HENDERSON INVESTMENT LIMITED
恒 基 兆 業 發 展 有 限 公 司
Incorporated in Hong Kong with limited liability
(Stock Code : 97)

2023 INTERIM RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

INTERIM RESULTS AND DIVIDEND

The Group's (unaudited) loss attributable to equity shareholders for the six months ended 30 June 2023 amounted to HK$18 million, as compared with profit attributable to equity shareholders of HK$24 million as recorded in the corresponding period of last year. The loss is mainly attributable to (i) the lower sales from APITA at Taikoo Shing due to its phased renovations; and (ii) the decrease in customers' demand for food and daily necessities at the Group's supermarkets due to the lifting of social distancing measures since the end of 2022. Loss per share was HK 0.6 cent (2022: Earnings per share were HK 0.8 cent).

The Board has resolved not to declare any interim dividend (2022: HK 1.0 cent per share) for the period under review, because of the loss suffered.

BUSINESS REVIEW

During the period, local consumption activities and inbound tourism revived progressively following the uplifting of social distancing measures and travel restrictions. Hong Kong's retail sector generally performed well. However, supermarkets' sales decreased by 7.8% period-on-period according to the Government's Census and Statistics Department, as the pubic purchased less food and daily necessities at supermarkets.

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

(I) Citistore

During the period, Citistore implemented the following measures to cope with the changes in local consumption patterns:

- In response to the uplifting of travel restrictions and social distancing measures, Citistore offered more travel-related items, apparel and cosmetics. It also optimised the merchandise mix and the product range of "Alfred", a popular private label, was expanded so as to satisfy the diverse needs of its customers.

- Citistore stepped up co-operation with suppliers and launched an array of promotional campaigns such as "Korean Food Fair" and "Thai Food Fair". To enhance its customers' knowledge about these signature products, celebrities were invited to perform cooking demonstrations at its stores. In addition, Citistore extended its "Anniversary Sales" to a 33-day long event so as to celebrate its 33rd anniversary and seize the business opportunity presented by the new round of the Government's Consumption Voucher Scheme. To support this event, "CU APP", an integrated membership programme covering all the Group's retail brands, launched an "eVoucher" scheme in April 2023 thereby providing added shopping convenience to its 530,000 members.

- Citistore embarked on the renovation works of its Yuen Long store and its cashier counters were rearranged so as to streamline customers' payment process.

Citistore's existing store network is as follows:

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

** A Citilife counter was also set up in each store.*

Despite the 10% drop in sales proceeds of own goods, Citistore recorded a period-on-period increase of 6% in the aggregate sales proceeds derived from the sales of own goods, consignment sales and concessionaire sales for the six months ended 30 June 2023. The breakdown is as follows:

	For the six months ended 30 June		
	2023	2022	
	HK$ million	HK$ million	Change
Proceeds from sales of own goods	**162**	180	-10%
Proceeds from consignment sales	**394**	396	-1%
Proceeds from concessionaire sales	**225**	164	+37%
Total:	**781**	740	+6%

Sales of Own Goods

Due to lower demand for certain household groceries (including cleansing and anti-epidemic products), Citistore's sales of own goods during the period decreased by 10% to HK$162 million but its gross profit remained largely steady at HK$54 million.

	For the six months ended 30 June	
	2023	2022
	HK$ million	HK$ million
Sales of own goods	**162**	180
Gross profit (after netting the cost of inventories sold)	**54**	56
Gross margin	**33%**	31%

Consignment and Concessionaire Sales

Citistore's consignment sales comprise the sales of consignors' products on consignment basis in designated shelves or areas, whilst concessionaire sales are conducted by concessionaires operating from their own shop spaces within Citistore's stores under licence agreements. Citistore charges these consignment and concessionaire counters on the basis of revenue sharing or basic commission (if any), whichever is higher, as its commission income. During the period, the total commission income derived from these consignment and concessionaire counters increased by 7% period-on-period to HK$178 million, the breakdown of which is shown below and which mainly reflects the increase in the aggregate sales proceeds generated by the concessionaire counter as shown above:

	For the six months ended 30 June		
	2023	2022	
	HK$ million	HK$ million	Change
Commission income:			
- derived from consignment counters	**119**	119	-
- derived from concessionaire counters	**59**	47	+26%
Total:	**178**	166	+7%

Citistore's Profit Contribution

Despite the net aggregate increase of HK$10 million period-on-period in gross profit and commission income taken together, Citistore's profit after taxation for the period under review merely increased by HK$1 million or 3% period-on-period to HK$41 million. This is mainly due to the absence of rent concessions from certain landlords and wage subsidies from the Government's "Employment Support Scheme" in the aggregate amount of about HK$12 million (after tax) as recorded in the corresponding period of last year.

(II) Unicorn

Unicorn's existing store network is as follows:

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

Due to the lifting of social distancing measures in Hong Kong since the end of 2022, customers' demand for food and daily necessities at supermarkets has decreased. Meanwhile, after completing the revamp of its ground floor and opening a new food court (namely, "APITA Eatery") in the basement last year, APITA at Taikoo Shing continued its renovation of the remaining shop areas (including its supermarket) and its sales were thus further affected during the period. As such, Unicorn recorded a period-on-period decrease of 17% in total proceeds derived from the sales of own goods and consignment sales for the six months ended 30 June 2023. The breakdown is as follows:

	For the six months ended 30 June		
	2023 HK$ million	2022 HK$ million	Change
Proceeds from sales of own goods	**413**	536	-23%
Proceeds from consignment sales	**173**	167	+4%
Total:	**586**	703	-17%
Sales of Own Goods			
Gross profit from sales of own goods (after netting the cost of inventories sold)	**116**	151	
Gross margin	**28%**	28%	
Consignment Sales			
Commission income from consignment counters	**37**	39	

Unicorn’s Loss Contribution

After deducting operation expenses, Unicorn recorded a loss after taxation of HK$54 million during the period. Whereas, a loss after taxation of HK$14 million was recorded in the corresponding period of last year and included therein was Unicorn’s receipt of wage subsidies of HK$2 million from the Government’s “Employment Support Scheme”.

Consolidated Results

During the period, summarised below are:

	For the six months ended 30 June					
	2023 HK$ million			2022 HK$ million		
	Citistore	**Unicorn**	**Total**	Citistore	Unicorn	Total
The Group’s major revenue:						
Sales of own goods	**162**	**413**	**575**	180	536	716
Commission income from consignment sales	**119**	**37**	**156**	119	39	158
Commission income from concessionaire sales	**59**	**-**	**59**	47	-	47
Sales proceeds from consignment and concessionaire counters:						
Sales proceeds from consignment counters	**394**	**173**	**567**	396	167	563
Sales proceeds from concessionaire counters	**225**	**-**	**225**	164	-	164

The after-tax loss from Citistore and Unicorn amounted to HK$13 million in aggregate for the six months ended 30 June 2023. After taking into account the other incomes and expenses, the Group’s loss attributable to equity shareholders during the period amounted to HK$18 million, as compared with profit attributable to equity shareholders of HK$24 million as recorded in the corresponding period of last year.

CORPORATE FINANCE

Given its strong financial position, the Group had no bank borrowings (31 December 2022: HK$Nil) and its cash and bank balances amounted to HK$133 million at 30 June 2023 (31 December 2022: HK$260 million).

PROSPECTS

The Group has been striving to integrate the businesses of Citistore and Unicorn. In July 2023, their online shopping platforms were both merged into the "CU APP" mobile application. Shoppers can now place orders for both Citistore and Unicorn through this versatile mobile application, whilst earning bonus points and redeeming rewards. As for physical stores, APITA's phased renovations are progressing well and are expected to be fully completed in the fourth quarter of this year. Upon completion, APITA will offer a refreshing and comfortable shopping experience for customers.

In addition, the recently built centralised distribution centre and cold storage were operating smoothly during the period. Together with the continuing implementation of centralised procurement, the Group's operational efficiency and cost effectiveness are poised to be further enhanced.

Dr Lee Ka Shing
Chairman

Hong Kong, 22 August 2023

BUSINESS RESULTS

Consolidated Statement of Profit or Loss
for the six months ended 30 June 2023 – unaudited

		For the six months ended 30 June	
		2023	2022
	Note	**HK$ million**	HK$ million
Revenue	4	**796**	928
Direct costs		**(746)**	(831)
		50	97
Other revenue	5	**8**	6
Other income/expenses and other gains/losses, net	6	**2**	12
Selling and marketing expenses		**(11)**	(12)
Administrative expenses		**(54)**	(54)
(Loss)/profit from operations		**(5)**	49
Finance costs on lease liabilities	7(b)	**(16)**	(22)
(Loss)/profit before taxation	7	**(21)**	27
Income tax credit/(expense)	8	**3**	(3)
(Loss)/profit attributable to equity shareholders of the Company for the period		**(18)**	24
		HK cent	HK cent
(Loss)/earnings per share			
– Basic and diluted	9	**(0.6)**	0.8

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 2023 – unaudited

	For the six months ended 30 June	
	2023	2022
	HK$ million	HK$ million
(Loss)/profit attributable to equity shareholders of the Company for the period	**(18)**	24
Other comprehensive income for the period:		
Item that will not be reclassified to profit or loss:		
– Investments in listed securities designated as financial assets at fair value through other comprehensive income: net movement in the fair value reserve (non-recycling)	**4**	-
Total comprehensive income attributable to equity shareholders of the Company for the period	**(14)**	24

Consolidated Statement of Financial Position

	Note	**At 30 June 2023 (unaudited) HK$ million**	At 31 December 2022 (audited) HK$ million
Non-current assets			
Fixed assets		**146**	169
Right-of-use assets	12	**568**	681
Trademarks		**36**	37
Investment in listed securities designated as financial assets at fair value through other comprehensive income		**24**	19
Investment in listed securities as financial assets at fair value through profit or loss		**18**	20
Goodwill	13	**1,072**	1,072
Deferred tax assets		**50**	39
		1,914	2,037
Current assets			
Inventories		**127**	131
Trade and other receivables	14	**38**	45
Cash and bank balances		**133**	260
		298	436
Current liabilities			
Trade and other payables	15	**339**	430
Lease liabilities	16	**153**	228
Amounts due to affiliates		**2**	2
Current taxation		**5**	-
		499	660
Net current liabilities		**(201)**	(224)
Total assets less current liabilities		**1,713**	1,813
Non-current liabilities			
Lease liabilities	16	**461**	517
Provision for reinstatement costs		**19**	19
Deferred tax liabilities		**7**	7
		487	543
NET ASSETS		**1,226**	1,270

Consolidated Statement of Financial Position (continued)

	Note	At 30 June 2023 (unaudited) HK$ million	At 31 December 2022 (audited) HK$ million
CAPITAL AND RESERVES			
Share capital		**612**	612
Reserves		**614**	658
TOTAL EQUITY		**1,226**	1,270

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 (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 2022, 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 2023. 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 the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

At 30 June 2023, the Group was in a net current liabilities position of HK$201 million (31 December 2022: HK$224 million). This was mainly due to the recognition of the current portion of lease liabilities of HK$153 million at 30 June 2023 (31 December 2022: HK$228 million) under HKFRS 16, *Leases*. Taking into account the expected cash flows from the Group's operations, the Group's available cash and bank balances, and the Group's investments in unpledged listed securities which are realisable into cash, 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.

2 Basis of preparation (continued)

The financial information relating to the year ended 31 December 2022 as comparative information that is included in this preliminary announcement of interim results for the six months ended 30 June 2023 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 2022 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 Group has applied the following amendments to HKASs and HKFRS issued by the HKICPA that are first effective for the current accounting period of the Group and the Company, and which are relevant to the Group's condensed interim financial statements for the current accounting period:

- Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*

The amendments seek to promote improved accounting policy disclosures that provide more useful information to investors and other primary users of the financial statements. Apart from clarifying that entities are required to disclose their "material" instead of "significant" accounting policies, the amendments also provide guidance for entities on applying the concept of materiality to accounting policy disclosures.

- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

The amendments clarify the difference between changes in accounting policies and changes in accounting estimates. Amongst other things, the amendments now define accounting estimates as monetary amounts in an entity's financial statements that are subject to measurement uncertainty, and clarify that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates unless they result from the correction of prior period errors. Entities are required to apply the amendments prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the entity applies the amendments.

- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of HKAS 12 so that it does not apply to such transactions as leases and decommissioning provisions which, upon initial recognition, give rise to equal taxable and deductible temporary differences. Consequently, entities will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. Entities should apply the amendments to transactions that occurred on or after the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to opening retained earnings or other components of equity at the date of application of the amendments.

The adoption of these amendments to HKASs and HKFRSs does not have significant impact on the Group's results or financial position.

The Group has not applied any new standard, amendment to standard or interpretation to HKFRSs and HKASs that are 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, 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	
	2023	2022
	HK$ million	HK$ million
Sales of goods	**575**	716
Commission income from consignment counters	**156**	158
Commission income from concessionaire counters	**59**	47
Promotion income	**3**	4
Administration fee income	**3**	3
	796	928

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	
	2023	2022
	HK$ million	HK$ million
Receipts from sales of goods by consignment counters	**567**	563
Receipts from sales of goods by concessionaire counters	**225**	164
	792	727

5 Other revenue

	For the six months ended 30 June	
	2023	2022
	HK$ million	HK$ million
Sponsorship fees	**3**	1
Rental income for antenna sites	**1**	1
Sundry income	**4**	4
	8	6

6 Other income/expenses and other gains/losses, net

	For the six months ended 30 June	
	2023	2022
	HK$ million	HK$ million
Bank interest income	**2**	1
Dividend income	**1**	1
Government subsidies *(note (i))*	**-**	10
Net fair value loss on investment in listed securities as financial assets at fair value through profit or loss ("FVPL") *(note (ii))*	**(2)**	-
Profit on disposal of fixed assets	**1**	-
	2	12

Notes:

(i) This related to the aggregate amount of approved subsidies from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by the HKSAR Government for the Group's subsidiaries, namely Citistore (Hong Kong) Limited ("Cititstore") and Unicorn Stores (HK) Limited ("Unicorn"), in the amounts of HK$8 million and HK$2 million respectively, for the months of May 2022 and June 2022.

(ii) Management revisited the features of an investment in Hong Kong listed securities issued by an energy-related business brought forward and determined to carry the investment as financial assets at FVPL as at 31 December 2022. The net fair value change on investment in listed securities as financial assets at FVPL is recognised in other income/expenses and other gains/losses, net.

7 (Loss)/profit before taxation

(Loss)/profit before taxation is arrived at after charging:

			For the six months ended 30 June	
			2023	2022
			HK$ million	HK$ million
(a)	***Staff costs:***			
	Salaries, wages and other benefits		**133**	133
	Contributions to defined contribution retirement plans		**6**	6
(b)	***Other items:***			
	Amortisation of trademarks		**1**	1
	Depreciation			
	– on fixed assets		**30**	23
	– on right-of-use assets	(note 12)	**114**	113
	Finance costs on lease liabilities	(note 16)	**16**	22
	Expenses relating to short-term leases		**1**	1
	Other charges in respect of rental premises - net of rent concessions for 2022 (*note*)		**55**	43
	Cost of inventories sold		**405**	509

Note:
No rent concessions had been granted to Citistore by the landlords of the store outlets during the six months ended 30 June 2023 (2022: HK$5 million).

8 Income tax credit/(expense)

	For the six months ended 30 June	
	2023	2022
	HK$ million	HK$ million
Current tax – Hong Kong		
– provision for the period	**(8)**	(5)
Deferred taxation		
– origination and reversal of temporary differences	**11**	2
	3	(3)

Provision for Hong Kong Profits Tax has been made at 16.5% (2022: 16.5%) on the estimated assessable profit for the period.

9 (Loss)/earnings per share – basic and diluted

The calculation of basic and diluted (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of HK$18 million (2022: profit attributable to equity shareholders of the Company of HK$24 million) and 3,047,327,395 (2022: 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	
	2023	2022
	HK$ million	HK$ million
Interim dividend declared after the end of the reporting period of Nil (2022: HK1 cent) per share	**-**	30

For the corresponding six months ended 30 June 2022, 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	
	2023	2022
	HK$ million	HK$ million
Final dividend in respect of the previous financial year, approved/declared and paid during the period, of HK1 cent (2022: HK1 cent) per share	**30**	30

11 Segment reporting

No segmental information for the six months ended 30 June 2023 and 30 June 2022 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$796 million (2022: HK$928 million) during the period and the pre-tax loss from operation (after finance costs on lease liabilities) of which amounted to HK$18 million (2022: pre-tax profit from operation (after finance costs on lease liabilities) HK$28 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 2023 and 30 June 2022, and all of the Group's fixed assets, right-of-use assets, trademarks and goodwill at 30 June 2023 and 31 December 2022 were located in Hong Kong, no geographical information on the aforementioned items is presented in accordance with HKFRS 8, *Operating segments*.

12 Right-of-use assets

	HK$ million
Cost:	
At 1 January 2022	1,627
Addition for the year (note 16)	495
Write back on expiry of leases	(1)
At 31 December 2022 - *audited*	2,121
Accumulated depreciation:	
At 1 January 2022	(1,214)
Charge for the year	(227)
Write back on expiry of leases	1
At 31 December 2022 - *audited*	(1,440)
Net book value:	
At 31 December 2022 - *audited*	681
Cost:	
At 1 January 2023	**2,121**
Addition for the period (note 16)	**1**
At 30 June 2023 - *unaudited*	**2,122**
Accumulated depreciation:	
At 1 January 2023	**(1,440)**
Charge for the period (note 7(b))	**(114)**
At 30 June 2023 - *unaudited*	**(1,554)**
Net book value:	
At 30 June 2023 - *unaudited*	**568**

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

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

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

13 Goodwill

	At 30 June 2023 (unaudited) HK$ million	At 31 December 2022 (audited) HK$ million
Citistore Goodwill (as defined below)	**810**	810
Unicorn Goodwill (as defined below)	**262**	262
	1,072	1,072

(a) Citistore Goodwill

On 1 December 2014, the Company completed its acquisition of the entire issued share capital of Camay Investment Limited and its subsidiaries, namely Citistore and Puretech Investment Limited (the "Citistore Acquisition"). As a result of the Citistore Acquisition, goodwill (the "Citistore Goodwill") was recognised in the Group's consolidated statement of financial position at 1 December 2014 under the acquisition method of accounting in accordance with HKFRS 3 (Revised), *Business combinations*. The Citistore Goodwill is allocated to the Group's department stores operation under Citistore and is tested for impairment at the end of the reporting period.

Impairment assessment is carried out by determining the fair value less cost of disposal of the cash-generating unit under Citistore. The fair value less cost of disposal is represented by the net present value of future forecast post-tax net cash inflows (excluding the rental expenditures of the store outlets and other rental premises recognised as lease liabilities at 30 June 2023) for the five future periods of twelve months ending on 30 June 2024, 30 June 2025, 30 June 2026, 30 June 2027 and 30 June 2028 of the cash-generating unit which is determined on the basis of the discounted cashflow model and management's expectations of market development and management's plan on the opening of new stores, and the following assumptions:

(i) an average increase of 6.3% in the forecast receipts from gross sales for each of the five future periods of twelve months ending on 30 June 2024, 30 June 2025, 30 June 2026, 30 June 2027 and 30 June 2028;

(ii) an average increase of 0.1 percentage point in the gross profit margin for each of the five future periods of twelve months ending on 30 June 2024, 30 June 2025, 30 June 2026, 30 June 2027 and 30 June 2028;

(iii) a terminal value into perpetuity in accordance with the perpetual growth model, which is determined based on the forecast net cash inflow for the period of twelve months subsequent to 30 June 2028 and assuming a terminal perpetual growth rate of 2% for each subsequent period of twelve months thereafter; and

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

13 Goodwill (continued)

(a) Citistore Goodwill (continued)

The abovementioned forecast changes in the receipts from gross sales in each of the five future periods of twelve months ending on 30 June 2024, 30 June 2025, 30 June 2026, 30 June 2027 and 30 June 2028 are based on the expectations of the Group's management of their plans and market development at 30 June 2023. A post-tax discount rate of 12% (31 December 2022: 12%), which represents the Group's current market assessment of the risks specific to the cash-generating unit under Citistore, is used to determine the discount factor under the discounted cashflow model.

The Directors have assessed that there was no impairment on the Citistore Goodwill at 30 June 2023.

At 30 June 2023, in relation to the cash-generating unit under Citistore, the recoverable amount calculated based on fair value less cost of disposal (after deducting the carrying amounts of the fixed assets, trademarks, right-of-use assets and negative working capital of Citistore at 30 June 2023) exceeded the carrying value. If the post-tax discount rate had been 1% higher, or if the forecast receipts from gross sales had been 3% lower or if the forecast gross profit margin had been 1.5% lower for each of the five future periods of twelve months ending on 30 June 2024, 30 June 2025, 30 June 2026, 30 June 2027 and 30 June 2028, the Directors have assessed that it would not result in an impairment loss on the Citistore Goodwill. In this regard, by adopting a 3% decrease in the forecast receipts from gross sales of Citistore and a 1.5% decrease in the forecast gross profit margin for each of the five future periods of twelve months ending on 30 June 2024, 30 June 2025, 30 June 2026, 30 June 2027 and 30 June 2028 in the aforementioned sensitivity analyses, consideration has been given to, among others, (i) the feature of Citistore's business operation of department stores in Hong Kong; (ii) the sensitivity of Citistore's business operation to the economic and market conditions in Hong Kong; and (iii) Citistore's actual versus budgeted financial performances in the past years.

(b) Unicorn Goodwill

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

13 Goodwill (continued)

(b) Unicorn Goodwill (continued)

Impairment assessment is carried out by determining the fair value less cost of disposal of the cash-generating unit under Unicorn. The fair value less cost of disposal is represented by the net present value of future forecast post-tax net cash inflows (excluding the rental expenditures of the store outlets and other rental premises recognised as lease liabilities at 30 June 2023) for the five future periods of twelve months ending on 30 June 2024, 30 June 2025, 30 June 2026, 30 June 2027 and 30 June 2028 of the cash-generating unit which is determined on the basis of the discounted cashflow model and management's expectations of market development and management's plan on the opening of new stores, and the following assumptions:

(i) an average increase of 13.4% in the forecast receipts from gross sales for each of the five future periods of twelve months ending on 30 June 2024, 30 June 2025, 30 June 2026, 30 June 2027 and 30 June 2028;

(ii) an average increase of 0.7 percentage point in the gross profit margin for each of the five future periods of twelve months ending on 30 June 2024, 30 June 2025, 30 June 2026, 30 June 2027 and 30 June 2028;

(iii) a terminal value into perpetuity in accordance with the perpetual growth model, which is determined based on the forecast net cash inflow for the period of twelve months subsequent to 30 June 2028 and assuming a terminal perpetual growth rate of 2% for each subsequent period of twelve months thereafter; and

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

The abovementioned forecast changes in the receipts from gross sales in each of the five future periods of twelve months ending on 30 June 2024, 30 June 2025, 30 June 2026, 30 June 2027 and 30 June 2028 are based on the expectations of the Group's management of their plans and market development at 30 June 2023. A post-tax discount rate of 12% (31 December 2022: 12%), which represents the Group's current market assessment of the risks specific to the cash-generating unit under Unicorn, is used to determine the discount factor under the discounted cashflow model.

The Directors have assessed that there was no impairment on the Unicorn Goodwill at 30 June 2023.

13 Goodwill (continued)

(b) Unicorn Goodwill (continued)

At 30 June 2023, in relation to the cash-generating unit under Unicorn, the recoverable amount calculated based on fair value less cost of disposal (after deducting the carrying amounts of the fixed assets, right-of-use assets and negative working capital of Unicorn at 30 June 2023) exceeded the carrying value. If the post-tax discount rate had been 1% higher, or if the forecast receipts from gross sales had been 3% lower or if the forecast gross profit margin had been 1.5% lower for each of the five future periods of twelve months ending on 30 June 2024, 30 June 2025, 30 June 2026, 30 June 2027 and 30 June 2028, the Directors have assessed that there would be a potential implication for impairment on the Unicorn Goodwill in the estimated amount of HK$5 million, HK$67 million and HK$167 million respectively. In this regard, by adopting a 3% decrease in the forecast receipts from gross sales of Unicorn and a 1.5% decrease in the forecast gross profit margin for each of the five future periods of twelve months ending on 30 June 2024, 30 June 2025, 30 June 2026, 30 June 2027 and 30 June 2028 in the aforementioned sensitivity analyses, consideration has been given to, among others, (i) the feature of Unicorn's business operation of supermarket-cum-stores in Hong Kong; (ii) the sensitivity of Unicorn's business operation to the economic and market conditions in Hong Kong; and (iii) Unicorn's actual versus budgeted financial performances in the past years.

14 Trade and other receivables

	At 30 June 2023 (unaudited) HK$ million	At 31 December 2022 (audited) HK$ million
Trade debtors	**10**	21
Deposits, prepayments and other receivables	**28**	24
	38	45

At 30 June 2023, all of the trade and other receivables were expected to be recovered or recognised as expense within one year from the end of the reporting period, except for various deposits of HK$12 million (31 December 2022: HK$12 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 2023 (unaudited) HK$ million	At 31 December 2022 (audited) HK$ million
Current or under 1 month overdue	**10**	21

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

- external credit rating of the counterparty (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;
- actual or expected significant changes in the operating results of the counterparty; and
- significant expected changes in the performance and behaviour of the counterparty, including changes in the payment status of the counterparty.

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

14 Trade and other receivables (continued)

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 2023 and 31 December 2022 as minimal.

15 Trade and other payables

	At 30 June 2023 (unaudited) HK$ million	At 31 December 2022 (audited) HK$ million
Trade creditors	**256**	311
Contract liabilities *(note)*	**12**	17
Accrued expenses and other payables	**63**	94
Deposits received	**8**	8
	339	430

Note:
During the six months ended 30 June 2023, HK$11 million (Year ended 31 December 2022: HK$14 million) that was included in contract liabilities at the beginning of the reporting period was recognised as revenue (note 4). Most of the contract liabilities at 30 June 2023 and 31 December 2022 were expected to be recognised within one year.

At 30 June 2023, all of the trade and other payables were interest-free and repayable within one year or on demand except for an amount of HK$1 million (31 December 2022: HK$1 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 2023 (unaudited) HK$ million	At 31 December 2022 (audited) HK$ million
Due within 1 month or on demand	**198**	261
Due after 1 month but within 3 months	**58**	50
	256	311

16 Lease liabilities

	HK$ million
At 1 January 2022	502
Addition for the year (note 12)	495
Lease payments made during the year	(276)
Reclassification of rental deposits paid from trade and other receivables	(17)
Finance costs on lease liabilities for the year	41
At 31 December 2022 - *audited*	745
At 1 January 2023	**745**
Addition for the period (note 12)	**1**
Lease payments made during the period	**(148)**
Finance costs on lease liabilities for the period (note 7(b))	**16**
At 30 June 2023 - *unaudited*	**614**

	At 30 June 2023 (unaudited) HK$ million	At 31 December 2022 (audited) HK$ million
Represented by:		
Amount classified under current liabilities		
- contractual maturity within 1 year	**153**	228
Amounts classified under non-current liabilities		
- contractual maturity after 1 year and within 2 years	**113**	111
- contractual maturity after 2 years and within 5 years	**236**	257
- contractual maturity after 5 years	**112**	149
	461	517
Total carrying amount of lease liabilities	**614**	745

16 Lease liabilities (continued)

Finance cost is determined and recognised on the basis of the Group's estimated incremental borrowing rate of 4.8% per annum on the carrying balance of the lease liability of each Remaining Lease (see note 12) at initial recognition, adjusted for modification/reassessment of the lease term for certain leases, and after deducting the lease payments made for such Remaining Lease during the six months ended 30 June 2023 and during the corresponding year ended 31 December 2022. 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 2023 is an amount of HK$93 million (31 December 2022: HK$179 million) relating to the lease liabilities payable to affiliates.

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 2023.

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 2023.

Results of operations

The Group recorded loss after tax attributable to equity shareholders in the amount of HK$18 million for the six months ended 30 June 2023 (2022: profit after tax attributable to equity shareholders of HK$24 million). Analysis on segmental information of operations of the Group is set out in the above Business Review section.

Leases have substantial impacts on the Group's operations as more particularly described below. Under HKFRS 16 "*Leases*", the "practical expedient" is applicable to the short-term leases of a reporting entity whose expiry dates are within one year from the date of initial adoption of HKFRS 16 or lease commencement. In this regard, rental and related expenses recognised in the statement of profit or loss for the six months ended 30 June 2023 amounted in aggregate to HK$56 million (2022: HK$44 million), which comprised amounts of HK$55 million (2022: HK$43 million) classified under "Direct costs" and HK$1 million (2022: HK$1 million) classified under "Administrative expenses".

For each tenancy lease of the Group other than the short-term leases in relation to which the "practical expedient" under HKFRS 16 has been applied (as mentioned above), the followings have been recognised:

- right-of-use assets in the statement of financial position measured at their carrying amounts (as if HKFRS 16 had been applied since the commencement date of the tenancy lease). Accordingly, depreciation charges on right-of-use assets recognised in the statement of profit or loss for the six months ended 30 June 2023 amounted in aggregate to HK$114 million (2022: HK$113 million), which comprised amounts of HK$110 million (2022: HK$109 million) classified under "Direct costs" and HK$4 million (2022: HK$4 million) classified under "Administrative expenses"; and

- lease liabilities in the statement of financial position, which are interest-bearing at the estimated incremental borrowing rate. Accordingly, finance costs on lease liabilities recognised in the statement of profit or loss for the six months ended 30 June 2023 amounted in aggregate to HK$16 million (2022: HK$22 million).

Finance costs on bank borrowing

During the six months ended 30 June 2023 and excluding the finance costs on the lease liabilities recognised by the Group under HKFRS 16, the Group did not recognise any finance costs (including other borrowing costs) on bank borrowing (2022: Nil).

Financial resources, liquidity and loan maturity profile

At 30 June 2023, the Group did not have any bank borrowing (31 December 2022: Nil) other than the Group's lease liabilities recognised under HKFRS 16 of HK$614 million at 30 June 2023 (31 December 2022: HK$745 million), and had cash and bank balances of HK$133 million (31 December 2022: HK$260 million). The decrease of HK$127 million (or 49%) in the Group's cash and bank balances during the six months ended 30 June 2023 is mainly attributable to (i) net cash inflows generated mainly from operating activities (other than (ii), (iii) and (iv) below) in the aggregate amount of HK$77 million; (ii) cash outflow on the addition of fixed assets of HK$26 million; (iii) the Group's payment of the final dividend of HK$30 million for the previous year ended 31 December 2022; and (iv) cash outflows on principal repayments and interest payments of the Group's lease liabilities in the aggregate amount of HK$148 million.

For the six months ended 30 June 2023, the Group's loss from operations (including bank interest income but excluding finance costs) before taxation amounted to HK$5 million (2022: the Group's profit from operations (including bank interest income but excluding finance costs) before taxation amounted to HK$49 million). Excluding the finance costs on lease liabilities recognised by the Group under HKFRS 16, as the Group did not recognise any finance costs (including other borrowing costs) on bank borrowing (2022: Nil), there was no interest cover for the Group for the six months ended 30 June 2023 (2022: None).

Based on the Group's cash and bank balances of HK$133 million at 30 June 2023, and taking into account the expected net cash inflows to be generated from operating activities and the Group's investments in unpledged listed securities which are realisable into cash, 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 2023 and 31 December 2022, 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 2023 and 31 December 2022.

Charge on assets

Assets of the Group were not charged to any party at 30 June 2023 and 31 December 2022.

Capital commitments

At 30 June 2023, the Group had capital commitments in relation to fixed assets contracted but not provided for in the amount of HK$57 million (31 December 2022: HK$13 million), which mainly comprised the contracted capital expenditures for the final phase renovation of Unicorn's APITA supermarket-cum-store at Taikooshing, Hong Kong.

Contingent liabilities

At 30 June 2023 and 31 December 2022, the Group did not have any contingent liabilities.

Employees and remuneration policy

At 30 June 2023, the Group had 1,004 (31 December 2022: 1,039) full-time employees and 112 (31 December 2022: 134) part-time employees. Total staff costs for the six months ended 30 June 2023 amounted to HK$139 million (2022: HK$139 million).

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

OTHER INFORMATION

Review of Interim Results

The unaudited interim results for the six months ended 30 June 2023 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 2023 and reviewed the systems of internal control, risk management and compliance, and the interim report for the six months ended 30 June 2023.

Corporate Governance

During the six months ended 30 June 2023, the Company complied with the applicable code provisions set out in the Corporate Governance Code (the “CG Code”) as stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), with the exception that the roles of the chairman and the chief executive officer of the Company have not been segregated as required by the CG Code. The Company is of the view that it is in the best interest of the Company to let Dr Lee Ka Shing act in the dual capacity as the Chairman and Managing Director given Dr Lee’s in-depth expertise and knowledge in business and the Group. Although the roles of the chairman and the chief executive officer of the Company have not been segregated, powers and authorities have not been over-concentrated as all major decisions are made in consultation with Board members as well as appropriate Board committees and senior management, who possess the relevant knowledge and expertise. Hence, the current arrangements are subject to adequate checks and balances notwithstanding the deviation.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors (the “Model Code”). Having made specific 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.

On behalf of the Board
Dr Lee Ka Shing
Chairman

Hong Kong, 22 August 2023

As at the date of this announcement, 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.