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SYMPHONY
SYMPHONY HOLDINGS LIMITED

新豐集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 01223)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of Symphony Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2021 (the “**Period**”) together with the comparative figures for the six months ended 30 June 2020 (the “**Corresponding Period**”), which have been reviewed by the independent auditor and the audit committee of the Company.

FINANCIAL HIGHLIGHTS

- Revenue for the Period was approximately HKD221.9 million as compared with approximately HKD121.8 million for the Corresponding Period as a result of the recovery of branding and retailing segments under the COVID-19.
- Profit for the Period was approximately HKD0.8 million as compared with loss of approximately HKD169.4 million for the Corresponding Period.
- Profit attributable to owners of the Company for the Period was approximately HKD2.1 million as compared with loss attributable to owners of the Company of approximately HKD166.2 million for the Corresponding Period.
- Basic earnings per share for the Period was approximately HK0.07 cent as compared with basic loss per share HK5.59 cents for the Corresponding Period.
- The Board does not recommend the payment of an interim dividend for the Period (Corresponding Period: Nil).

* For identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	<i>Notes</i>	Six months ended 30 June	
		2021	2020
		HKD'000	HKD'000
		(Unaudited)	(Unaudited)
Revenue	5	221,916	121,806
Cost of sales		(55,767)	(40,729)
Gross profit		166,149	81,077
Other income and gains		32,448	12,598
Distribution and selling expenses		(59,494)	(36,803)
Administrative expenses		(63,950)	(59,290)
Depreciation and amortisation expenses		(40,658)	(39,769)
Finance costs	6	(31,971)	(36,935)
Other expenses		(482)	(903)
Provision of impairment loss on amount due from an associate		(613)	(3,834)
Reversal/(provision) of impairment loss on financial assets		352	(2,704)
Decrease in fair value of investment properties		(4,020)	(6,956)
Share of results of joint ventures		(5,116)	682
Share of result of an associate		(263)	(1,643)
Fair value gain/(loss) of financial assets at fair value through profit or loss		12,995	(72,102)
Profit/(loss) before income tax expense	7	5,377	(166,582)
Income tax expense	8	(4,585)	(2,771)
Profit/(loss) for the period		792	(169,353)
Profit/(loss) for the period attributable to:			
– Owners of the Company		2,115	(166,210)
– Non-controlling interests		(1,323)	(3,143)
		792	(169,353)
Earnings/(loss) per share:			
– Basic earnings/(loss) per share	10	HK0.07 cent	HK(5.59 cents)
– Diluted earnings/(loss) per share	10	HK0.07 cent	HK(5.59 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June	
	2021	2020
	HKD'000	HKD'000
	(Unaudited)	(Unaudited)
Profit/(loss) for the period	<u>792</u>	<u>(169,353)</u>
Other comprehensive income for the period, net of tax		
Items that will not be reclassified to profit or loss:		
Surplus arising on revaluation of properties	33,258	21,270
Deferred tax liability arising on revaluation of properties	<u>(7,861)</u>	<u>(5,221)</u>
	<u>25,397</u>	<u>16,049</u>
Items that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income of joint ventures	534	(1,270)
Exchange differences arising on translation of foreign operations	<u>(1,175)</u>	<u>(46,024)</u>
	<u>(641)</u>	<u>(47,294)</u>
Other comprehensive income for the period, net of tax	<u>24,756</u>	<u>(31,245)</u>
Total comprehensive income for the period	<u><u>25,548</u></u>	<u><u>(200,598)</u></u>
Total comprehensive income for the period attributable to:		
– Owners of the Company	26,689	(197,148)
– Non-controlling interests	<u>(1,141)</u>	<u>(3,450)</u>
	<u><u>25,548</u></u>	<u><u>(200,598)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*AS AT 30 JUNE 2021*

		30.06.2021	31.12.2020
	<i>Notes</i>	<i>HKD'000</i>	<i>HKD'000</i>
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		1,886,612	1,826,363
Investment properties		1,595,011	1,587,247
Right-of-use assets		506,848	510,435
Intangible assets		217,821	218,824
Interests in joint ventures		68,266	72,849
Interest in an associate		–	–
Goodwill		141,401	141,401
Deferred tax assets		22,555	23,477
Club debenture		1,876	1,876
Restricted bank deposits		3,608	3,576
Statutory deposits for financial services business		200	200
		<hr/>	<hr/>
Total non-current assets		4,444,198	4,386,248
		<hr/>	<hr/>
Current assets			
Inventories		74,243	61,680
Trade and other receivables	11	209,881	208,396
Amounts due from joint ventures		7,216	8,344
Amount due from an associate		3,839	6,959
Advances to customers in margin financing	12	133,179	107,676
Loans receivable	13	70,455	127,731
Financial assets at fair value through profit or loss		132,699	113,922
Restricted bank deposits		42,436	41,802
Bank balances and cash – held on behalf of customers		17,052	21,173
Bank balances and cash		252,015	234,577
		<hr/>	<hr/>
Total current assets		943,015	932,260
		<hr/>	<hr/>

	<i>Note</i>	30.06.2021 HKD'000 (Unaudited)	31.12.2020 <i>HKD'000</i> <i>(Audited)</i>
Current liabilities			
Trade and other payables	14	283,440	282,997
Amount due to a related party		120	119
Amount due to a director		7,216	15,495
Lease liabilities		11,399	11,195
Bank borrowings		468,942	600,966
Dividend payable		14,881	–
Tax payable		16,303	14,846
		<u>802,301</u>	<u>925,618</u>
Total current liabilities			
		<u>140,714</u>	<u>6,642</u>
Net current assets			
		<u>4,584,912</u>	<u>4,392,890</u>
Total assets less current liabilities			
Non-current liabilities			
Loan from non-controlling interests		3,608	3,576
Lease liabilities		188,736	186,554
Bank borrowings		1,163,837	1,004,107
Deferred tax liabilities		310,967	301,824
		<u>1,667,148</u>	<u>1,496,061</u>
Total non-current liabilities			
		<u>2,917,764</u>	<u>2,896,829</u>
NET ASSETS			
		<u>297,422</u>	<u>297,422</u>
Equity			
Share capital		297,422	297,422
Reserves		2,600,111	2,588,293
		<u>2,897,533</u>	<u>2,885,715</u>
Total equity attributable to owners of the Company			
Non-controlling interests		20,231	11,114
		<u>2,917,764</u>	<u>2,896,829</u>
TOTAL EQUITY			

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. GENERAL INFORMATION

Symphony Holdings Limited (the “**Company**”) was incorporated in Bermuda on 24 November 1993 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 1 March 1995. The addresses of the Company’s registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is 10th Floor, Island Place Tower, 510 King’s Road, North Point, Hong Kong.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the “**Group**”) are mainly consisted of:

- Branding: (i) development and management of “PONY” and “SKINS” trademarks; (ii) retailing and provisions of sourcing services for “arena” swimwear and accessories; and (iii) sourcing, manufacturing and trading of healthcare products;
- Retailing: (i) property investment and holding; and (ii) management and operation of outlet malls; and
- Financial services: provisions of securities brokerage, margin financing, money lending, underwriting and placing of listed securities and financial consultancy services.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

These condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements (the “**2020 Annual Financial Statements**”), except for those that relate to new or revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) effective for the first time for the annual periods beginning on or after 1 January 2021 and expect to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of these condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain 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. The areas where significant judgements and estimates have been made in preparing the financial statements and the related effect are set out in Note 4.

These condensed consolidated interim financial statements are presented in Hong Kong Dollars (“**HKD**”), unless otherwise stated. These condensed consolidated interim financial statements contain the condensed consolidated statement of financial position as at 30 June 2021, and the condensed consolidated statement of profit or loss and the condensed consolidated statement of comprehensive income for the period then ended, and selected explanatory notes to the condensed consolidated interim financial statements. 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 2020 Annual Financial Statements. These condensed consolidated interim financial statements and notes thereon do not include all of the information required for a complete set of financial statements prepared in accordance with the HKFRSs and should be read in conjunction with the 2020 Annual Financial Statements.

3. CHANGES IN ACCOUNTING POLICIES

Adoption of new or revised HKFRSs – effective 1 January 2021

The Group has adopted the following new or revised HKFRSs, which included Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA relevant to the Group's accounting policies and business operations adopted for the first time prepared and presented on the Group's condensed consolidated interim financial statements for the annual periods beginning on or after 1 January 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021

The Group has early adopted the Amendment to HKFRS 16 “COVID-19-Related Rent Concessions beyond 30 June 2021” (“**Amendment to HKFRS 16**”) for the annual periods beginning on or after 1 January 2021.

Except as described below regarding the impact of the adoption the Amendment to HKFRS 16, the adoption of the remaining new or revised HKFRSs that are effective for the annual periods beginning on or after 1 January 2021 did not have any significant impact on the Group's accounting policies, financial position and performance for the current and prior periods and/or disclosures set out in these condensed consolidated interim financial statements.

Amendment to HKFRS 16 “COVID-19-Related Rent Concessions beyond 30 June 2021”

Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for the annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Early application is permitted.

The Group has elected to early adopt the amendment on 1 January 2021 and apply the practical expedient to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the COVID-19 pandemic. Consequently, the rent concessions received have been accounted for as negative variable lease payments credited to profit or loss when the events or conditions trigger those payments occurred. The practical expedient also permits lessees not to revise the discount rate to remeasure the lease liability for the revised consideration rather than to use the same discount rate to reflect the effect of the change in lease liability in profit or loss.

For the six months ended 30 June 2021, the Group received certain rent concessions that is satisfied the criteria for the application of the extended practical expedient and there was no ineligible rent concessions that was granted by the lessors which require the Group to apply the transitional requirement under the amendment to adjust the cumulative effect on the opening balance of retained profits on 1 January 2021.

New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's accounting policies and business operations, have been issued, but are not yet effective, and have not been early adopted by the Group:

Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination ³
Amendment to HKAS 1	Classification of Liabilities as Current and Non-current ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendment to HKAS 8	Definition of Accounting Estimates ²
Amendment to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendment to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ¹
Amendment to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKAS 41, HKFRS 1, HKFRS 9 and HKFRS 16	Annual Improvements to HKFRSs 2018–2020 ¹
Amendment to HKFRS 3	Reference to the Conceptual Framework ³
Amendments to HKAS 28 and HKFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
HKFRS 17	Insurance Contracts ²

¹ Effective for the annual periods beginning on or after 1 January 2022

² Effective for the annual periods beginning on or after 1 January 2023

³ Effective for business combination or common control combination for which the date of acquisition or combination is on or after the beginning of the first annual period beginning on or after 1 January 2022

⁴ The amendments was originally intended to be effective for the annual periods beginning on or after 1 January 2016. The effective date has now been deferred or removed. Early adoption of the amendments continue to be permitted

The Group is in the process of making an assessment of what the potential impact of these new or revised HKFRSs is expected to be in the period of initial application in the future and the Directors of the Company (the “**Directors**”) are not yet in a position to assess whether these new or revised HKFRSs will have a significant impact on the Group's accounting policies, financial position and performance, which will be prepared and presented in these condensed consolidated interim financial statements. The Directors' current intention is to apply these changes on the date when they become effective.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing these condensed consolidated interim financial statements, significant judgements made by the Group's management in applying the Group's accounting policies and key sources of estimation uncertainty, which have significant risks of causing material adjustments to the carrying amounts of assets and liabilities presented in the condensed consolidated statement of financial position, are the same as those that were applied and disclosed in the 2020 Annual Financial Statements. Given that COVID-19 pandemic has created and may continue to create significant uncertainty in the macroeconomic conditions, actual results may differ from these estimates.

5. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting process to both Directors and key management personnel of the Company (collectively referred to as the "**Chief Operating Decision Maker**"), the Group is broadly classified into different reportable segments based on the categories of products or services provided in different geographical locations with reference to the requirements under HKFRS 8 "Operating Segments" ("**HKFRS 8**").

The classification of reportable segments is determined by the Chief Operating Decision Maker to monitor the results individually for the purpose of making decisions of resources allocation and performance assessment of the reportable segments. Financial information of the reportable segments is disaggregated into segment revenue and results, segment assets and segment liabilities, which is regularly provided to the Chief Operating Decision Maker to serve the above purpose.

In the second half of the financial year of 2020, in order to have a better reflection of the revenue structure and performance measurement reported to the Chief Operating Decision Maker, the new reportable segments consist of: (i) branding; (ii) retailing; and (iii) financial services. The new branding segment combined the previous retailing and sourcing, branding and duty free segments; the new retailing segment combined the previous property investment and holding and outlet malls segments; and the financial services segment remained unchanged.

A summary of the new reportable segments under HKFRS 8 is classified as follows:

- Branding: (i) development and management of "PONY" and "SKINS" trademarks; (ii) retailing and provisions of sourcing services for "arena" swimwear and accessories; and (iii) sourcing, manufacturing and trading of healthcare products;
- Retailing: (i) properties investment and holding; and (ii) management and operation of outlet malls; and
- Financial services: provisions of securities brokerage, margin financing, money lending, underwriting and placing of listed securities and financial consultancy services.

The composition of reportable segments has been changed from six to three reportable segments in the second half of the financial year of 2020. Reportable segments are aligned with financial information provided regularly to the Chief Operating Decision Maker. As a result, the previous classification of reportable segments for the six months ended 30 June 2020 has been represented to be comparable with the revised reportable segments as required by HKFRS 8.

(A) **Segment revenue and results (business segments)**

The following table provides an analysis of the reportable segment revenue and reportable segment profit/(loss) of different reportable segments recognised during the period:

For the six months ended 30 June 2021 (Unaudited)

	Branding HKD'000	Retailing HKD'000	Financial services HKD'000	Consolidated HKD'000
Revenue from external customers	109,769	98,996	13,151	221,916
Inter-segment revenue*	82	2,247	–	2,329
Reportable segment revenue	<u>109,851</u>	<u>101,243</u>	<u>13,151</u>	<u>224,245</u>
Reportable segment profit	<u>1,166</u>	<u>321</u>	<u>18,242</u>	<u>19,729</u>
Reconciliation:				
Interest income				980
Central administrative expenses				(9,340)
Share of results of joint ventures				(5,116)
Share of result of an associate				(263)
Provision of impairment loss on amount due from an associate				<u>(613)</u>
Profit before income tax expense				<u><u>5,377</u></u>

For the six months ended 30 June 2020 (Unaudited) (Represented)

	Branding HKD'000	Retailing HKD'000	Financial services HKD'000	Consolidated HKD'000
Revenue from external customers	43,091	65,088	13,627	121,806
Inter-segment revenue*	1,175	2,338	–	3,513
Reportable segment revenue	<u>44,266</u>	<u>67,426</u>	<u>13,627</u>	<u>125,319</u>
Reportable segment loss	<u>(29,083)</u>	<u>(36,929)</u>	<u>(69,974)</u>	<u>(135,986)</u>
Reconciliation:				
Interest income				1,980
Central administrative expenses				(27,781)
Share of results of joint ventures				682
Share of result of an associate				(1,643)
Provision of impairment loss on amount due from an associate				<u>(3,834)</u>
Loss before income tax expense				<u><u>(166,582)</u></u>

* Inter-segment revenue transactions are priced with reference to prices charged to external parties for similar orders based on similar terms and conditions of sales agreement entered.

(B) Segment revenue and results (disaggregation of revenue)

The following table provides an analysis of the reportable segment revenue recognised during the period is disaggregated by primary geographical markets, major products and services lines and timing of revenue recognition. The following table also includes a reconciliation of disaggregated revenue of different reportable segments recognised during the period, mainly into two categories: (i) revenue from contracts with customers within the scope of HKFRS 15 “Revenue from Contracts with Customers” (“**HKFRS 15**”); and (ii) revenue from other sources not within the scope of HKFRS 15:

For the six months ended 30 June 2021 (Unaudited)

Revenue from contracts with customers within the scope of HKFRS 15

	Branding	Retailing	Financial	Consolidated
	<i>HKD'000</i>	<i>HKD'000</i>	<i>services</i>	<i>HKD'000</i>
			<i>HKD'000</i>	<i>HKD'000</i>
Primary geographical markets:				
The People’s Republic of China (the “PRC”)	86,867	64,640	–	151,507
Hong Kong (Place of domicile)	4,658	–	4,274	8,932
United Kingdom	9,144	–	–	9,144
United States of America	858	–	–	858
Other Asian countries (<i>Note</i>)	2,392	–	–	2,392
Others (<i>Note</i>)	5,850	–	–	5,850
	<u>109,769</u>	<u>64,640</u>	<u>4,274</u>	<u>178,683</u>
Total	<u>109,769</u>	<u>64,640</u>	<u>4,274</u>	<u>178,683</u>
Major products and services:				
Sales of goods	106,523	–	–	106,523
Commission income from concessionaire sales	–	64,640	–	64,640
Royalty income	3,172	–	–	3,172
Securities brokerage commission	–	–	3,269	3,269
Financial consultancy income	–	–	1,005	1,005
Other services income	74	–	–	74
	<u>109,769</u>	<u>64,640</u>	<u>4,274</u>	<u>178,683</u>
Total	<u>109,769</u>	<u>64,640</u>	<u>4,274</u>	<u>178,683</u>
Timing of revenue recognition:				
At a point in time	106,523	–	3,269	109,792
Transferred over time	3,246	64,640	1,005	68,891
	<u>109,769</u>	<u>64,640</u>	<u>4,274</u>	<u>178,683</u>
Total	<u>109,769</u>	<u>64,640</u>	<u>4,274</u>	<u>178,683</u>

Revenue from other sources not within the scope of HKFRS 15

	Branding HKD'000	Retailing HKD'000	Financial services HKD'000	Consolidated HKD'000
Primary geographical markets:				
The PRC	–	30,740	–	30,740
Hong Kong (Place of domicile)	–	3,616	8,877	12,493
Total	–	34,356	8,877	43,233
Major products and services:				
Rental income	–	34,356	–	34,356
Interest income	–	–	8,877	8,877
Total	–	34,356	8,877	43,233

For the six months ended 30 June 2020 (Unaudited) (Represented)

Revenue from contracts with customers within the scope of HKFRS 15

	Branding HKD'000	Retailing HKD'000	Financial services HKD'000	Consolidated HKD'000
Primary geographical markets:				
The PRC	31,400	37,999	–	69,399
Hong Kong (Place of domicile)	3,756	–	2,759	6,515
United Kingdom	1,284	–	–	1,284
United States of America	1,396	–	–	1,396
Other Asian countries (Note)	3,225	–	–	3,225
Others (Note)	2,030	–	–	2,030
Total	43,091	37,999	2,759	83,849
Major products and services:				
Sales of goods	36,979	–	–	36,979
Commission income from concessionaire sales	–	37,999	–	37,999
Royalty income	4,509	–	–	4,509
Securities brokerage commission	–	–	893	893
Underwriting and placing income	–	–	1,089	1,089
Financial consultancy income	–	–	777	777
Other services income	1,603	–	–	1,603
Total	43,091	37,999	2,759	83,849
Timing of revenue recognition:				
At a point in time	36,979	–	1,982	38,961
Transferred over time	6,112	37,999	777	44,888
Total	43,091	37,999	2,759	83,849

Revenue from other sources not within the scope of HKFRS 15

	Branding HKD'000	Retailing HKD'000	Financial services HKD'000	Consolidated HKD'000
Primary geographical markets:				
The PRC	–	23,111	–	23,111
Hong Kong (Place of domicile)	–	3,978	10,868	14,846
	<u>–</u>	<u>3,978</u>	<u>10,868</u>	<u>14,846</u>
Total	<u>–</u>	<u>27,089</u>	<u>10,868</u>	<u>37,957</u>
Major products and services:				
Rental income	–	27,089	–	27,089
Interest income	–	–	10,868	10,868
	<u>–</u>	<u>–</u>	<u>10,868</u>	<u>10,868</u>
Total	<u>–</u>	<u>27,089</u>	<u>10,868</u>	<u>37,957</u>

Note: The geographical information for the revenue attributed to each country recognised during the period is not available as the associated costs to capture such information would be excessive.

(C) Segment assets

The following table provides an analysis of the reportable segment assets of different reportable segments recognised as at 30 June 2021 and 31 December 2020:

	30.06.2021 <i>HKD'000</i> (Unaudited)	31.12.2020 <i>HKD'000</i> (Audited)
Branding	317,651	294,913
Retailing	4,256,914	4,198,852
Financial services	410,837	431,283
	<u>4,985,402</u>	<u>4,925,048</u>
Total reportable segment assets	4,985,402	4,925,048
Unallocated	401,811	393,460
	<u>401,811</u>	<u>393,460</u>
Consolidated total assets	<u>5,387,213</u>	<u>5,318,508</u>

(D) Segment liabilities

The following table provides an analysis of the reportable segment liabilities of different reportable segments recognised as at 30 June 2021 and 31 December 2020:

	30.06.2021 <i>HKD'000</i> (Unaudited)	31.12.2020 <i>HKD'000</i> (Audited)
Branding	66,258	47,598
Retailing	397,783	410,205
Financial services	19,534	22,932
	<hr/>	<hr/>
Total reportable segment liabilities	483,575	480,735
	<hr/>	<hr/>
Unallocated	1,985,874	1,940,944
	<hr/>	<hr/>
Consolidated total liabilities	2,469,449	2,421,679
	<hr/> <hr/>	<hr/> <hr/>

6. FINANCE COSTS

An analysis of finance costs recognised during the period is as follows:

	Six months ended 30 June	
	2021 <i>HKD'000</i> (Unaudited)	2020 <i>HKD'000</i> (Unaudited)
Interest expenses on bank borrowings	27,428	32,264
Interest expenses on bank overdrafts	–	142
Interest expenses on loan from non-controlling interests	63	52
Interest expenses on lease liabilities	6,823	6,245
	<hr/>	<hr/>
	34,314	38,703
<i>Less:</i> Interest expenses being capitalised	(2,343)	(1,768)
	<hr/>	<hr/>
	31,971	36,935
	<hr/> <hr/>	<hr/> <hr/>

7. PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE

Profit/(loss) before income tax expense during the period is arrived at after charging/(crediting) as follows:

	Six months ended 30 June	
	2021	2020
	HKD'000	HKD'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	31,514	29,154
Loss on disposal of property, plant and equipment	–	895
Depreciation of right-of-use assets	8,141	8,817
Amortisation of intangible assets	1,003	1,798
(Reversal)/provision of allowance of inventories	(1,918)	17,798
Write off of obsolete inventories	–	165
Cost of inventories recognised as expenses	55,767	40,729
Foreign exchange gains	(16,432)	(670)
Short-term leases expenses	7,294	3,398
Directors' emoluments	3,160	3,015
Employees' costs (excluding Directors' emoluments)	37,703	34,291
Interest income	(980)	(1,980)
Fair value (gain)/loss of financial assets at fair value through profit or loss	(12,995)	72,102
Gain on disposal of a subsidiary	(1,266)	–
Dividend income	(3)	(658)
Reimbursement income of operating outlet malls	(7,010)	(4,331)
COVID-19-related rent concessions (<i>Note</i>)	(9)	(1,630)
	<u> </u>	<u> </u>

Note: For the six months ended 30 June 2021, the lessors of the office premises (six months ended 30 June 2020: retail shops and Tianjin community mall) provided rent concessions to the Group with three-month rent deductions (six months ended 30 June 2020: one and a half to six months). Due to the rent concessions occurred as a direct consequence of COVID-19 pandemic and met all of the conditions in HKFRS 16.46B, the Group therefore applied the practical expedient not to assess whether the rent concessions constitute lease modifications. The effect on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of approximately HKD9,000 (six months ended 30 June 2020: HKD1,630,000) was recognised as negative variable lease payments in profit or loss.

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	<i>HKD'000</i>	<i>HKD'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong		
– Profits Tax		
– Provision for the period	759	329
– (Over)/under provision in respect of prior periods	(277)	74
	<u>482</u>	<u>403</u>
The PRC and other jurisdictions		
– PRC Enterprise Income Tax		
– Provision for the period	2,911	1,182
– Under provision in respect of prior periods	–	1,702
	<u>2,911</u>	<u>2,884</u>
– Foreign tax		
– Provision for the period	–	3
	<u>3,393</u>	<u>3,290</u>
Deferred tax:		
Hong Kong and the PRC		
– Profits Tax and PRC Enterprise Income Tax		
– Provision/(reversal) for the period	1,192	(519)
Income tax expense	<u><u>4,585</u></u>	<u><u>2,771</u></u>

Hong Kong Profits Tax

The provision for Hong Kong Profits Tax was calculated by applying the statutory tax rate of 16.5% on the estimated taxable profits arising in Hong Kong for both current and prior periods. According to the definition of “connected entity” under the Two-tiered Profit Tax Regime, the management has elected one of Company’s subsidiaries to apply for the two-tiered profits tax rates to calculate the provision for Hong Kong Profits Tax for both current and prior periods in the following manner.

For this elected subsidiary, the first HKD2,000,000 of the estimated taxable profits arising in Hong Kong was taxed at 8.25% and the remaining estimated taxable profits was taxed at 16.5%. The provision for Hong Kong Profits Tax for this elected subsidiary was calculated on the same basis for the prior period.

PRC Enterprise Income Tax

All of the group entities operating in the PRC were calculated by applying the statutory tax rate of 25% on the estimated taxable profits arising in the PRC for both current and prior periods, except for one of the Company's subsidiary incorporated in Hong Kong engaged in the property investment business in the PRC, which is subject to the withholding tax rate of 10% on its gross rental income, net of value-added tax, earned in the PRC for both current and prior periods, based on the existing tax legislation, interpretation and practices in respect thereof.

Up to date of approval and authorisation for issuance of these condensed consolidated interim financial statements, the above subsidiary engaged in the property investment business in the PRC has not filed any tax returns for reporting its PRC Enterprise Income Tax in respect of its rental income earned in the PRC. The PRC tax authority has the right to levy penalty for any late filing of tax returns. The amount of such potential penalty cannot be reliably estimated as the range of which is wide. However, for all newly signed tenancy agreements between the Group and the tenants since the financial period of 2016, a new clause has been added in the agreements to require the tenants to pay the PRC Enterprise Income Tax based on 10% of its gross rental income, net of value-added tax, earned in the PRC on behalf of the Group, based on the existing tax legislation, interpretation and practices in respect thereof. According to the management experience and the above measures adopted, the amount of such potential penalty, if any, will not be material to these condensed consolidated interim financial statements. In addition, pursuant to the signed sales and purchase agreement in respect of the acquisition of the above subsidiary in the second half of the financial year of 2014, both of the vendor and the guarantor have undertaken to indemnify the Group for any tax liability arising from the late filing of tax returns prior to the completion date of the acquisition.

Foreign tax

Taxation arising in other jurisdictions was calculated by applying the statutory tax rates that were expected to be applicable in the relevant jurisdictions, where those overseas subsidiaries operate, on the estimated taxable profits for both current and prior periods.

9. DIVIDENDS

For the six months ended 30 June 2021 and 2020, the Board does not recommend the payment of an interim dividend to the shareholders of the Company (the “**Shareholders**”).

The final dividend of HKD0.005 (six months ended 30 June 2020: HKD0.008) per ordinary share of the Company in respect of the financial year ended 31 December 2020 (six months ended 30 June 2020: 31 December 2019), in total of approximately HKD14,871,000 (six months ended 30 June 2020: HKD23,794,000), was declared and approved by the Shareholders at the annual general meeting of the Company held on 25 June 2021 (six months ended 30 June 2020: 12 June 2020) and was subsequently paid in July 2021 (six months ended 30 June 2020: July 2020).

10. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2021	2020
	HKD'000	HKD'000
	(Unaudited)	(Unaudited)
Earnings/(loss):		
Profit/(loss) for the period attributable to owners of the Company	<u>2,115</u>	<u>(166,210)</u>
	Six months ended 30 June	
	2021	2020
	Number of	Number of
	shares	shares
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating the basic and diluted earnings/(loss) per share	<u>2,974,225</u>	<u>2,974,225</u>
Earnings/(loss) per share:		
Basic earnings/(loss) per share (<i>HK cents</i>)	<u>0.07</u>	<u>(5.59)</u>
Diluted earnings/(loss) per share (<i>HK cents</i>)	<u>0.07</u>	<u>(5.59)</u>

The diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share as there was no dilutive potential ordinary shares to be issued as there was no outstanding share options during the period.

11. TRADE AND OTHER RECEIVABLES

	30.06.2021	31.12.2020
	HKD'000	HKD'000
	(Unaudited)	(Audited)
Trade receivables arising from:		
– Other than financial services segment	46,000	42,750
– Financial services segment	<u>7,664</u>	<u>10,088</u>
Total gross carrying amount	53,664	52,838
Less: Loss allowance	<u>(7,029)</u>	<u>(7,728)</u>
Total net carrying amount after loss allowance	<u>46,635</u>	<u>45,110</u>
Prepayments, deposits and other receivables:		
Total gross carrying amount	167,323	167,363
Less: Loss allowance	<u>(4,077)</u>	<u>(4,077)</u>
Total net carrying amount after loss allowance	<u>163,246</u>	<u>163,286</u>
Total trade and other receivables	<u>209,881</u>	<u>208,396</u>

The following is an ageing analysis of trade receivables, net of loss allowance, which is presented based on the invoice date or transaction date, where applicable, at the end of reporting period:

	30.06.2021 <i>HKD'000</i> (Unaudited)	31.12.2020 <i>HKD'000</i> (Audited)
0 to 30 days	22,684	26,904
31 to 60 days	5,555	4,728
61 to 90 days	5,624	800
Over 90 days	12,772	12,678
	46,635	45,110

12. ADVANCES TO CUSTOMERS IN MARGIN FINANCING

	30.06.2021 <i>HKD'000</i> (Unaudited)	31.12.2020 <i>HKD'000</i> (Audited)
Director and their associates	15,760	13,065
Other margin clients	117,419	94,611
	133,179	107,676

As at 30 June 2021 and 31 December 2020, the carrying amount of advances to customers in margin financing arising from the margin financing business in Hong Kong was secured by listed equity securities, carried at average interest rates from Hong Kong Dollar Prime Rate (“**Prime Rate**”) to Prime Rate plus 3% per annum and repayable on demand.

No ageing analysis is disclosed for advances to customers in margin financing as, in the opinion of the Directors, an ageing analysis is not meaningful in the view of the business nature of margin financing. The maximum exposure of credit risk against the Group is the carrying amount at the end of reporting period.

13. LOANS RECEIVABLE

	30.06.2021 <i>HKD'000</i> (Unaudited)	31.12.2020 <i>HKD'000</i> (Audited)
Secured:		
Total gross carrying amount	81,623	138,942
Less: Loss allowance	(11,168)	(11,211)
	70,455	127,731

As at 30 June 2021 and 31 December 2020, the carrying amount of loans receivable arising from the money lending business in Hong Kong was secured by mortgages over the borrowers’ properties and listed equity securities in Hong Kong, carried at interest rates from 12% to 24% (31 December 2020: 12% to 18%) per annum and repayable within one year from the dates of advances to the borrowers or on demand.

Loans receivable with aggregate gross carrying amount of approximately HKD36,469,000 (31 December 2020: HKD93,741,000) was classified as stage 1 due to limited exposure of credit risk and there is no significant increase in credit risk since initial recognition and not credit-impaired at the end of reporting period. Therefore, the reversal of loss allowance was limited to 12-month ECL calculation of approximately HKD43,000 (six months ended 30 June 2020: HKD nil) was recognised in profit or loss for the period.

Loans receivable with aggregate gross carrying amount of approximately HKD45,154,000 (31 December 2020: HKD45,201,000) was classified as stage 3 due to significant increase in credit risk since initial recognition and credit-impaired at the end of reporting period. Therefore, the loss allowance that subject to the lifetime ECL calculation was immaterial to be recognised for both current and prior periods.

14. TRADE AND OTHER PAYABLES

	30.06.2021 <i>HKD'000</i> (Unaudited)	31.12.2020 <i>HKD'000</i> (Audited)
Trade payables arising from:		
– Other than financial services segment	119,908	100,018
– Financial services segment	18,315	21,592
	<hr/>	<hr/>
Total trade payables	138,223	121,610
	<hr/>	<hr/>
Accruals, receipts in advance, temporary receipts and other payables	145,217	161,387
	<hr/>	<hr/>
Total trade and other payables	283,440	282,997
	<hr/> <hr/>	<hr/> <hr/>

The following is an ageing analysis of trade payables arising from other than financial services segment, which is presented based on the invoice date or transaction date, where applicable, at the end of reporting period:

	30.06.2021 <i>HKD'000</i> (Unaudited)	31.12.2020 <i>HKD'000</i> (Audited)
0 to 30 days	93,899	85,822
31 to 60 days	23,030	5,093
61 to 90 days	1,273	1,836
Over 90 days	1,706	7,267
	<hr/>	<hr/>
	119,908	100,018
	<hr/> <hr/>	<hr/> <hr/>

No ageing analysis is disclosed for the trade payables arising from financial services segment as, in the opinion of the Directors, an ageing analysis is not meaningful in the view of the business nature of dealing in securities and margin financing.

15. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

In addition to the events disclosed elsewhere in this announcement, the Group had the following non-adjusting events after the reporting period:

- (a) On 14 July 2021, the Group entered into a non-legally binding term sheet with Silk Road II Holdings Pte. Ltd. for a potential disposal of 75% of the equity interests in Majestic City (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company. Details of which are disclosed in the Company's announcement dated on 14 July 2021.
- (b) On 12 August 2021, the Group entered into an agreement for transfer of shares with Shunten International (Holdings) Limited ("**Shunten**") and its subsidiary (the "**Vendor**"), pursuant to which the Group conditionally agreed to sell approximately 43% of the equity interests in Aggressive Resources Limited, an indirect wholly-owned subsidiary of the Company, to the Vendor, at the consideration of approximately HKD66,687,691. Shunten will settle the consideration through the issuance of approximately 512,982,240 of new shares of Shunten to the Group. Details of which are disclosed in the Company's announcement dated on 12 August 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2021, business environment remains highly uncertain. However, as the Group continued to improve its management, reduce cost, enhance efficiency and strengthen business, we were able to consolidate our capabilities in the fast-changing market and proceeded forward with firm steps.

In the first half of 2021, we strode wider and further towards the internationalisation of our branding business. At the end of last year, the Group established a joint venture with ITOCHU Corporation of Japan to jointly operate the global business of “SKINS”, a sports compression garment brand. With the joint efforts of both companies, “SKINS” has expanded its sales network around the globe and collaborated with various international sport events and athletes to deepen its foothold in the professional sports market. At the same time, “SKINS” has stepped-up its investment in product development to bring more fashionable and functional sports compression garments to the market, leading the brand to become trendier and more popular.

As for the Group’s international footwear brand “PONY”, which operates in a number of countries, it is currently undergoing an enhanced transformation to further diversify its products. In this regard, it has optimised the classic product line for international market, increased the number of European-designed products, and focusing more on the development of eco-friendly products to create a green fashion trend. In addition, “PONY” is discussing new cooperation models with its global trading partners with an aim to inject further impetus for the brand’s long-term growth. Next year will mark the half-century anniversary of “PONY”, and the Group is planning a series of special events to celebrate this historic moment together with its brand lovers.

The Group and Descente Ltd. of Japan, which specialises in sports brands, have joined hands to develop the swimming products market in the People’s Republic of China (the “**PRC**”) through the joint operation of the “arena” brand. After years of hard work, “arena” has become one of the most sought-after brands for swimming enthusiasts in the PRC. During the Period, “arena” launched a number of branding activities and strengthened online promotion, which, together with the Olympic sentiment, has led to a steady improvement in its performance.

On top of the branding business, the Group, in order to capture the opportunities of internal circulation, also strategically operates its retailing business under the “Park Outlets” brand in different regions of the PRC through the “Outlets + Community Malls” model. Based in Northeast, Central and Southeast China, our outlets retail offers a rich mix of international and domestic brands, catering for the needs of big consumption with the one-stop experience of shopping, entertainment and leisure. On the other hand, our community malls retail is based in the municipalities of North and Southwest China, whereat it capitalises on the geographical advantage and provides residents with shopping and services they need on a daily basis. During the Period, we continued to optimise the brand portfolio of our outlets and opened

multiple stores specific for popular brands, while a number of large-scale events were held to attract foot traffic and boost sales. To further enhance operation efficiency, we recently commenced an expansion project in the northern area of Shenyang's Park Outlets, which is already in the final stage of construction. Upon the expansion, visitors will be provided with a more diverse shopping experience with wider range of brands available. The Group is planning to collaborate with a strong developer in the operation of Xiamen's Park Outlets, which will move the project into a brand-new stage. Over the years, with the dedication of the "Park Outlets" team, the majority of our outlets and community malls have become the first choice for many domestic consumers, satisfying the needs of the PRC's huge end-consumer population on a continuous basis.

In addition, the Group's financial business has been developing steadily, and we are committed to being a reliable partner in managing and enhancing the wealth of our clients through our professionalism and commitment.

FINANCIAL REVIEW

Overview of Interim Results

For the Period, the Group's overall revenue increased by 82.2% to approximately HKD221.9 million (Corresponding Period: approximately HKD121.8 million). The Group recorded an unaudited consolidated profit attributable to owners of the Company of approximately HKD2.1 million for the Period, representing an increase of approximately 101.3% or approximately HKD168.3 million as compared with an unaudited consolidated loss attributable to owners of the Company of approximately HKD166.2 million for the Corresponding Period. The turnaround of the Group's performance for the Period was mainly attributable to (i) steady growth in revenue and gross profit margin for the recovery of branding and retailing segments under the COVID-19; (ii) the fair value gain of approximately HKD13.0 million for financial assets at fair value through profit or loss compared to fair value loss of approximately HKD72.1 million for the Corresponding Period; and (iii) the decrease in the provision of allowance for inventories for the Period. As a result, the Group recorded basic earnings per share of approximately HK0.07 cent for the Period, as compared with basic loss per share of approximately HK5.59 cents for the Corresponding Period.

Segment information

In the second half of the financial year ended 31 December 2020, in order to have a better reflection of the revenue structure and performance measurement reported to the Directors and key management personnel of the Company, the new reportable segments consist of: (i) branding; (ii) retailing; and (iii) financial services. The new branding segment combined the previous retailing and sourcing, branding and duty free segments; the new retailing segment combined the previous property investment and holding and outlet malls segments; and the financial services segment remained unchanged.

Retailing and sourcing segment, branding segment and duty free segment were collectively combined as branding segment. During the Corresponding Period, revenue from (i) retailing and provisions of sourcing services for branded apparel, swimwear and accessories; (ii) sourcing, manufacturing and trading of healthcare products; and (iii) operation of duty free shops, in aggregate of approximately HKD35.1 million, were reallocated to the new branding segment from the previous retailing and sourcing and duty free segments.

Property investment and holding segment and outlet malls segment were collectively combined as retailing segment. During the Corresponding Period, revenue from (i) rental income from investment properties; and (ii) commission income from concessionaire sales by managing and operating outlet malls, in aggregate of approximately HKD65.1 million, were reallocated to new retailing segment from the previous property investment and holding and outlet malls segments.

Financial services segment remained unchanged.

As a result, the previous classification of reportable segments for the Corresponding Period has been represented to be comparable with the new reportable segments.

Revenue

Branding

The branding segment comprised of: (i) development and management of “SKINS” and “PONY” trademarks; (ii) retailing and provisions of sourcing services for “arena” swimwear and accessories in the PRC; and (iii) sourcing, manufacturing and trading of healthcare products in Hong Kong. Revenue for the Period amounted to approximately HKD109.8 million (Corresponding Period: approximately HKD43.1 million), representing an increase of approximately 154.7%. Reportable segment profit for the Period amounted to approximately HKD1.2 million (Corresponding Period: reportable segment loss of approximately HKD29.1 million).

Retailing

The retailing segment comprised of: (i) investment properties including commercial premises located in Hong Kong, Beijing and Shanghai of the PRC and community malls located in Chongqing and Tianjin of the PRC; and (ii) management and operation of outlet malls located in Xiamen, Shenyang and Anyang of the PRC. The investment properties are held under medium or long-term leases and for the purpose of either earning rental income or capital appreciation. Revenue for the Period amounted to approximately HKD99.0 million (Corresponding Period: approximately HKD65.1 million), representing an increase of approximately 52.1%. Reportable segment profit for the Period amounted to approximately HKD0.3 million (Corresponding Period: reportable segment loss of approximately HKD36.9 million).

Financial Services

The financial services segment continues to generate service income or interest income from the provisions of securities brokerage, margin financing, money lending, underwriting and placing of listed securities and financial consultancy services in Hong Kong. Revenue for the Period amounted to approximately HKD13.2 million (Corresponding Period: approximately HKD13.6 million), representing a decrease of approximately 3.5%. Reportable segment profit for the Period amounted to approximately HKD18.2 million (Corresponding Period: reportable segment loss of approximately HKD70.0 million).

Cost of sales, gross profit and gross profit margin

Cost of sales mainly comprised of the cost of goods sold. The cost of sales increased from approximately HKD40.7 million for the Corresponding Period to approximately HKD55.8 million for the Period, representing an increase of approximately 36.9%.

Gross profit for the Period amounted to approximately HKD166.1 million, representing an increase of approximately HKD85.0 million or approximately 104.9% as compared with approximately HKD81.1 million for the Corresponding Period.

The gross profit margin for the Period was approximately 74.9% (Corresponding Period: approximately 66.6%).

Other income and gains

Other income and gains mainly comprised of the reimbursement income of outlet malls. Other income and gains increased from approximately HKD12.6 million for the Corresponding Period to approximately HKD32.4 million for the Period, representing an increase of approximately 157.6%.

Distribution and selling expenses

Distribution and selling expenses mainly comprised of the advertising and promotion expenses and employees' costs. Distribution and selling expenses increased from approximately HKD36.8 million for the Corresponding Period to approximately HKD59.5 million for the Period, representing an increase of approximately 61.7%. The increase was mainly due to the cost control resulting from the suspension of business activities in the early stage of the COVID-19 pandemic in 2020.

Administrative expenses

Administrative expenses mainly comprised of employees' costs, professional fees and utility expenses. Administrative expenses increased from approximately HKD59.3 million for the Corresponding Period to approximately HKD64.0 million for the Period, representing a steady increase of approximately 7.9%.

Finance costs

Finance costs mainly comprised of bank loan interest. Finance costs decreased from approximately HKD36.9 million for the Corresponding Period to approximately HKD32.0 million for the Period, representing a decrease of approximately 13.4%. The decrease was primarily due to the decrease in bank interest-rate during the Period as compared to the Corresponding Period.

Decrease in fair value of investment properties

Decrease in fair value of investment properties for the Period amounted to approximately HKD4.0 million, representing a decrease of approximately HKD3.0 million as compared with approximately HKD7.0 million for the Corresponding Period.

Fair value gain of financial assets at fair value through profit or loss

Fair value gain of financial assets at fair value through profit or loss for the Period amounted to approximately HKD13.0 million, representing an increase of approximately HKD85.1 million as compared with the fair value loss on financial assets at fair value through profit or loss amounted to approximately HKD72.1 million for the Corresponding Period. This was primarily due to the increase in fair value of unlisted investment outside Hong Kong.

Income tax expense

Income tax expense for the Period amounted to approximately HKD4.6 million, representing an increase of approximately HKD1.8 million as compared with approximately HKD2.8 million for the Corresponding Period. The increase was mainly due to the movement of deferred tax in respect of property revaluation during the Period.

Profit for the period attributable to owners of the Company

The Group reported profit attributable to owners of the Company of approximately HKD2.1 million for the Period as compared with loss attributable to owners of the Company of approximately HKD166.2 million for the Corresponding Period. The turnaround of the Group's performance for the Period was mainly attributable to (i) steady growth in revenue and gross profit margin for the recovery of branding and retailing segments under the COVID-19; (ii) the fair value gain of approximately HKD13.0 million for financial assets at fair value through profit or loss compared to fair value loss of approximately HKD72.1 million for the Corresponding Period; and (iii) the decrease in the provision of allowance for inventories for the Period.

MARKET INFORMATION

During the Period, revenue from the PRC, Hong Kong and other Asian countries comprised of approximately 92.9% (Corresponding Period: approximately 96.1%) of the total revenue and the remaining of approximately 7.1% (Corresponding Period: approximately 3.9%) shared between the United Kingdom, the United States of America and other countries.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2021, the Group had bank balances and cash amounted to approximately HKD252.0 million (31 December 2020: approximately HKD234.6 million). The Group was offered banking facilities amounted to approximately HKD1,632.8 million (31 December 2020: approximately HKD1,605.1 million).

As at 30 June 2021, the Group's bank borrowings amounted to approximately HKD1,632.8 million (31 December 2020: approximately HKD1,605.1 million). The Group had variable interest-rate bank borrowings carried at interest rates from approximately 1.6% to 5.6% (Corresponding Period: approximately 2.0% to 6.0%) per annum. The weighted average effective interest rate was approximately 3.4% (Corresponding Period: approximately 3.6%) per annum. The Group's gearing ratio, expressed as a percentage of the total outstanding net debt (being total bank borrowings less bank balances and cash) to the total equity, was approximately 47.3% (31 December 2020: approximately 47.3%). Approximately HKD468.9 million (31 December 2020: approximately HKD601.0 million) must be repaid within one year, while the remaining balance must be repaid from two to five years.

As at 30 June 2021, the Group's current assets and current liabilities were approximately HKD943.0 million (31 December 2020: approximately HKD932.3 million) and approximately HKD802.3 million (31 December 2020: approximately HKD925.6 million) respectively. Accordingly, the Group's current ratio, expressed as the ratio of current assets to current liabilities, was approximately 1.18 as at 30 June 2021 (31 December 2020: approximately 1.01).

PLEDGE OF ASSETS

As at 30 June 2021, the Group had pledged certain of its leasehold land and buildings, outlet mall buildings, investment properties, right-of-use assets and restricted bank deposits, with the respective carrying amounts of approximately HKD282.0 million, HKD1,456.5 million, HKD1,394.2 million, HKD505.8 million and HKD42.4 million (31 December 2020: approximately HKD282.0 million, HKD1,436.9 million, HKD1,383.6 million, HKD279.0 million and HKD41.8 million); shares of certain of the Company's subsidiaries; and corporate guarantees provided by the Company and certain of its subsidiaries, to secure the banking facilities offered to the Group.

CAPITAL COMMITMENTS

As at 30 June 2021, the Group's capital commitment was approximately HKD39.2 million in respect of the construction costs of outlet mall building located in Shenyang of the PRC (31 December 2020: approximately HKD57.2 million).

Save as disclosed above, the Group had no other material capital commitments as at 30 June 2021.

CAPITAL EXPENDITURES

Capital expenditures mainly including purchases of property, plant and equipment, additions to intangible assets and construction costs of outlet mall buildings located in Shenyang and Xiamen of the PRC were approximately HKD60.8 million for the Period (Corresponding Period: approximately HKD65.4 million).

CONTINGENT LIABILITIES

Details of potential tax liabilities in connection with the potential tax penalty arising from the late filing of the PRC tax returns for reporting the PRC Enterprise Income Tax to the PRC tax authority are disclosed in Note 8.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2021, the Group's total number of employees was 387 (30 June 2020: 427). Employees' costs (excluding directors' emoluments) amounted to approximately HKD37.7 million (Corresponding Period: approximately HKD34.3 million).

In addition to competitive remuneration packages, discretionary bonus and employee share options are offered to the Group's eligible staff based on their performance and individual merits. The Group also provides other benefits including insurance, medical scheme and retirement plans to its employees.

SHARE OPTION SCHEME

During the Period, no share option was granted under the share option scheme and therefore no share-based payment expense was recognised during the Period (Corresponding Period: Nil).

TREASURY POLICY

Several principal subsidiaries of the Group are exposed to foreign currency risk primarily through sales and purchases which give rise to monetary assets and monetary liabilities that are denominated in Renminbi and United States Dollars. During the Period, the Group did not enter into any financial derivatives for hedging purpose. Nevertheless, the management monitors the Group's foreign exchange exposure from time to time. Appropriate measures would be undertaken by the management when the exchange rate fluctuations become significant.

EVENTS AFTER THE REPORTING PERIOD

On 14 July 2021, the Group entered into a non-legally binding term sheet with Silk Road II Holdings Pte. Ltd. for a potential disposal of 75% of the issued capital in Majestic City (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company. Details of which are disclosed in the Company's announcement dated 14 July 2021.

On 12 August 2021, the Group entered into an agreement for transfer of shares with Shunten International (Holdings) Limited (“**Shunten**”) and its subsidiary (the “**Vendor**”), pursuant to which the Group conditionally agreed to sell 43.05% of equity interests in Aggressive Resources Limited, an indirect wholly-owned subsidiary of the Company, to the Vendor at the consideration of approximately HKD66,687,691. Shunten will settle the consideration through the issuance of 512,982,240 new shares of Shunten. Details of which are disclosed in the Company's announcement dated 12 August 2021. As at the date of this announcement, the above transactions have not been completed.

Save as disclosed above, there were no significant events affecting the Group that had occurred after 30 June 2021 and up to date of this announcement.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (Corresponding Period: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MATERIAL ACQUISITION, DISPOSAL, SIGNIFICANT INVESTMENTS AND FUTURE PLANS OF MATERIAL INVESTMENT

Save as disclosed above, the Group had no material acquisitions, disposals, significant investments and future plans of material investment during the Period.

FUTURE PROSPECTS

Looking ahead, the economic situation will remain uncertain and unpredictable, but the Group will always be prepared to seek opportunities amidst challenges and breakthroughs through opportunities. As an international corporation focusing on “Sports Brands + Retail Business”, the Group will continue to strengthen the development and transformation of its brands and, building on its strong foundation, strive forward bravely along the road of internationalisation. At the same time, we will step-up investment in the development of online business, expanding our e-commerce footprint and launching focal promotion to enhance synergy between online and offline. The PRC government continues to promote big consumption and internal circulation, and is determined to strengthen the sports development, including the launch of the “National Fitness Program”, which is a strong support for the sports retail industry. The Group is confident in the industry outlook and will make proactive deployment to embrace business opportunities.

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) throughout the Period except for the following deviations:

- (1) Under code provision A.2.1 of the CG Code, the roles of the Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Cheng Tun Nei (“**Mr. Cheng**”) currently serves as both the Chairman and Chief Executive Officer of the Company. In view of the evolving business environment in which the Group operates, the Board is of the view that vesting the roles of both the Chairman and Chief Executive Officer of the Company on Mr. Cheng will provide the Group with strong and consistent leadership while enabling more effective and timely business planning and decision-making process.
- (2) Under code provision A.4.1 of the CG Code, non-executive Directors should be appointed for a specific term and are subject to re-election. All independent non-executive Directors of the Company were not appointed for specific term but are subject to the requirement to retire by rotation at least once every three years. The Board considers that the requirement has the same effect of accomplishing the same objective as a specific term of appointment.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific inquiries with all Directors, it is confirmed that all Directors have complied with the required standards set out in the Model Code throughout the Period.

The Company has also adopted a code on no less exacting terms than the Model Code to regulate dealings in the securities of the Company by certain employees of the Group who are considered to be likely in possession of inside information in relation to the Company or its securities.

REVIEW OF INTERIM RESULTS

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors, namely Mr. Chow Yu Chun Alexander (the chairman of Audit Committee), Mr. Shum Pui Kay and Mr. Wah Wang Kei Jackie. The Audit Committee has reviewed with management and the independent auditor of the accounting policies and practices adopted by the Group and has discussed the review, internal controls and financial reporting matters including the review of the interim results announcement and the interim report of the Group for the Period.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.symphonyholdings.com. The unaudited interim report for the Period containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and will be made available on the above websites on or before 30 September 2021.

By order of the Board
Symphony Holdings Limited
Cheng Tun Nei
Chairman

Hong Kong, 27 August 2021

As at the date of this announcement, the Directors are:

Executive Directors:

Mr. Cheng Tun Nei
(Chairman and Chief Executive Officer)
Mr. Chan Kar Lee Gary
Mr. Lee Cheung Ming

Independent non-executive Directors:

Mr. Shum Pui Kay
Mr. Wah Wang Kei Jackie
Mr. Chow Yu Chun Alexander