated financial statements for the year ended 31 December 2017, except for the accounting policy changes that are expected to be reflected in the Company’s consolidated financial statements for the year ending 31 December 2018. Details of these changes in accounting policies are set out in note 3.

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 reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The financial information relating to the year ended 31 December 2017 as comparative information that is included in this preliminary announcement of interim results for the six months ended 30 June 2018 does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from such financial statements. Further information relating to such statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters (including those matters described in the Key Audit Matters section) to which the auditor drew attention by way of emphasis of matter 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).

3 Changes in accounting policies

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

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*

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

Under HKFRS 15, revenue from sale of goods and provision of services by the Group would be recognised when the customer obtains control of the promised goods or services in the contract. Revenue from sale of goods is recognised at a point in time when the Group sells a product to the customer. Commission income from consignment and concessionaire counters is recognised at a point in time of sale of goods by counter suppliers. Promotion income is recognised over time when the services are provided. To reflect the terminology under HKFRS 15, the Group has changed the presentation of certain amounts in note 13. In relation to the customer loyalty programme, since its launch prior to 1 January 2018, the Group's accounting policy for the programme is similar to and consistent with the principles of HKFRS 15. In this regard, there are no significant impacts on the Group. Save as disclosed above, there are no material impacts of HKFRS 15 on the Group's financial position at 30 June 2018 and financial performance for the six months then ended.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 Revenue

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

	For the six months ended 30 June	
	2018	2017
	HK\$ million	HK\$ million
Sale of goods	294	202
Commission income from consignment counters (note)	149	127
Commission income from concessionaire counters (note)	77	78
Promotion income	4	4
	524	411

Note:

Included total contingent commission income in the aggregate amount of HK\$101 million (2017: HK\$88 million) during the period. Contingent commission income are calculated based on the excess of certain percentages of revenue of the relevant operation occupying the shop spaces over a fixed portion of the monthly commission and are recognised as income in the accounting period in which they are earned.

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

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

5 Other revenue

	For the six months ended 30 June	
	2018 HK\$ million	2017 HK\$ million
Sponsorship fees	1	1
Rental income for antenna site	2	2
Sundry income	2	2
	5	5

6 Other income

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

7 Profit before taxation

Profit before taxation is arrived at after charging:

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

Note:

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

8 Income tax

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

8 **Income tax (continued)**

Provision for Hong Kong Profits Tax has been made at 16.5% (2017: 16.5%) on the estimated assessable profit for the period.

In addition, dividend distribution out of the retained profits of foreign-invested enterprises earned after 1 January 2008 was subject to withholding tax at a tax rate of 10% unless reduced by treaty. Under the tax treaty between Hong Kong and mainland China, the withholding tax rate applicable to the Group for the corresponding period of six months ended 30 June 2017 was 5%.

9 **Earnings per share – basic and diluted**

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$48 million (2017: HK\$36 million) and 3,047,327,395 (2017: 3,047,327,395) ordinary shares, being the number of ordinary shares in issue throughout the periods.

10 **Dividends**

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

	For the six months ended 30 June	
	2018	2017
	HK\$ million	HK\$ million
Interim dividend declared after the end of the reporting period of HK2 cents (2017: HK2 cents) per share	61	61

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

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

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

11 Segment reporting

No segmental information for the six months ended 30 June 2018 is presented as the Group's revenue and trading results for the period were generated solely from its department store operation in Hong Kong, the revenue of which amounted to HK\$524 million (2017: HK\$411 million) during the period and the pre-tax profit from operation of which amounted to HK\$55 million (2017: HK\$39 million) during the period.

Geographical information

Since all of the Group's revenue was generated in Hong Kong during the six months ended 30 June 2018 and 2017, and all of the Group's fixed assets, trademarks and goodwill at 30 June 2018 and 31 December 2017 were located in Hong Kong, no geographical information on the aforementioned items is presented in accordance with HKFRS 8, *Operating segments*.

12 Trade and other receivables

	At 30 June 2018 (unaudited) HK\$ million	At 31 December 2017 (audited) HK\$ million
Trade debtors	14	12
Deposits, prepayments and other receivables	57	6
	71	18

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

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

	At 30 June 2018 (unaudited) HK\$ million	At 31 December 2017 (audited) HK\$ million
Current or under 1 month overdue	14	12

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

13 Trade and other payables

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

Note:

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

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

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

FINANCIAL REVIEW

The following discussions should be read in conjunction with the Company's unaudited consolidated interim financial statements for the six months ended 30 June 2018.

Material acquisitions and disposals

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

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

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

Results of operations

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

(a) *Department store operation in Hong Kong*

Citistore

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

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

Notes:

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

- (ii) The period-on-period increase in direct costs of HK\$17 million, or 5%, is mainly represented by the increase in the cost of inventories sold which was in line with the increase in the revenue derived from the sales of goods during the six months ended 30 June 2018.
- (iii) Selling and marketing expenses comprise advertising and promotion expenditures. The period-on-period decrease in selling and marketing expenses of HK\$4 million, or 31%, is mainly due to the decrease in promotion expenses related to the customer loyalty programme of “Citi-Fun” and redemption coupons.

UNY HK

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

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

(b) Corporate level

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

Notes :

- (iv) As referred to in the paragraph “Material acquisitions and disposals” above, the Group made on-market purchases of certain listed equity securities during the six months ended 30 June 2018. As a result, the Group recognised dividend income of HK\$2 million from such portfolio of listed equity securities during the six months ended 30 June 2018 (2017 : Nil).
- (v) The period-on-period increase in the Group’s administrative expenses, at corporate level, is mainly attributable to the one-off professional fees payable by the Group of HK\$4 million in relation to the Acquisition.

(c) Overall

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

Financial resources, liquidity and loan maturity profile

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

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

Based on the Group's net cash and bank balances of HK\$418 million at 30 June 2018, the Group has adequate financial resources in meeting the funding requirements for its ongoing operations as well as its future expansion.

Treasury and financial management

The Group's financing and treasury activities are centrally managed at the corporate level. At 30 June 2018 and 31 December 2017, the Group was not a contractual party to any arrangements in relation to any derivative financial instruments for speculative or hedging purposes. The Group monitors closely its interest rate exposure and foreign exchange rate exposure and will consider hedging these exposures should the need arise.

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

Charge on assets

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

Capital commitments

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

Contingent liabilities

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

Employees and remuneration policy

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

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

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

OTHER INFORMATION

Review of Interim Results

The unaudited interim results for the six months ended 30 June 2018 have been reviewed by the auditor of the Company, PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the Hong Kong Institute of Certified Public Accountants.

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

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

Audit Committee

The Audit Committee met in August 2018 and reviewed the systems of internal control, risk management and compliance, and the interim report for the six months ended 30 June 2018.

Corporate Governance

During the six months ended 30 June 2018, the Company complied with the applicable code provisions set out in the Corporate Governance Code (the “CG Code”) as stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), with the exception that the roles of the chairman and the chief executive officer of the Company have not been segregated as required by code provision A.2.1 of the CG Code. The Company is of the view that it is in the best interest of the Company to let Mr Lee Ka Shing act in the dual capacity as the Chairman and Managing Director given Mr Lee’s in-depth expertise and knowledge in business and the Group.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors (the “Model Code”). Having made specific enquiry, the Company confirmed that all Directors have complied with the required standards as set out in the Model Code.

Forward-Looking Statements

This announcement 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.

By Order of the Board
Timon LIU Cheung Yuen
Company Secretary

Hong Kong, 23 August 2018

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