



SYMPHONY

新豐集團有限公司

SYMPHONY HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 01223

INTERIM REPORT 2021





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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Cheng Tun Nei (*Chairman & 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

BOARD COMMITTEES

Audit Committee

Mr. Chow Yu Chun Alexander (*Chairman*)

Mr. Shum Pui Kay

Mr. Wah Wang Kei Jackie

Remuneration Committee

Mr. Wah Wang Kei Jackie (*Chairman*)

Mr. Shum Pui Kay

Mr. Chow Yu Chun Alexander

Nomination Committee

Mr. Cheng Tun Nei (*Chairman*)

Mr. Shum Pui Kay

Mr. Wah Wang Kei Jackie

COMPANY SECRETARY

Mr. Yeung King Hang

AUDITOR

BDO Limited

25th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

10/F., Island Place Tower

510 King's Road

North Point

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

HONG KONG SHARE REGISTRAR

Tricor Tengis Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited

The Bank of East Asia, Limited

First Commercial Bank Limited

Bank of China (Hong Kong) Limited

WEBSITE

www.symphonyholdings.com

STOCK CODE

1223

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Symphony Holdings Limited (the "**Company**"), I hereby present the unaudited consolidated interim 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 comparative amounts for the corresponding period in 2020 (the "**Corresponding Period**").

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.

Chairman's Statement

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.

Cheng Tun Nei

Chairman

Hong Kong, 27 August 2021

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 9 to the condensed consolidated interim financial statements.

Management Discussion and Analysis

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.

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.

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 report.

INTERIM DIVIDEND

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

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.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, the interests and short positions of the Directors and chief executives and their associates of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

Long positions in the ordinary shares of the Company:

Director	Capacity/ Nature of interest	Number of ordinary shares held	Total number of ordinary shares held	Approximate percentage of the issued share capital
Cheng Tun Nei ("Mr. Cheng")	Beneficial owner Interest in a controlled corporation	134,870,000 1,071,190,000	1,206,060,000 (Note 1)	40.55%
Chan Kar Lee Gary	Beneficial owner	9,000,000	9,000,000	0.30%
Lee Cheung Ming ("Mr. Lee")	Beneficial owner Interest of spouse	91,050,000 2,000,000	93,050,000 (Note 2)	3.13%
Shum Pui Kay	Beneficial owner	10,000,000	10,000,000	0.34%

Notes:

- Mr. Cheng owned the entire issued share capital of Goldsilk Capital Limited ("Goldsilk"). As at 30 June 2021, Goldsilk was directly interested in 1,071,190,000 shares of the Company. Together with his direct interest as beneficial owner of 134,870,000 shares of the Company, Mr. Cheng was deemed to be interested in 1,206,060,000 shares of the Company in total.
- Mr. Lee was directly interested in 91,050,000 shares of the Company and he was deemed to be interested in 2,000,000 shares of the Company held by his spouse. He was thus deemed to be interested in 93,050,000 shares of the Company in total.

Save as disclosed above, (1) none of the Directors or chief executives of the Company or their associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register which were required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code; and (2) none of the Directors of the Company or their spouses or children under the age of 18, had been granted any right to subscribe for the equity or debt securities of the Company or any of its associated corporations, or had exercised any such right during the six months ended 30 June 2021.

Other Information

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, the following persons had interests and short positions of 5% or more of the issued share capital and underlying shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in the ordinary shares of the Company:

Shareholder	Capacity/ Nature of interest	Number of ordinary shares held	Total number of ordinary shares held	Approximate percentage of the issued share capital
Mr. Cheng	Beneficial owner Interest in a controlled corporation	134,870,000 1,071,190,000	1,206,060,000 (Note 1)	40.55%
Li Wa Hei ("Madam Li")	Interest of spouse	1,206,060,000	1,206,060,000 (Note 1)	40.55%
Goldsilk	Beneficial owner	1,071,190,000	1,071,190,000 (Note 1)	36.02%
Or Ching Fai ("Mr. Or")	Beneficial owner Interest held jointly with another person	350,000,000 120,000,000	470,000,000 (Note 2)	15.80%
Wong Lai Ning ("Madam Wong")	Interest held jointly with another person Interest of spouse	120,000,000 350,000,000	470,000,000 (Note 2)	15.80%

Notes:

- As at 30 June 2021, Goldsilk was directly interested in 1,071,190,000 shares of the Company and Goldsilk is wholly owned by Mr. Cheng. Together with his direct interest as beneficial owner of 134,870,000 shares of the Company, Mr. Cheng was thus deemed to be interested in 1,206,060,000 shares of the Company. Madam Li is the wife of Mr. Cheng and she was also deemed to be interested in 1,206,060,000 shares of the Company.
- As at 30 June 2021, Mr. Or was directly interested in 350,000,000 shares of the Company and he also held 120,000,000 shares of the Company jointly with his spouse, Madam Wong. Therefore, Mr. Or and Madam Wong were deemed to be interested in 470,000,000 shares of the Company.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 June 2021.

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.

Other Information

SHARE OPTION SCHEMES

A share option scheme (the “**Old Share Option Scheme**”) was adopted on 10 June 2011 which remained in force for a period of 10 years commencing from the adoption date to give participants with the opportunity to acquire proprietary interests in the Company and to encourage them to work towards enhancing the value of the Company and its shares for the benefit of the Company and the shareholders of the Company as a whole. Under the Old Share Option Scheme, the Directors may at their discretion grant options to participants including all Directors and employees of the Group and any other persons including consultants, advisors, agents, customers, suppliers, service providers, contractors, business partners or connected persons of the Group or its associates to subscribe for shares in the Company. The Old Share Option Scheme had been expired on 9 June 2021.

A new share option scheme (the “**New Share Option Scheme**”) was adopted by the Company on 25 June 2021 to continue to provide incentives and/or rewards to the participants, by way of granting options, after the expiry of the Old Share Option Scheme. The New Share Option Scheme will remain in force for a period of 10 years commencing from the adoption date to give the participants with the opportunity to acquire proprietary interests in the Company and to encourage them to work towards enhancing the value of the Company and its shares for the benefit of the Company and the shareholders as a whole. Under the New Share Option Scheme, the Directors may at their discretion grant options to eligible participants to subscribe for shares in the Company.

During the Period and the Corresponding Period, no share option was granted under the Old Share Option Scheme and the New Share Option Scheme.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules 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 separated and should not be performed by the same individual. 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 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 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.

Report on Review of the Condensed Consolidated Interim Financial Statements



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TO THE BOARD OF DIRECTORS OF SYMPHONY HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated interim financial statements set out on pages 14 to 48, which comprise of the condensed consolidated statement of financial position of Symphony Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) as at 30 June 2021 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the “**condensed consolidated interim financial statements**”). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on the condensed consolidated interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The directors are responsible for the preparation and presentation of the condensed consolidated interim financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on the condensed consolidated interim financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

BDO Limited

Certified Public Accountants

Li Yin Fan

Practising Certificate Number: P03113

Hong Kong, 27 August 2021

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 HKD'000 (Unaudited)	2020 HKD'000 (Unaudited)
Revenue	5	221,916	121,806
Cost of sales		(55,767)	(40,729)
Gross profit		166,149	81,077
Other income and gains	6	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	7	(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	12	(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	18	12,995	(72,102)
Profit/(loss) before income tax expense	8	5,377	(166,582)
Income tax expense	9	(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	11	HK0.07 cents	HK(5.59) cents
– Diluted earnings/(loss) per share	11	HK0.07 cents	HK(5.59) cents

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 HKD'000 (Unaudited)	2020 HKD'000 (Unaudited)
Profit/(loss) for the period		792	(169,353)
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	12	33,258	21,270
– Deferred tax liability arising on revaluation of properties	12	(7,861)	(5,221)
		25,397	16,049
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		(1,175)	(46,024)
		(641)	(47,294)
Other comprehensive income for the period, net of tax		24,756	(31,245)
Total comprehensive income for the period		25,548	(200,598)
Total comprehensive income for the period attributable to:			
– Owners of the Company		26,689	(197,148)
– Non-controlling interests		(1,141)	(3,450)
		25,548	(200,598)

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	30.06.2021 HKD'000 (Unaudited)	31.12.2020 HKD'000 (Audited)
Non-current assets			
Property, plant and equipment	12	1,886,612	1,826,363
Investment properties	12	1,595,011	1,587,247
Right-of-use assets	12	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
Total non-current assets		4,444,198	4,386,248
Current assets			
Inventories	13	74,243	61,680
Trade and other receivables	14	209,881	208,396
Amounts due from joint ventures		7,216	8,344
Amount due from an associate	15	3,839	6,959
Advances to customers in margin financing	16	133,179	107,676
Loans receivable	17	70,455	127,731
Financial assets at fair value through profit or loss	18	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
Total current assets		943,015	932,260
Current liabilities			
Trade and other payables	19	283,440	282,997
Amount due to a related party		120	119
Amount due to a director		7,216	15,495
Lease liabilities	20	11,399	11,195
Bank borrowings	21	468,942	600,966
Dividend payable		14,881	–
Tax payable		16,303	14,846
Total current liabilities		802,301	925,618
Net current assets		140,714	6,642
Total assets less current liabilities		4,584,912	4,392,890

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	30.06.2021 HKD'000 (Unaudited)	31.12.2020 HKD'000 (Audited)
Non-current liabilities			
Loan from non-controlling interests		3,608	3,576
Lease liabilities	20	188,736	186,554
Bank borrowings	21	1,163,837	1,004,107
Deferred tax liabilities		310,967	301,824
Total non-current liabilities		1,667,148	1,496,061
NET ASSETS			
Equity			
Share capital	22	297,422	297,422
Reserves		2,600,111	2,588,293
Total equity attributable to owners of the Company		2,897,533	2,885,715
Non-controlling interests		20,231	11,114
TOTAL EQUITY		2,917,764	2,896,829

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the Company							Non-controlling interests HKD'000	Total HKD'000
	Share capital HKD'000	Contributed surplus HKD'000	Share premium HKD'000	Properties revaluation reserve HKD'000	Translation reserve HKD'000	Retained profits HKD'000	Subtotal HKD'000		
Balance at 1 January 2020 (audited)	297,422	523,213	1,071,657	584,718	(97,449)	537,926	2,917,487	10,838	2,928,325
Loss for the period	-	-	-	-	-	(166,210)	(166,210)	(3,143)	(169,353)
Surplus arising on revaluation of properties	-	-	-	21,270	-	-	21,270	-	21,270
Deferred tax liability arising on revaluation of properties	-	-	-	(5,221)	-	-	(5,221)	-	(5,221)
Share of other comprehensive income of joint ventures	-	-	-	-	(1,270)	-	(1,270)	-	(1,270)
Exchange differences arising on translation of foreign operations	-	-	-	-	(45,717)	-	(45,717)	(307)	(46,024)
Other comprehensive income for the period, net of tax	-	-	-	16,049	(46,987)	-	(30,938)	(307)	(31,245)
Total comprehensive income for the period	-	-	-	16,049	(46,987)	(166,210)	(197,148)	(3,450)	(200,598)
Dividend paid (Note 10)	-	-	-	-	-	(23,794)	(23,794)	-	(23,794)
Balance at 30 June 2020 (unaudited)	297,422	523,213	1,071,657	600,767	(144,436)	347,922	2,696,545	7,388	2,703,933

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the Company							Non-controlling interests HKD'000	Total HKD'000
	Share capital HKD'000	Contributed surplus HKD'000	Share premium HKD'000	Properties revaluation reserve HKD'000	Translation reserve HKD'000	Retained profits HKD'000	Subtotal HKD'000		
Balance at 1 January 2021 (audited)	297,422	523,213	1,071,657	621,406	74,213	297,804	2,885,715	11,114	2,896,829
Profit for the period	-	-	-	-	-	2,115	2,115	(1,323)	792
Surplus arising on revaluation of properties	-	-	-	33,258	-	-	33,258	-	33,258
Deferred tax liability arising on revaluation of properties	-	-	-	(7,861)	-	-	(7,861)	-	(7,861)
Share of other comprehensive income of joint ventures	-	-	-	-	534	-	534	-	534
Exchange differences arising on translation of foreign operations	-	-	-	-	(1,357)	-	(1,357)	182	(1,175)
Other comprehensive income for the period, net of tax	-	-	-	25,397	(823)	-	24,574	182	24,756
Total comprehensive income for the period	-	-	-	25,397	(823)	2,115	26,689	(1,141)	25,548
Capital contribution from a non-controlling shareholder	-	-	-	-	-	-	-	9,319	9,319
Disposal of a subsidiary	-	-	-	-	-	-	-	939	939
Dividend paid (Note 10)	-	-	-	-	-	(14,871)	(14,871)	-	(14,871)
Balance at 30 June 2021 (unaudited)	297,422	523,213	1,071,657	646,803	73,390	285,048	2,897,533	20,231	2,917,764

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 HKD'000 (Unaudited)	2020 HKD'000 (Unaudited)
Cash flows from operating activities		
Profit/(loss) before income tax expense	5,377	(166,582)
Adjustments for:		
Interest income	(980)	(1,980)
Dividend income	(3)	(658)
Finance costs	31,971	36,935
Share of results of joint ventures	5,116	(682)
Share of result of an associate	263	1,643
Gain on disposal of a subsidiary	(1,266)	–
COVID-19-related rent concessions	(9)	(1,630)
Depreciation of property, plant and equipment	31,514	29,154
Depreciation of right-of-use assets	8,141	8,817
Amortisation of intangible assets	1,003	1,798
Loss on disposal of property, plant and equipment	–	895
Write off of property, plant and equipment	1	1
Decrease in fair value of investment properties	4,020	6,956
Fair value (gain)/loss of financial assets at fair value through profit or loss	(12,995)	72,102
Recovery of bad debts written off	(245)	(804)
Provision of impairment loss on amount due from an associate	613	3,834
(Reversal)/provision of impairment loss on financial assets	(352)	2,704
Write off of obsolete inventories	–	165
(Reversal)/provision of allowance of inventories	(1,918)	17,798
Operating cash flows before movements in working capital	70,251	10,466
Increase in inventories	(10,091)	(31,666)
(Increase)/decrease in trade and other receivables	(8,258)	20,320
(Increase)/decrease in advances to customers in margin financing	(25,503)	21,908
Decrease/(increase) in loans receivable	57,276	(18,934)
(Increase)/decrease in financial assets at fair value through profit or loss	(5,782)	23,185
Decrease in bank balances and cash – held on behalf of customers	4,121	1,198
Increase in trade and other payables	1,376	12,191
Cash generated from operations	83,390	38,668
Overseas tax paid	(3,533)	(8,232)
Hong Kong Profits Tax refund/(paid)	1,573	(1,515)
Net cash from operating activities	81,430	28,921

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 HKD'000 (Unaudited)	2020 HKD'000 (Unaudited)
Cash flows from investing activities		
Disposal of a subsidiary, net of cash disposed	(138)	–
Repayments from joint ventures	1,203	2,173
Repayment from a joint ventures partner	276	353
Repayment from an associate	2,307	13,035
Purchases of property, plant and equipment	(1,021)	(18,154)
Proceeds from disposal of property, plant and equipment	–	932
Additions to construction in progress and buildings	(59,815)	(44,567)
Additions to intangible assets	–	(955)
Increase in restricted bank deposits	(666)	(209)
Interest received	1,233	2,262
Dividend received from financial assets at fair value through profit or loss	3	658
Net cash used in investing activities	(56,618)	(44,472)
Cash flows from financing activities		
Capital contribution from a non-controlling shareholder	9,319	–
Advance from a non-controlling shareholder	–	3,290
Proceeds from bank borrowings	102,031	271,096
Repayments of bank borrowings	(79,114)	(43,141)
Repayment to a director	(8,418)	–
Repayments of lease liabilities	(6,225)	(3,449)
Interest paid	(24,344)	(31,371)
Net cash (used in)/from financing activities	(6,751)	196,425
Net increase in cash and cash equivalents	18,061	180,874
Cash and cash equivalents at the beginning of the period	234,577	121,987
Effect of foreign exchange rate changes on cash and cash equivalents	(623)	12
Cash and cash equivalents at the end of the period	252,015	302,873
Analysis of the balances of cash and cash equivalents:		
– Bank balances and cash	252,015	307,416
– Bank overdrafts	–	(4,543)
	252,015	302,873

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 to the condensed consolidated interim financial statements.

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 to the condensed consolidated interim financial statements.

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, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows 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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

2. BASIS OF PREPARATION *(Continued)*

These condensed consolidated interim financial statements are unaudited but have been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagement 2410 “Review of the Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. The report on review of the condensed consolidated interim financial statements to the Board of Directors of the Company (the “**Board**”) is included on page 13.

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 of 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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

3. CHANGES IN ACCOUNTING POLICIES (Continued)

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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

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) 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.

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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

5. SEGMENT INFORMATION *(Continued)*

(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	109,851	101,243	13,151	224,245
Reportable segment profit	1,166	321	18,242	19,729
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				(613)
Profit before income tax expense				5,377

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

5. SEGMENT INFORMATION *(Continued)*

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

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	44,266	67,426	13,627	125,319
Reportable segment loss	(29,083)	(36,929)	(69,974)	(135,986)
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				(3,834)
Loss before income tax expense				(166,582)

* 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 agreements entered.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

5. SEGMENT INFORMATION *(Continued)*

(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 HKD'000	Retailing HKD'000	Financial services HKD'000	Consolidated HKD'000
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
Total	109,769	64,640	4,274	178,683
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
Total	109,769	64,640	4,274	178,683
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
Total	109,769	64,640	4,274	178,683

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

5. SEGMENT INFORMATION *(Continued)*

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

For the six months ended 30 June 2021 (Unaudited) *(Continued)*

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

5. SEGMENT INFORMATION *(Continued)*

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

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 <i>(Note)</i>	3,225	–	–	3,225
Others <i>(Note)</i>	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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

5. SEGMENT INFORMATION (Continued)

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

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

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
Total	–	27,089	10,868	37,957
Major products and services:				
Rental income	–	27,089	–	27,089
Interest income	–	–	10,868	10,868
Total	–	27,089	10,868	37,957

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

5. SEGMENT INFORMATION *(Continued)*

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

6. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2021 HKD'000 (Unaudited)	2020 HKD'000 (Unaudited)
Dividend income	3	658
Foreign exchange gains	16,432	670
Gain on disposal of a subsidiary	1,266	–
Interest income	980	1,980
Government grants	4,096	1,613
Reimbursement income of operating outlet malls	7,010	4,331
Recovery of bad debts written off	245	804
Others	2,416	2,542
	32,448	12,598

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

7. FINANCE COSTS

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

	Six months ended 30 June	
	2021 HKD'000 (Unaudited)	2020 HKD'000 (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
	34,314	38,703
Less: Interest expenses being capitalised	(2,343)	(1,768)
	31,971	36,935

8. 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 HKD'000 (Unaudited)	2020 HKD'000 (Unaudited)
Depreciation of property, plant and equipment	31,514	29,154
Depreciation of right-of-use assets	8,141	8,817
Amortisation of intangible assets	1,003	1,798
Loss on disposal of property, plant and equipment	–	895
(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
Recovery of bad debts written off	(245)	(804)
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)

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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 HKD'000 (Unaudited)	2020 HKD'000 (Unaudited)
Current tax:		
Hong Kong		
– Profits Tax		
– Provision for the period	759	329
– (Over)/under provision in respect of prior periods	(277)	74
	482	403
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
	2,911	2,884
– Foreign tax		
– Provision for the period	–	3
	3,393	3,290
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	4,585	2,771

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

9. INCOME TAX EXPENSE *(Continued)*

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 profit 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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

10. 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).

11. 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 HKD'000 (Unaudited)	2020 HKD'000 (Unaudited)
Earnings/(loss):		
Profit/(loss) for the period attributable to owners of the Company	2,115	(166,210)

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating the basic and diluted earnings/(loss) per share ('000)	2,974,225	2,974,225
Earnings/(loss) per share:		
Basic earnings/(loss) per share (HK cents)	0.07	(5.59)
Diluted earnings/(loss) per share (HK cents)	0.07	(5.59)

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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

12. PROPERTY, PLANT AND EQUIPMENT/INVESTMENT PROPERTIES/RIGHT-OF-USE ASSETS

Property, plant and equipment

For the six months ended 30 June 2021, the Group incurred renovation cost for the outlet mall buildings located in Xiamen and Shenyang, the PRC, with a total cost of approximately HKD59,815,000 (six months ended 30 June 2020: HKD44,567,000).

Except for the above additions, the Group acquired other categories of property, plant and equipment during the period, with a total cost of approximately HKD1,021,000 (six months ended 30 June 2020: HKD18,154,000).

The property, plant and equipment, with a net book value of approximately HKD1,827,000, was disposed of in the prior period, which results in a total loss on disposal of approximately HKD895,000.

The leasehold land and buildings and outlet mall buildings measured at fair value as at 30 June 2021 were performed by independent qualified professional valuers. The valuers used the same valuation techniques as those carried out for 31 December 2020. As a result of the valuation, an increase in fair value of the leasehold land and buildings and outlet mall buildings, net of tax, of approximately HKD33,258,000 (six months ended 30 June 2020: HKD21,270,000), and deferred tax thereon, of approximately HKD7,861,000 (six months ended 30 June 2020: HKD5,221,000), have been recognised in other comprehensive income during the period.

As at 30 June 2021, certain of the properties located in Hong Kong and the PRC, with carrying amounts of approximately HKD1,738,549,000 (31 December 2020: HKD1,718,900,000), are pledged to banks to secure banking facilities granted to the Group.

Investment Properties

The investment properties measured at fair value as at 30 June 2021 were performed by independent qualified professional valuers. The valuers used the same valuation techniques as those carried out for 31 December 2020. As a result of the valuation, a decrease in fair value of the investment properties, net of tax, of approximately HKD4,020,000 (six months ended 30 June 2020: HKD6,956,000), and deferred tax thereon, of approximately HKD183,000 (six months ended 30 June 2020: HKD1,026,000), have been recognised in profit or loss during the period.

As at 30 June 2021, certain of the properties located in Hong Kong and the PRC, with carrying amounts of approximately HKD1,394,183,000 (31 December 2020: HKD1,383,558,000), are pledged to banks to secure banking facilities granted to the Group.

Right-of-use assets

For the six months ended 30 June 2021, other than rent concessions as disclosed in Note 3 to the condensed consolidated interim financial statements, no significant tenancy agreement was entered, modified or cancelled by the Group. The depreciation of right-of-use assets recognised during the period was approximately HKD8,141,000 (six months ended 30 June 2020: HKD8,817,000).

As at 30 June 2021, certain of the right-of-use assets, with carrying amounts of approximately HKD505,812,000 (31 December 2020: HKD278,975,000), are pledged to banks to secure banking facilities granted to the Group.

As disclosed in Note 3 to the condensed consolidated interim financial statements, the Group has elected to early adopt the Amendment to HKFRS 16, and has applied the practical expedient introduced by the amendment to all eligible rent concessions received by the Group during the period.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

13. INVENTORIES

For the six months ended 30 June 2021, a reversal of allowance of inventories of approximately HKD1,918,000 (six months ended 30 June 2020: a provision of allowance of HKD17,798,000) was recognised in profit or loss during the period.

14. TRADE AND OTHER RECEIVABLES

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

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 HKD'000 (Unaudited)	31.12.2020 HKD'000 (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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

15. AMOUNT DUE FROM AN ASSOCIATE

As at 30 June 2021 and 31 December 2020, the carrying amount of amount due from an associate was unsecured, non-interest bearing and repayable on demand. For the six months ended 30 June 2021, provision of loss allowance was recognised, to the extent of, an amount equal to lifetime expected credit loss (“ECL”) calculated of approximately HKD613,000 (six months ended 30 June 2020: HKD3,834,000) due to the loss-making situation of the associate.

16. ADVANCES TO CUSTOMERS IN MARGIN FINANCING

	30.06.2021 HKD'000 (Unaudited)	31.12.2020 HKD'000 (Audited)
Directors 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.

The amounts of credit facilities granted to the margin clients are determined by the discounted market value of listed equity securities accepted by the Group. The Group maintains a list of approved stocks for margin lending at certain specified loan-to-collateral ratios. Any excess in the ratios will trigger margin calls for the margin clients to settle the margin shortfalls.

As at 30 June 2021, the total undiscounted market value of listed equity securities pledged in respect of the margin lending to the margin clients was approximately HKD600,347,000 (31 December 2020: HKD375,001,000). According to the client account opening agreements signed between the Group and margin clients, the Group is allowed to dispose of the listed equity securities pledged by the margin clients to settle their outstanding loan balances due to the Group.

Based on the result of the ECL calculation, with reference to the discounted market value of listed equity securities, no provision of loss allowance was recognised for both current and prior periods given that no significant default events of failure to repay the margin calls from any margin clients and the discounted market value of listed equity securities pledged were sufficiently covered the outstanding loan balances as at 30 June 2021 and 31 December 2020.

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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

17. LOANS RECEIVABLE

	30.06.2021 HKD'000 (Unaudited)	31.12.2020 HKD'000 (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.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial assets at fair value through profit or loss represent investments in listed equity securities in Hong Kong and an unlisted investment outside Hong Kong classified as held for trading. Details of the fair value measurements of these assets are set out in Note 27 to the condensed consolidated interim financial statements.

Reconciliation of the opening and closing balance of financial assets at fair value through profit or loss is provided as follows:

	Six months ended 30 June	
	2021 HKD'000 (Unaudited)	2020 HKD'000 (Unaudited)
At the beginning of the period	113,922	240,953
Fair value gain/(loss)	12,995	(72,102)
Disposal	(9,337)	(50,873)
Additions	15,000	27,688
Exchange realignment	119	(333)
At the end of the period	132,699	145,333

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For the six months ended 30 June 2021

19. TRADE AND OTHER PAYABLES

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

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 HKD'000 (Unaudited)	31.12.2020 HKD'000 (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
	119,908	100,018

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.

20. LEASE LIABILITIES

For the six months ended 30 June 2021, the total cash outflows for leases was approximately HKD13,519,000 (six months ended 30 June 2020: HKD6,847,000), including the payments of principal and interest elements of lease liabilities of approximately HKD6,225,000 (six months ended 30 June 2020: HKD3,449,000) and the payments of short-term leases of approximately HKD7,294,000 (six months ended 30 June 2020: HKD3,398,000).

For the six months ended 30 June 2021, the interest expenses on lease liabilities was approximately HKD6,823,000 (six months ended 30 June 2020: HKD6,245,000).

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For the six months ended 30 June 2021

21. BANK BORROWINGS

	30.06.2021 HKD'000 (Unaudited)	31.12.2020 HKD'000 (Audited)
Current portion:		
Secured with variable interest-rate bank borrowings that are repayable:		
– within one year	468,942	600,966
Non-current portion:		
Secured with variable interest-rate bank borrowings that are repayable:		
– over one year but within two years	520,901	193,855
– over two years but within five years	642,936	810,252
	1,163,837	1,004,107
Total	1,632,779	1,605,073

As at 30 June 2021, the Group had secured with variable interest-rate bank borrowings, carried interest rates from approximately 1.62% to 5.55% (six months ended 30 June 2020: 1.97% to 6.03%) per annum. The weighted average effective interest rate charged during the period was approximately 3.37% (six months ended 30 June 2020: 3.62%) per annum.

22. SHARE CAPITAL

	Number of shares '000	Nominal value HKD'000
Authorised:		
Ordinary shares of HKD0.10 (31 December 2020: HKD0.10) each:		
At 1 January 2020 and 2021 (audited), 31 December 2020 (audited) and 30 June 2021 (unaudited)	20,000,000	2,000,000
Issued and fully paid:		
Ordinary shares of HKD0.10 (31 December 2020: HKD0.10) each:		
At 1 January 2020 and 2021 (audited), 31 December 2020 (audited) and 30 June 2021 (unaudited)	2,974,225	297,422

All of the ordinary shares issued by the Company and credited as fully paid ranked pari passu with the issued ordinary shares of the Company in all respects, except for those not entitled to any distribution of dividend.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

23. SHARE OPTION SCHEME

On 25 June 2021, the Shareholders have approved and adopted a Revised Share Option Scheme (the “**Revised Scheme**”) for the purpose of providing eligible participants with the opportunity to acquire proprietary interests of the Company. The Revised Scheme aims to encourage the eligible participants to work towards to enhance the value of the shares of the Company for the benefits of the Company and its shareholders as a whole. All of the Directors, full-time employees and any other persons within the Group who, at the sole discretion of the Board, have contributed to the Group, are eligible to participate in the Revised Scheme.

The main terms and conditions of the Reversed Scheme was substantially the same as those disclosed in the 2020 Annual Financial Statements. For the six months ended 30 June 2021, no share option was granted, exercised, lapsed or cancelled for the eligible participants under the Revised Scheme (six months ended 30 June 2020: nil). No share option may be granted to the eligible participants under the Revised Scheme after the tenth anniversary of the adoption date of the Revised Scheme or after the Revised Scheme is terminated in accordance with the provisions hereof or after the eligible participants for whom the Revised Scheme is made has ceased to be one of the eligible participants before the acceptance of the Revised Scheme (six months ended 30 June 2020: nil).

24. CAPITAL COMMITMENTS

As at 30 June 2021 and 31 December 2020, the Group had the following material contractual capital commitments not provided for in the condensed consolidated interim financial statements:

	30.06.2021 HKD'000 (Unaudited)	31.12.2020 HKD'000 (Audited)
Contracted but not provided:		
– Construction costs of outlet mall buildings located in Shenyang, the PRC	39,157	57,227

25. RELATED PARTY DISCLOSURES

(A) Related party transactions

During the period, the Group entered into the following transactions with the related parties:

(a) Mr. Cheng Tun Nei and his associates:

	Six months ended 30 June	
	2021 HKD'000 (Unaudited)	2020 HKD'000 (Unaudited)
Commission income from securities brokerage	9	9
Interest income from margin financing	255	307
Management fee expenses	105	100
Motor vehicle expenses	39	39
Total amount of margin financing facilities granted	10,000	10,000
Maximum outstanding balance of margin loans issued	9,370	8,442

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

25. RELATED PARTY DISCLOSURES (Continued)

(A) Related party transactions (Continued)

(b) Mr. Lee Cheung Ming:

	Six months ended 30 June	
	2021 HKD'000 (Unaudited)	2020 HKD'000 (Unaudited)
Interest income from margin financing	373	512
Total amount of margin financing facilities granted	10,000	10,000
Maximum outstanding balance of margin loans issued	9,381	9,946

(c) Other related parties:

	Six months ended 30 June	
	2021 HKD'000 (Unaudited)	2020 HKD'000 (Unaudited)
Interest income from a non-controlling shareholder	386	356
Interest expenses of loan from non-controlling interests	63	52
Service fee expenses charged by a non-controlling shareholder	484	–
Sales of goods to a non-controlling shareholder	91	–
Minimum purchases for the sales and distribution of “arena” branded swimwear and other sportswear, shoes and related accessories	61,155	43,165

(B) Key management personnel's emoluments

The compensation of key management personnel including the emoluments paid or payable to the Directors and the members of senior management of the Group during the period are as follows:

	Six months ended 30 June	
	2021 HKD'000 (Unaudited)	2020 HKD'000 (Unaudited)
Salaries, welfare and other expenses	4,821	4,932
Contributions to defined contribution retirement plans	55	63
	4,876	4,995

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For the six months ended 30 June 2021

26. CONTINGENT ASSETS AND LIABILITIES

Except for the potential tax liabilities with respect to 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 as disclosed in Note 9 to the condensed consolidated interim financial statements, the Group had no other contingent assets or liabilities required to be recognised or disclosed in the condensed consolidated interim financial statements as at 30 June 2021 and 31 December 2020.

27. FINANCIAL INSTRUMENTS

(A) Categories of financial instruments

The following table shows the carrying amounts and fair values of the financial instruments, comprised of the financial assets and financial liabilities, as at 30 June 2021 and 31 December 2020:

	30.06.2021 (Unaudited)		31.12.2020 (Audited)	
	Carrying amount HKD'000	Fair value HKD'000	Carrying amount HKD'000	Fair value HKD'000
Financial assets:				
At fair value through profit or loss:				
– Listed equity securities in Hong Kong	28,862	28,862	15,257	15,257
– Unlisted investment outside Hong Kong	103,837	103,837	98,665	98,665
At amortised cost:				
– Trade and other receivables	121,431	(Note)	124,529	(Note)
– Amounts due from joint ventures	7,216	(Note)	8,344	(Note)
– Amount due from an associate	3,839	(Note)	6,959	(Note)
– Advances to customers in margin financing	133,179	(Note)	107,676	(Note)
– Loans receivable	70,455	(Note)	127,731	(Note)
– Restricted bank deposits	46,044	(Note)	45,378	(Note)
– Bank balances and cash	269,067	(Note)	255,750	(Note)
Financial liabilities:				
At amortised cost:				
– Trade and other payables	276,141	(Note)	275,013	(Note)
– Amount due to a related party	120	(Note)	119	(Note)
– Amount due to a director	7,216	(Note)	15,495	(Note)
– Dividend payable	14,881	(Note)	–	–
– Lease liabilities	200,135	(Note)	197,749	(Note)
– Bank borrowings	1,632,779	(Note)	1,605,073	(Note)
– Loan from non-controlling interests	3,608	(Note)	3,576	(Note)

Note: The Directors consider the carrying amounts of the financial instruments measured at amortised cost were approximate to their fair values on the grounds that either of their maturity periods are short or their effective interest rates for interest-bearing financial instruments were approximate to the relevant discount rates used to reflect the credit risk of the borrowers or the Group as at 30 June 2021 and 31 December 2020.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

27. FINANCIAL INSTRUMENTS *(Continued)*

(B) Fair value measurements

The following table presents the fair value of the Group's financial instruments measured at the end of reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified and determined with reference to the observability and significance of the key inputs used in the respective valuation techniques by the Group as follows:

- Level 1 valuation: Fair value measured using only Level 1 key inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuation: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuation: Fair value measured using significant unobservable inputs.

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period when they occur.

The Group's management is responsible for performing the fair value measurements of financial instruments, mainly including the listed equity securities in Hong Kong and the unlisted investment outside Hong Kong at the end of each reporting periods. The Group's management reports directly to the Directors. Detailed calculations with analysis of changes in fair value measurements is prepared by the Group's management, and is reviewed and approved by the Directors. Discussion of valuation process and results with the Directors is regularly performed to coincide with the reporting dates.

The following table provides an analysis of financial instruments measured at fair value:

	30.06.2021 HKD'000 (Unaudited)	31.12.2020 HKD'000 (Audited)
Level 1:		
– Listed equity securities in Hong Kong	28,862	15,257
Level 3:		
– Unlisted investment outside Hong Kong	103,837	98,665

For the six months ended 30 June 2021 and 2020, there was no significant change in the valuation technique, and no transfer between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise such change in valuation technique and transfer between levels of fair value hierarchy when it occurs.

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For the six months ended 30 June 2021

27. FINANCIAL INSTRUMENTS (Continued)

(B) Fair value measurements (Continued)

Information about Level 1 fair value measurements

For the listed equity securities in Hong Kong classified as Level 1, the Group's management uses the closing market prices of the identical securities as at 30 June 2021 and 31 December 2020 to perform the fair value measurements.

Information about Level 3 fair value measurements

In April 2018, the Group entered into an agreement with a third party investor for the purpose of forming two special purpose acquisition companies (the "SPAC 1" and "SPAC 2") by raising sizeable capital to acquire potential business targets through listing on NASDAQ. The SPAC 1 was successfully listed on NASDAQ in August 2018, and then acquired a business target in February 2020. After the acquisition, the investment in the SPAC 1 was subject to a 12-month lock-up period before the Group or the third party investor can dispose the investment, i.e. until 15 February 2021. According to the agreement, the Group will share the proceeds from the disposal equally with the third party investor. Up to date of approval and authorisation for issuance of these condensed consolidated interim financial statements, the SPAC 1 has completed the lock-up period but yet to dispose the investment and not yet launched the listing of the SPAC 2.

The fair value of the investment was previously determined by adjusting the closing market price with certain significant unobservable inputs, including risk-free rate and discount of lack of marketability ("DLOM") before the completion of the lock-up period. The fair value was negatively correlated to both risk-free rate and DLOM. The key input attributable to the changes in fair value was the closing market price for the six months ended 30 June 2021 and 2020. After the lock-up period, the fair value has been measured by the closing market price of the investment only.

The following is the summary of valuation technique of the investment as at 30 June 2020:

	Valuation technique	Significant unobservable inputs	Weighted average
Unlisted investment outside Hong Kong	Adjusted market price approach	Risk-free rate	1.58%
		DLOM	5%

As at 30 June 2020, the Group's management is estimated that with other variables held constant, an increase in either 1% of risk-free rate or DLOM would have decreased the fair value of the investment by approximately HKD23,218,000 and HKD24,480,000 respectively.

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27. FINANCIAL INSTRUMENTS *(Continued)*

(B) Fair value measurements *(Continued)*

Information about Level 3 fair value measurements *(Continued)*

The reconciliation of the opening and closing balance of financial instruments classified as Level 3 is as follows:

	Six months ended 30 June	
	2021 HKD'000 (Unaudited)	2020 HKD'000 (Unaudited)
Unlisted investment outside Hong Kong:		
At the beginning of the period	98,665	174,941
Fair value gain/(loss)	5,053	(50,596)
Exchange realignment	119	(890)
At the end of the period	103,837	123,455

28. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

In addition to the events disclosed elsewhere in these condensed consolidated interim financial statements, 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.

29. APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 27 August 2021.