SYMPHONY

新灃集團有限公司

SYMPHONY HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 01223

ANNUAL REPORT 2020

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Contents

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

Ms. Chow So Ying Anna *(Resigned on 30 June 2020)*
Ms. So Wai Yee *(Appointed on 30 June 2020 and resigned on 11 August 2020)*
Mr. Yeung King Hang *(Appointed on 10 December 2020)*

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

In 2020, despite the complex and changing external economic environment, the Group overcomes the challenges by actively increasing its operational efficiency, deepening the branding and retail business and constantly strive to advance in the difficult situation for business operation.

After completing the acquisition of the global trademarks and patents of "SKINS", a compression sportswear brand, at the end of 2020, the Group formed a joint venture with ITOCHU Corporation ("**ITOCHU**"), one of the largest comprehensive trading companies in Japan, to jointly operate the worldwide business of "SKINS". The Group believes that, cooperating with ITOCHU will enhance the competitive advantage of "SKINS" and build a solid foundation in developing the new market.

Further, the Group works together with Japan DESCENTE LTD. ("**DESCENTE**"), which focuses on sports brand operation, to deepen the root in China's swimming product market through the joint venture together and jointly operated "arena" brand; it is committed to bringing quality products for domestic swimming enthusiasts and catering market demand on swimming clothing trend. With the influence and profound experience of DESCENTE in sports branding community, as well as the competitive edge of the Group, "arena" has become a leading swimming brand in the China's market.

As for the international footwear brand "PONY" owned by the Group, it will march towards the milestone of half a century of establishment in 2022. The Group has been preparing for the promotion work actively, planning a series of celebratory events awaited by "PONY" enthusiasts. "PONY" will reinforce its development along the route of its reform, and continuously explores and adjusts the operating strategies with its global trading partners to accelerate its pace on global development.

After years of continuous operations and reform, the sports brand business of the Group has gained a foothold in the PRC and expanded internationally. With diversified categories of sportswear, it grasps different business opportunities in sports and complements the advantages of each other. The Group believes that, the synergy between "SKINS", "arena" and "PONY", will strengthen the position of the Group in sports brand and lead the Group to advance.

In addition to operating sports brands, in different areas of the country, the Group strategically renders "Outlets + Community Malls" as the retail business and embraces big consumption as well as the business opportunities brought by internal circulation. Outlets located in Xiamen, Shenyang and Anyang focus on offering fashion shopping and entertainment consumption brands became admirable spots for consumers to visit at leisure; community malls located in Tianjin and Chongqing centre around residents in the Municipality, providing them with necessary consumption and services such as fitness, car detailing and study centre. During the Year, outlets continued to attract a number of prestigious international brands to expand their businesses and their brand portfolio was optimized continuously. In order to further enhance the operation efficiency, the expansion project in the northern zone of Shenyang Park Outlets is under construction. It is expected that the completion will be in September 2021. The stationed brands will be more diversified at the time of completion. After years of operating history, "Park Outlets" has gradually built a chain retail brand to satisfy consuming needs in different aspects and works with different brands to serve a wide range of terminal consumption populations.

Chairman's Statement

Despite the challenging business environment in 2020, the financial business of the Group kept developing steadily, and upholds a practical, professional, concentrated business policy as always, to be devoted in wealth management and appreciation. To exert the advantages of the Group in financial business and to move a further step in China's retail layout, in early 2020, the Special Purpose Acquisition Company (SPAC) founded by the Group and international mutual fund in 2018 has combined a mobile digital media company, which mainly brings a brand-new consuming experience to audience on different platforms through various short videos, online variety shows and live broadcasts. The Group believes that, the mobile digital media company will bring a conducive synergy to the brand's expansion in the long term.

Cheng Tun Nei
Chairman

Hong Kong, 26 March 2021

Management Discussion and Analysis

OVERVIEW OF ANNUAL RESULTS

During the Year, the Group's overall revenue decreased by approximately 9.5% to approximately HKD352.2 million (2019: approximately HKD388.9 million). The Group recorded loss for the year attributable to owners of the Company of approximately HKD216.3 million for the Year, compared with profit for the year attributable to owners of the Company of approximately HKD71.7 million for the Comparable Year, representing a decrease of approximately 401.7% or approximately HKD288.0 million. This was primarily due to the fair value loss on financial assets at fair value through profit or loss, the increase in the provision of allowance of inventories, the significant reduction in the increase in fair value of investment properties, the absence of gain on write-back of other payables and the outbreak of novel coronavirus (COVID-19) which caused disruptions to certain numbers of business activities of the Group where the operating revenue of the Group has significantly deteriorated. As a result, the Group recorded basic loss per share of approximately HK7.27 cents for the Year, as compared with basic earnings per share of approximately HK2.41 cents for the Comparable Year.

Segment information

In the second half of the Year, 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 of the Company 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.

Branding segment includes: (i) development and management of "SKINS" and "PONY" trademarks; (ii) retailing and provisions of sourcing services for branded apparel, swimwear and accessories; (iii) sourcing, manufacturing and trading of healthcare products; and (iv) sales of goods from duty free shops. Accordingly, revenue from retailing and provisions of sourcing services for branded apparel, swimwear and accessories, sourcing, manufacturing and trading of healthcare products and sales of goods from duty free shops of approximately HKD133.2 million (2019: approximately HKD210.7 million), in aggregate, were reallocated to branding segment during the Year from retailing and sourcing segment and duty free segment.

Property investment and holding segment and outlet malls segment were collectively combined as retailing segment. Accordingly, revenue from rental income from investment properties and commission income from concessionaire sales by managing and operating outlet malls of approximately HKD156.1 million (2019: approximately HKD119.8 million), in aggregate, were reallocated to retailing segment during the Year from property investment and holding segment and outlet malls segment.

Financial services segment remained unchanged.

As a result, the previous classification of reportable segments for the Comparable Year has been represented to be comparable with the revised reportable segments.

Management Discussion and Analysis

Revenue

Branding

The branding segment comprised of: (i) development and management of "SKINS" and "PONY" trademarks; and (ii) retailing and provisions of sourcing services for branded apparel, swimwear and accessories in the PRC; (iii) sourcing, manufacturing and trading of healthcare products in Hong Kong; and (iv) sales of goods from duty free shops in Taiwan. Revenue for the Year amounted to approximately HKD168.0 million (2019: approximately HKD228.6 million), representing a decrease of approximately 26.6%. Reportable segment loss for the Year amounted to approximately HKD17.2 million (2019: reportable segment profit amounted to approximately HKD9.7 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; (ii) management and operation of outlet malls located in Xiamen, Shenyang and Anyang of the PRC. The investment properties are held either medium or long-term leases and for the purpose of either earning rental income or capital appreciation. Revenue for the Year amounted to approximately HKD156.1 million (2019: approximately HKD119.8 million), representing an increase of approximately 30.3%. Reportable segment loss for the Year amounted to approximately HKD40.6 million (2019: reportable segment profit of approximately HKD8.5 million).

Financial Services

The financial services segment remained unchanged as provisions of securities brokerage, margin financing, money lending, underwriting and placing of listed securities and financial consultancy services in Hong Kong. Revenue for the Year amounted to approximately HKD28.1 million (2019: approximately HKD40.5 million), representing a decrease of approximately 30.6%. Reportable segment loss for the Year amounted to approximately HKD92.6 million (2019: reportable segment profit of approximately HKD102.1 million).

Cost of sales, gross profit and gross profit margin

Cost of sales mainly comprised of the cost of goods sold and provision of allowance of inventories. The cost of sales decreased from approximately HKD109.8 million for the Comparable Year to approximately HKD106.8 million for the Year, representing a decrease of approximately 2.7%.

Gross profit for the Year amounted to approximately HKD245.4 million, representing a decrease of approximately HKD33.7 million or approximately 12.1% as compared with approximately HKD279.1 million for the Comparable Year.

The gross profit margin for the Year was approximately 69.7% (2019: approximately 71.8%).

Other income and gains

Other income and gains mainly comprised of the reimbursement income of operating outlet malls. The other income and gains decreased from approximately HKD43.6 million for the Comparable Year to approximately HKD29.3 million for the Year, representing a decrease of approximately 32.8%.

Distribution and selling expenses

Distribution and selling expenses mainly comprised of the advertising and promotion expenses and employees' costs. The distribution and selling expenses decreased from approximately HKD114.1 million for the Comparable Year to approximately HKD97.9 million for the Year, representing a decrease of approximately 14.2%.

Administrative expenses

Administrative expenses mainly comprised of employees' costs and utilities expenses consumed in both community malls and outlet malls in the PRC. The administrative expenses decreased from approximately HKD129.7 million for the Comparable Year to approximately HKD119.6 million for the Year, representing a decrease of approximately 7.8%.

Finance costs

Finance costs for the Year amounted to approximately HKD69.6 million, representing an increase of approximately HKD15.9 million or approximately 29.6% as compared with approximately HKD53.7 million for the Comparable Year. The increase was primarily due to the increase in bank borrowings during the Year.

Impairment loss on financial assets

Impairment loss on financial assets for the Year amounted to approximately HKD6.6 million, representing an increase of approximately HKD3.6 million as compared with approximately HKD3.0 million for the Comparable Year. The impairment loss on financial assets mainly comprised of impairment loss on trade and other receivables and loans receivable.

Increase in fair value of investment properties

Increase in fair value of investment properties for the Year amounted to approximately HKD6.1 million, representing a decrease of approximately HKD38.1 million as compared with approximately HKD44.2 million for the Comparable Year. The decrease in fair value of investment properties was primarily due to the economic uncertainty in Hong Kong and the PRC property market.

Fair value (loss)/gain on financial assets at fair value through profit or loss

Fair value loss on financial assets at fair value through profit or loss for the Year amounted to approximately HKD97.5 million, representing a decrease of approximately HKD186.3 million as compared with the fair value gain on financial assets at fair value through profit or loss of approximately HKD88.8 million for the Comparable Year. The decrease was primarily due to the decrease in market value of unlisted investment outside Hong Kong.

Income tax (expense)/credit

Income tax expense for the Year amounted to approximately HKD2.9 million, representing an increase of approximately HKD4.1 million as compared with the income tax credit of approximately HKD1.2 million for the Comparable Year. The increase was mainly due to the deferred tax charges in respect of the property revaluation during the Year.

(Loss)/profit for the year attributable to owners of the Company

The Group reported loss for the year attributable to owners of the Company of approximately HKD216.3 million for the Year as compared with profit for the year attributable to owners of the Company of approximately HKD71.7 million for the Comparable Year. The loss for the year attributable to owners of the Company was mainly due to the fair value loss on financial assets at fair value through profit or loss, the increase in the provision of allowance of inventories, the significant reduction in the increase in fair value of investment properties, the absence of gain on write-back of other payables, and the outbreak of novel coronavirus (COVID-19) which caused disruptions to certain numbers of business activities of the Group where the operating revenue of the Group has significantly deteriorated.

Management Discussion and Analysis

MARKET INFORMATION

During the Year, revenue from the PRC, Hong Kong and other Asian countries comprised of approximately 92.4% (2019: approximately 97.4%) of the total revenue and the remaining of approximately 7.6% (2019: approximately 2.6%) shared between the United Kingdom, the United States of America and other countries.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group had bank balances and cash amounted to approximately HKD234.6 million (2019: approximately HKD129.8 million). The Group was offered banking facilities amounted to approximately HKD1,605.1 million (2019: approximately HKD1,426.0 million).

As at 31 December 2020, the Group's bank borrowings amounted to approximately HKD1,605.1 million (2019: approximately HKD1,410.9 million). The Group had variable interest-rate bank borrowings carried at interest rates from approximately 1.79% to 6.03% (2019: approximately 4.10% to 6.03%) per annum. The weighted average effective interest-rate was approximately 3.5% (2019: approximately 4.7%) per annum. The Group's gearing ratio was expressed as a percentage of total outstanding net debt (being the total bank borrowings less bank balances and cash) to total equity was approximately 47.3% (2019: approximately 43.7%). Approximately HKD601.0 million (2019: approximately HKD198.8 million) must be repaid within one year, while approximately HKD193.8 million (2019: approximately HKD1,108.7 million) must be repaid over one year but within two years and the remaining approximately HKD810.3 million (2019: approximately HKD103.4 million) must be repaid over two years but within five years.

As at 31 December 2020, the Group's current assets and current liabilities were approximately HKD932.3 million (2019: approximately HKD997.6 million) and approximately HKD925.6 million (2019: approximately HKD557.6 million) respectively. Accordingly, the Group's current ratio was expressed as current assets to current liabilities was approximately 1.01 (2019: approximately 1.79).

PLEDGE OF ASSETS

As at 31 December 2020, the Group 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, HKD1,436.9 million, HKD1,383.6 million, HKD279.0 million and HKD41.8 million as at 31 December 2020 (2019: approximately HKD282.0 million, HKD nil, HKD1,314.4 million, HKD269.1 million and HKD37.2 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 31 December 2020, the Group's capital commitments was approximately HKD57.2 million in respect of the construction costs of outlet mall buildings located in Shenyang, the PRC (2019: approximately HKD51.4 million in respect of the capital contribution of the unlisted equity investment outside Hong Kong).

Save as disclosed above, the Group had no other material capital commitments as at 31 December 2020.

CAPITAL EXPENDITURE

The capital expenditure including purchases of property, plant and equipment, additions to intangible assets, interest expenses on bank borrowings and construction costs of outlet malls located in Shenyang and Xiamen, the PRC were approximately HKD61.6 million for the Year (2019: approximately HKD467.7 million).

CONTINGENT ASSETS AND 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 39 to the audited consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group's total number of employees was 406 (2019: 465). Employees' costs (excluding directors' emoluments) amounted to approximately HKD67.1 million (2019: approximately HKD72.9 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 US Dollars. During the Year, the Group did not enter into any financial derivatives for hedging purpose. However, the management monitors foreign exchange exposure from time to time. Appropriate measures would be undertaken by the management when the exchange rate fluctuations become significant.

SIGNIFICANT EVENTS AFTER THE YEAR

Save as the disclosed in this Annual Report, there were no significant events affecting the Group that had occurred after 31 December 2020 and up to date of this Annual Report.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HKD0.005 (2019: HKD0.008) per Share for the Year, which is subject to the approval of the Shareholders at the Annual General Meeting to be held on Friday, 25 June 2021. The final dividend is proposed to be paid on or about 28 July 2021 to the Shareholders whose names appear on the register of members of the Company at the close of business on 6 July 2021.

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 Year.

FUTURE PROSPECTS

Looking ahead, the pandemic urges more people to pay attention to their health and to exercise to strengthen their bodies. With the vaccines being available and widely used, the global economy will gradually move away from the shadow of the pandemic and be back on the track. Meanwhile, the PRC government values the developing direction of big consumption and internal circulation and keeps putting forward policies that encourage sports, brightening the prospect of sports and retail industry. The Group will continue to explore opportunities and plan the development of each brand in a forward-looking manner, to enhance its own value in the ever-changing market, and to seek victory amid stability with sustainable development as the operation target.

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Cheng Tun Nei, aged 57, has been appointed as the Executive Director since 15 December 2014 and was further appointed as the Chief Executive Officer on 30 September 2015. He is the chairman of the Nomination Committee. Mr. Cheng is mainly responsible for the formulation of development strategies of the Group, as well as giving guidance to the Group's project investment, financing and investment. He is also a director of certain subsidiaries of the Company.

He is an experienced investor in securities and also a seasoned businessman engaging in securities and financing, consultancy, hotel investment, real estate investment and development, import and export of cigarettes, perfume and cosmetic products business for many years. He is also a director of Goldsilk Capital Limited, a substantial shareholder of the Company under the SFO.

Mr. Cheng was appointed as the executive director and chairman of the investment and management committee of Lamtex Holdings Limited (HKSE: 1041) on 19 March 2020 and resigned from the positions on 30 July 2020.

Mr. Chan Kar Lee Gary, aged 65, has been appointed as the Executive Director on 2 January 2014. He was further appointed as the Chief Operating Officer on 1 November 2014. From January 2019, he has been in-charge of branding business and other general operations of the Group. Since January 2021, he has also been appointed as chief executive officer of SYM ITO Sales & Distribution Company Limited, a joint venture between the Company and ITOCHU Corporation. He is a director of certain subsidiaries of the Company as well.

Mr. Chan possesses over 35 years of professional experience in marketing, sales, distribution and management in fast-moving consumer goods with multi-national corporations such as LVMH, British American Tobacco and Imperial Tobacco Group.

He holds an EMBA degree awarded jointly by the Business School of Hong Kong University of Science and Technology and the Kellogg School of Management of Northwestern University. He has also attended management courses at Stanford Law School, Harvard Business School and the Wharton School.

Mr. Lee Cheung Ming, aged 49, joined the Group in September 2014 and was appointed as the Executive Director on 1 January 2019. He is responsible for the property development and investment in the PRC of the Group. He is also a director of certain subsidiaries of the Group.

Mr. Lee possesses around 20 years of experience in hotel and real estate development cum investment in the PRC. He completed a business administration course with the Beijing Economy Management Distance Learning College.

Mr. Lee is the brother-in-law of Mr. Cheng Tun Nei, the Chairman and substantial shareholder of the Company.

Biographies of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chow Yu Chun Alexander, aged 74, has been appointed as the Independent Non-executive Director since 15 December 2014 and is the chairman of the Audit Committee and the member of the Remuneration Committee.

Mr. Chow possesses over 40 years of experience in commercial, financial and investment management in Hong Kong and the PRC. He is currently also an independent non-executive director of Playmates Toys Limited (HKSE: 869) and China Strategic Holdings Limited (HKSE: 235). Furthermore, he is also an independent non-executive director of Aquis Entertainment Limited (ASX: AQS), a company listed on Australian Securities Exchange. He was the independent non-executive director of Top Form International Limited (HKSE: 333) from 10 February 1993 to 31 October 2019.

Mr. Shum Pui Kay, aged 72, has been appointed as the Independent Non-executive Director since 27 November 2013 and is the member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Mr. Shum possesses over 30 years of experience in the retailing and distribution of luxurious goods. He was instrumental in the establishment and expansion of the renowned French leather good brand Longchamp in the Asia Pacific region and has served as the chairman of the Asia Pacific region of the brand Longchamp since 1978.

Mr. Wah Wang Kei Jackie, aged 54, has been appointed as the Independent Non-executive Director since 27 November 2013 and is the member of each of the Audit Committee and the Nomination Committee and the chairman of the Remuneration Committee.

Mr. Wah graduated from The University of Hong Kong in 1990 and was qualified as a solicitor in 1992. Up until 1997, he was a partner of a Hong Kong law firm. He is currently an executive director of CST Group Limited (formerly known as NetMind Financial Holdings Limited) (HKSE: 985). Mr. Wah retired from G-Resources Group Limited (HKSE: 1051) on 15 June 2018 as the executive director.

SENIOR MANAGEMENT

Mr. Benjamin Fitzmaurice, aged 46, joined the Group in November 2019 and is currently the chief operating officer of "SKINS".

Before joining the Group, he spent the previous 10 years in the sports consumer industry on both brand and fabric supplier sides in management board, chief operating officer and general counsel roles. Prior to that, he practised law as a Barrister-at-Law at the Victorian and Tasmanian Independent Bars specialising in commercial law, trade practices, intellectual property, contract and sports law. Mr. Fitzmaurice was a panel member of the Olympic and Commonwealth Games Selection Appeal Panels and is a member of the High Court of Australia, Supreme Court of Victoria and Supreme Court of Tasmania. He holds a Masters of International Business Law with Distinction Honours from the University of Cumbria.

Mr. Simon Goodfellow, aged 46, joined the Group in August 2019 and is currently the chief commercial officer of "SKINS".

Prior to joining the Group, he had been working for various consumer and sports industry brands in chief executive officer and international sales director roles. He has accumulated over 18 years of experience in sales, marketing, e-commerce and the international distribution of branded products. He graduated with a Bachelor of Arts degree in Design from Nottingham Trent University.

Mr. Toshiya Shimada, aged 55, was seconded by ITOCHU Corporation to join the Group in February 2021 as chief strategy officer of SYM ITO Sales & Distribution Company Limited, a joint venture between the Company and ITOCHU Corporation. He is currently responsible for overall strategies and manufacturing functions for "SKINS".

He graduated from Kobe University of Commerce and started his career with ITOCHU Corporation in 1988. For over 32 years he has been specializing in garment manufacturing and brand marketing aspects, Mr. Shimada had been working as heads of different sections/branches of ITOCHU companies in the United States and Korea.

Ms. Liu Li-jun, aged 50, joined the Group in December 2014 and is currently the general manager of Shenyang Park Outlets and Xiamen Park Outlets.

Ms. Liu has almost 30 years of experience in business operation and management. She possesses extensive experience and practical skills in luxury product distribution and management, administration, property and human resources management. Since 2016, she has been responsible for the overall operation of Shenyang Park Outlets. Under her stewardship, Shenyang Park Outlets was awarded various honours. She graduated from the School of Continuing Education, Northeastern University major in financial management.

Mr. Tsui Shing Lung Eric, aged 44, joined the Group in February 2011 and is currently the general manager of Supremium Bio-Technology Limited.

Mr. Tsui possesses 20 years of operations and management experience in retail, wholesale, manufacturing and business development across various industries including consumer electronics, duty-free goods and healthcare products in the PRC, Taiwan and Hong Kong. He holds a Diploma of Business Management from Hong Kong Baptist College (now known as Hong Kong Baptist University).

Biographies of Directors and Senior Management

Mr. Chan Chuk Hei Andersen, aged 42, joined the Group in October 2019 and currently serves as vice president for PONY operation.

Mr. Chan has over 12 years of experience in the sporting goods industry, focusing on product and brand management. He worked previously with Belle International Holdings Limited, Swire Resources Limited and Win Hanverky Holdings Limited. He graduated with a Bachelor of Science degree from the University of Hong Kong.

Mr. Chan Chun Yeung Darren, aged 39, joined the Group as financial controller in June 2020.

Previously, Mr. Chan has held the positions of executive director, financial controller, company secretary, authorised representative and compliance officer in two separate Hong Kong listed companies. He has approximately 15 years of solid experience in the field of accounting and finance. He also has extensive knowledge on corporate governance and company secretarial matters. He is a fellow practicing member of the Hong Kong Institute of Certified Public Accountants. He graduated with a Bachelor of Commerce degree from the University of British Columbia.

Mr. Cheng Kar Chun Peter, aged 51, joined the Group as legal counsel in July 2019.

Mr. Cheng is a practicing solicitor admitted in the High Court of Hong Kong with over 20 years of legal experience. He has worked as legal counsel for various groups in the property development and media industry and he specializes in the area of commercial, corporate, property, construction and intellectual property law. He graduated with a Bachelor of Laws (with Honours) from the University of Hong Kong and a Masters of Laws from the University of London.

Mr. Yeung King Hang, aged 30, joined the Group in August 2020 and is currently the company secretary of the Company.

Mr. Yeung obtained a Master degree in Corporate Governance and Compliance in Hong Kong Baptist University and has over 7 years of experience in company secretarial duties in listed companies in Hong Kong. He is an associate member of the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute.

Ms. Fung Kim Wan Ewim, aged 57, joined the Group in July 2014 and is currently responsible for overseeing the financial services business of the Group.

With over 33 years of experience in business administration, operational and customer relationship management, Ms. Fung has been one of the key management members of a leading tobacco company in Hong Kong. Her main responsibilities include supervising and managing the distribution of products for the duty-free business. She graduated from the City College of Commerce in the discipline of business studies.

Directors' Report

The Directors would like to present the Annual Report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are mainly consisted of:

- Branding: (i) development and management of "PONY" and "SKINS" trademarks; (ii) retailing and provisions of sourcing services for branded apparel, swimwear and accessories; (iii) sourcing, manufacturing and trading of healthcare products; and (iv) operation of duty-free shops;

- 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 principal activities of the Company's principal subsidiaries are set out in Note 45 to the consolidated financial statements and an analysis of the performance of the Group for the Year by operating segments is set out in Note 6 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group including the challenges faced and ways to tackle them together with a discussion of the Group's future development are provided in the Chairman's Statement on pages 3 to 4 and Management Discussion and Analysis on pages 5 to 9 of this Annual Report. An analysis of the Group's performance during the Year is included in the Management Discussion and Analysis on pages 5 to 9. A description of the financial risks including but not limited to foreign currency risk, interest rate risk, credit risk, liquidity risk, equity price risk could be found in the Management Discussion and Analysis on pages 5 to 9 and Note 38 to the consolidated financial statements. A discussion of the Group's environmental policies and performance is provided in the ESG Report on pages 32 to 55 of this Annual Report. The above sections form part of the Report of Directors.

RESULTS AND DIVIDENDS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and the consolidated statement of comprehensive income on pages 62 to 63 of the Annual Report.

The Board recommended the payment of a final dividend of HKD0.005 (2019: HKD0.008) per Share to the Shareholders in respect of the Year, in total of approximately HKD14,871,000 (2019: HKD23,794,000). The final dividend proposed after the end of reporting period was not reflected as dividend payable in the consolidated financial statements as at 31 December 2020 and 2019.

The proposed final dividend is expected to be paid on or about 28 July 2021 to the Shareholders whose names appear on the register of members of the Company at the close of business on 6 July 2021. The payment of dividend is subject to the approval of Shareholders at the Annual General Meeting to be held on Friday, 25 June 2021.

PROPERTY, PLANT AND EQUIPMENT

The Group's leasehold land and buildings were revalued at 31 December 2020. The revaluation resulted in a surplus of approximately HKD48,198,000 which was credited directly to the properties revaluation reserve.

Details of movements during the Year in property, plant and equipment of the Group are set out in Note 14 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years is set out on page 200 of the Annual Report.

INVESTMENT PROPERTIES

The Group's investment properties as at 31 December 2020 were fair valued by an independent firm of professional property valuers. The net increase in fair value of approximately HKD6,066,000 was credited directly to profit or loss.

Details of movements in the investment properties of the Group during the Year are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the Year are set out in Note 33 to the consolidated financial statements.

BONUS WARRANT

On 18 March 2016, the Company announced a proposed bonus issue of warrants on the basis of one warrant for every five shares held on the record date (i.e. 17 June 2016). On 6 July 2016, approximately 539,733,000 units of warrants were issued. Each warrant entitles the holder thereof to subscribe in cash for one share at the initial subscription price of HKD1.00 per share subject to adjustments. The warrants were exercisable at any time during a period of three years commencing from the date of issue of the warrants (i.e. 6 July 2016). Details of the bonus warrants are disclosed in the Company's circular dated 29 April 2016.

On 5 July 2019, the subscription right to exercise the warrants for subscribing the shares of the Company granted to its qualifying shareholders was expired.

RESERVES

Details of movements in the reserves of the Company during the Year are set out in the consolidated statement of changes in equity on pages 66 to 67 of this Annual Report and Note 36 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The reserves of the Company available for distribution to the Shareholders as at 31 December 2020 were as follows:

	2020 **HKD'000**	2019 HKD'000
Share premium	**1,071,657**	1,071,657
Contributed surplus	**586,774**	586,774
(Accumulated loss)/retained profits	**(4,068)**	60,737
	1,654,363	1,719,168

DISTRIBUTABLE RESERVES OF THE COMPANY *(Continued)*

Under the Companies Act 1981 of Bermuda (as amended), the balances in a company's contributed surplus and share premium accounts are available for distribution. However, the company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

(a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the assets of the Company would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The Company's share premium account may be applied to pay up unissued Shares to be issued to the Shareholders as fully paid bonus shares.

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

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

SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") was adopted by the Company on 10 June 2011 which 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 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.

During the Year and the Comparable Year, no share option was granted, exercised, expired, or lapsed and as at the date of this Annual Report, there was no outstanding share option under the Share Option Scheme adopted by the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme, no equity-linked agreements that will or may result in the Company issuing shares or requiring the Company to enter into an agreement that will or may result in the Company issuing shares was entered into by the Company during the Year or subsisted at the end of the Year.

Details of the Share Option Scheme are set out in the section headed "Share Option Scheme" in the Annual Report.

DIRECTORS

The Directors of the Company during the Year and up to the date of the Annual Report were:

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

The Directors' biographical details are set out in the section headed "Biographies of Directors and Senior Management" in this Annual Report.

Information regarding Directors' emoluments is set out in Note 11 to the consolidated financial statements. An annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules has been received from each of the Independent Non-executive Directors. The Company considered that all the Independent Non-executive Directors were independent, and that no family, material or other relevant relationships existed between any of them. In addition, save as disclosed in the Directors' biographies, none of the Directors was related to any of the others.

DIRECTORS' SERVICE CONTRACT

All the Executive Directors have respectively entered into a service contract with the Company for a term of two years unless terminated by not less than three month's notice in writing served by either party on the other.

None of the Directors who are proposed for re-election at the Annual General Meeting has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

During the Year, no contract concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, every Director shall be entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she shall or may incur or sustain in or about the execution of the duties of his/her office or otherwise in relation thereto, provided that the indemnity shall not extend to any matter in respect of their own fraud or dishonesty.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group during the Year and up to the date of this Annual Report.

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

As at 31 December 2020, 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 SFO) which (a) were required to be notified to the Company and 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 to be notified to the Company and the Stock Exchange were as follows:

Long positions in the Shares:

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	126,870,000	1,198,060,000	40.28%
	Interest in a controlled corporation	1,071,190,000	*(Note 1)*	
Chan Kar Lee Gary	Beneficial owner	9,000,000	9,000,000	0.30%
Lee Cheung Ming ("**Mr. Lee**")	Beneficial owner	91,050,000	93,050,000	3.13%
	Interest of spouse	2,000,000	*(Note 2)*	
Shum Pui Kay	Beneficial owner	10,000,000	10,000,000	0.34%

Notes:

1. Mr. Cheng owned the entire issued share capital of Goldsilk Capital Limited ("**Goldsilk**"). As at 31 December 2020, Goldsilk was directly interested in 1,071,190,000 Shares. Together with his direct interest as beneficial owner of 126,870,000 Shares, Mr. Cheng was deemed to be interested in 1,198,060,000 Shares in total. On 13 January 2021, the Company was notified by Mr. Cheng that he further purchased 2,000,000 Shares. As at the date of this Annual Report, Mr. Cheng was deemed to be interested in 1,200,060,000 Share in total, representing approximately 40.35% of the issued share capital of the Company.

2. Mr. Lee was directly interested in 91,050,000 Shares and he was deemed to be interested in 2,000,000 Shares held by his spouse. He was thus deemed to be interested in 93,050,000 Shares 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 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 Year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this Annual Report, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during the Year or at the end of the Year.

DIRECTORS'/CONTROLLING SHAREHOLDERS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this Annual Report, no transactions, arrangements or contracts that are significant to the Group's business to which any of its subsidiaries was a party and in which a Director or controlling shareholder of the Company or his/her/its connected person had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors and their respective close associates has any competing interests which need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

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

As at 31 December 2020, the following 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 Shares:

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	126,870,000 1,071,190,000	1,198,060,000 *(Note 1)*	40.28%
Li Wa Hei ("**Madam Li**")	Interest of spouse	1,198,060,000	1,198,060,000 *(Note 1)*	40.28%
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%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Long positions in the Shares: *(Continued)*

Notes:

1. As at 31 December 2020, Goldsilk was directly interested in 1,071,190,000 Shares and Goldsilk is wholly owned by Mr. Cheng. Together with his direct interest as beneficial owner of 126,870,000 Shares, Mr. Cheng was thus deemed to be interested in 1,198,060,000 Shares. Madam Li is the wife of Mr. Cheng and she was also deemed to be interested in 1,198,060,000 Shares. On 13 January 2021, the Company was notified by Mr. Cheng that he further purchased 2,000,000 Shares. As at the date of this Annual Report, Mr. Cheng was deemed to be interested in 1,200,060,000 Share in total, representing approximately 40.35% of the issued share capital of the Company.

2. As at 31 December 2020, Mr. Or was directly interested in 350,000,000 Shares and he also held 120,000,000 Shares jointly with his spouse, Madam Wong. Therefore, Mr. Or and Madam Wong were deemed to be interested in 470,000,000 Shares.

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 31 December 2020.

CHARITABLE DONATIONS

During the Year, the Group made charitable and other donations totalling approximately HKD107,000 (2019: HKD30,000).

EMOLUMENT POLICY

The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence. The emoluments of the Executive Directors are reviewed by the Remuneration Committee and determined by the Board, having regard to the Group's operating results, individual performance and prevailing market condition. The emoluments of the Independent Non-executive Directors are reviewed by the Remuneration Committee and determined by the Board.

No Director or any of his or her associates was involved in deciding his or her own remuneration.

PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float throughout the Year and up to the date of this Annual Report.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 24 to 31 of the Annual Report.

MAJOR CUSTOMERS, SUPPLIERS AND DISTRIBUTORS

During the Year, sales to the Group's five largest customers accounted for 13% (2019: 18%) of the total sales for the Year and sales to the largest customer included therein amounted to 4% (2019: 6%). The Group's five largest suppliers accounted for 96% (2019: 93%) of the Group's total purchases and amount which 69% (2019: 76%) is attributed to the largest supplier for the Year.

The Group's largest supplier that accounts for 69% of the total purchases is Shanghai Descente Commercial Co., Ltd. ("**Shanghai Descente**"), a substantial shareholder of Arena (Shanghai) Industrial Co., Limited ("**Arena Shanghai**") (an indirect non-wholly owned subsidiary of the Company). Shanghai Descente has appointed Arena Shanghai to be its exclusive distributor for the PRC from 2017 to 2021. Shanghai Descente is contractually bound to supply swimwear products to Arena Shanghai during the term of the distribution agreement. Further details are found in the Company's announcements dated 27 February 2017, 22 March 2017, 15 January 2018, 8 May 2019 and 14 May 2019.

MAJOR CUSTOMERS, SUPPLIERS AND DISTRIBUTORS *(Continued)*

To the best knowledge of the Directors, none of the Directors or any of their close associates or any shareholders who holds more than 5% of the Shares has any interests in the customers and suppliers disclosed above.

We are committed to offer a broad and diverse range of life-style, value-for-money and good quality products with our brands to our customers. We stay connected with our customers through maintaining VIP database, ongoing communications, telephone, emails, marketing materials and social media. Training are also provided to sales personnel to provide quality and value-added customer services.

In addition, the Group will continue to widen the customer base by utilizing and maximizing current network.

We have developed long-standing relationships with our suppliers and take great care to ensure that they share our commitment to quality and ethics. We carefully select and assess our suppliers through track record, experience, reputation and ability to provide quality products.

We distribute certain products to end customers through third-party distributors. We work with our distributors like business partners and ensure that they also share our view for upholding brand value and customer services, specifically focusing on attracting and retaining customers in order to drive sales growth. We also monitor regularly the financial position and repayment history of these distributors and their sales performance.

CONTINUING CONNECTED TRANSACTIONS

During the Year, the Group entered into the following transactions which constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules:

(i) the margin financing agreement collectively signed by Mr. Cheng Tun Nei ("**Mr. Cheng**") (a director and a substantial shareholder of the Company), Goldsilk Capital Limited (a company wholly-owned by Mr. Cheng) and China Rise Securities Asset Management Company Limited ("**China Rise**") (an indirect wholly-owned subsidiary of the Company) on 31 December 2018, the aggregate margin financing loan facility was set at HKD10,000,000 for a fixed term of three years. Details of which are disclosed in the Company's announcement dated 31 December 2018;

(ii) the margin financing agreement signed by Ms. Fung Kim Wan Ewim (a director of certain subsidiaries of the Company) and China Rise on 31 December 2018, the aggregate margin financing loan facility was set at HKD10,000,000 for a fixed term of three years. Details of which are disclosed in the Company's announcement dated 31 December 2018;

(iii) the margin financing agreement signed by Mr. Lee Cheung Ming (a director of the Company) and China Rise on 30 October 2019, the aggregate margin financing loan facility was set at HKD10,000,000 for a fixed term of three years. Details of which are disclosed in the Company's announcement dated 31 October 2019; and

The transactions adhere to the margin financing policy of a subsidiary of the Company, which is defined as per guidance from the SFC. All transactions (including but not limited to exposure limit and margin loan outstanding) are subject to review and monitoring on a daily basis by the responsible officer of such subsidiary, whereby margin calls if any shall be followed up with remedial action accordingly.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

(iv) On 27 February 2017, the Company, Arena (Shanghai) Industrial Co., Limited ("**Arena Shanghai**") (an indirect non-wholly-owned subsidiary of the Company), Shanghai Descente Commercial Co., Ltd ("**Shanghai Descente**") (a substantial shareholder of Arena Shanghai), Descente, Ltd. (owner of certain trademarks relating to the "arena" branded products) (collectively, the "**JV Parties**") entered in a joint venture agreement and Shanghai Descente was subsequently issued 30% of the equity interest of Arena Shanghai and thereupon became a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

At the same day after entering the joint venture agreement, the JV Parties entered into a distribution agreement (the "**Distribution Agreement**") for a fixed term of five years, pursuant to which Arena Shanghai was appointed by Shanghai Descente as its exclusive distributor for conducting local marketing activities and the sale and distribution of the "arena" branded products in the PRC.

On 31 December 2017, an agreement supplemental to the Distribution Agreement was entered into between the JV Parties and the annual caps had been amended to RMB130,053,000 for the year ended 31 December 2017, RMB136,312,500 for the year ended 31 December 2018, RMB146,221,500 for the year ended 31 December 2019, RMB180,919,500 for the year ended 31 December 2020 and RMB200,104,500 for the year ending 31 December 2021. The transactions are reviewed and monitored by designated internal team. Details of which are disclosed on the Company's announcements dated 27 February 2017, 22 March 2017, 15 January 2018, 8 May 2019 and 14 May 2019.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The Independent Non-executive Directors have reviewed the above continuing connected transaction and have confirmed that the continuing connected transaction has been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and are in the interests of the Shareholders as a whole.

BDO Limited, the Company's auditor, was engaged to report on the Group's disclosed continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. BDO Limited has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions as disclosed in Note 43 to the consolidated financial statements, all transactions (save as disclosed) which also constitute connected transactions or continuing connected transactions are fully exempted connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Company has complied with the applicable disclosure requirements under Chapter 14A of the Listing Rules in relation to any connected transactions and continuing connected transactions.

MARKET CAPITALISATION

As at 31 December 2020, the market capitalisation of the listed securities of the Company was approximately HKD2,557,834,000 based on the total number of 2,974,225,233 issued shares of the Company and the closing price of HKD0.86 per share.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2020 are set out in Note 29 to the consolidated financial statements.

PLEDGE OF ASSETS

Details of the pledge of assets of the Group are set out in Note 29 to the consolidated financial statements.

RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefits scheme are set out in Note 42 to the consolidated financial statements.

CLOSURE OF MEMBERS

(1) The Annual General Meeting is scheduled to be held on Friday, 25 June 2021. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 22 June 2021 to Friday, 25 June 2021 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order for a Shareholder to be eligible to attend and vote at the Annual General Meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 21 June 2021.

(2) For determining the entitlement to the final dividend for the Year, the register of members of the Company will be closed from Friday, 2 July 2021 to Tuesday, 6 July 2021 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order for a Shareholder to qualify for the final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 30 June 2021.

AUDITOR

The financial statements have been audited by BDO Limited who will retire, and being eligible, offer themselves for reappointment. A resolution will be proposed at the Annual General Meeting to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board

Cheng Tun Nei
Chairman

Hong Kong, 26 March 2021

The Company firmly believes in the value and importance of achieving high standard of corporate governance through transparency, independence and accountability, as well as an effective risk and internal control system. With the merger and acquisition of new businesses, the corporate governance system is constantly reviewed, meticulously re-assessed and necessarily updated at appropriate time, by the Board to ensure that shareholders' and stakeholders' interests are safeguarded.

CORPORATE GOVERNANCE PRACTICE

The Company has complied with the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules throughout the Year except for the following deviations:

(1) Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Cheng Tun Nei ("**Mr. Cheng**") currently serves as both the Chairman and Chief Executive Officer of the Company. In view of the evolving business environment in which the Group operates, the Board is of the view that vesting the roles of both the Chairman and Chief Executive Officer of the Company on Mr. Cheng will provide the Group with strong and consistent leadership while enabling more effective and timely business planning and decision-making process.

(2) Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and are subject to re-election. All Independent Non-executive Directors of the Company were not appointed for specific term but are subject to the requirement to retire by rotation at least once every three years. The Board considers that the requirement has the same effect of accomplishing the same objective as a specific term of appointment.

(3) During the period from 11 August 2020 (the date of the resignation of Ms. So Wai Yee, the former company secretary of the Company) to 10 December 2020, the Company did not comply with the requirement under Rule 3.28 of the Listing Rules and the relevant code provisions of the CG Code. On 10 December 2020, Mr. Yeung King Hang was appointed as the company secretary of the Company and the Company re-complied with such requirement and the relevant code provisions hereafter.

SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, each of them confirmed his compliance with the required standard set out in the Model Code for the Year.

Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with guidelines on no less exacting terms than the Model Code.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

Promoting good corporate governance and managing enterprise-wide risk is a priority of the Company. The Company is convinced that corporate governance and Directors and Officers Liability Insurance (the "**D&O Insurance**") complement each other. The Company has arranged appropriate D&O Insurance coverage on Directors' and officers' liabilities in respect of legal actions against directors and senior management arising out from corporate activities. The D&O Insurance will be reviewed and renewed annually.

BOARD OF DIRECTORS

Board Composition

The Board currently comprises six members, consisting of three Executive Directors and three Independent Non-executive Directors. They include persons with a wealth of practical experiences in securities and financing, investment, business management, accountancy profession, sales, distribution and management in fast-moving consumer goods, properties management and legal profession. There is a balance of skills and experiences appropriate for the requirements of the business of the Company. The composition of the Board complies with Rules 3.10 and 3.10A of the Listing Rules. The current composition of the Board is set out as follows:

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

Mr. Lee Cheung Ming, the Executive Director, is the brother-in-law of Mr. Cheng Tun Nei, the Chairman of the Board. The biographical details of the Directors are set out in the section of "Biographies of Directors and Senior Management" on pages 10 to 11 of this Annual Report.

Roles and Responsibilities

The Board is responsible for leading, directing and supervising the Group's affairs to enable the long-term success of the Group. It sets strategic objectives with focus on value creation and risk management. It also ensures the adequacy of resources, staff qualifications and experience for achieving internal control and transparency requirements.

The Board has established a set of board diversity policy setting out the approach to achieve diversity on the Board aiming at enhancing Board effectiveness and corporate governance as well as achieving our business objectives and sustainable development. Board diversity has been considered from a number of aspects, including but not limited to age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The current Board consists of a diverse mix of Board members appropriate to the requirement of the business of the Company.

Executive Directors are involved in the day-to-day operations of the Group. Independent Non-executive Directors are involved in scrutinising the Group's performance in achieving agreed corporate goals and objectives and monitor performance reporting process. As they are not involved in the daily management of the Group, they bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct. Their presence helps to enhance the Board's balance of skills, experience and diversity of perspectives.

BOARD OF DIRECTORS *(Continued)*

Roles and Responsibilities *(Continued)*

The Board has delegated the authority and responsibility for implementing business strategy and managing day-to-day administration and operations of the Group's business to the Chief Operating Officer and the senior management. While granting management with substantial autonomy to run and develop the business, the Board is proactive in reviewing the results of the delegated functions and work tasks on an ongoing basis.

All Board members have separate and independent access to the Company's management to fulfil their duties, and upon reasonable request, to seek independent professional advice under appropriate circumstances and at the Company's expenses. All Directors also have access to the company secretary who is responsible for ensuring that the Board procedures, and all applicable rules and regulations, are followed. Board meetings are structured so as to encourage open discussion, frank debate and active participation by Directors in meetings. The Company provides the Board with such information and explanations as are necessary to enable Directors to make an informed assessment of the financial and other information put before the Board. Queries raised by Directors are answered fully and promptly. Meeting agenda accompanied by relevant Board/committee papers are distributed to the Directors/committee members with reasonable notice in advance of a Board meeting. Minutes of board meetings and meetings of board committees, which recorded in sufficient detail the matters considered by the Board and decisions reached thereat, including any concerns raised or dissenting views expressed by any Director, are kept by the company secretary and open for inspection by the Directors.

Attendance Records

Details of the attendance of the Board members are as follows:

	Number of meetings attended				
Directors	**Board Meeting**	**Annual General Meeting**	**Audit Committee Meeting**	**Renumeration Committee Meeting**	**Nomination Committee Meeting**
Executive Directors					
Cheng Tun Nei	4/4	1/1	N/A	N/A	N/A
Chan Kar Lee Gary	4/4	1/1	N/A	N/A	N/A
Lee Cheung Ming	4/4	1/1	N/A	N/A	N/A
Independent Non-executive Directors					
Shum Pui Kay	4/4	1/1	2/2	N/A	N/A
Wah Wang Kei Jackie	4/4	1/1	2/2	N/A	N/A
Chow Yu Chun Alexander	4/4	1/1	2/2	N/A	N/A

BOARD OF DIRECTORS *(Continued)*

Continuous Professional Development

Every newly appointed Director will receive briefing and professional development so as to ensure that he has appropriate understanding of the Group's business and of his duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements.

The Company also provides regular updates and presentation on the business development of the Group. The Directors are regularly briefed on the latest development of the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices. All Directors are encouraged by the Company to participate in continuous professional development to develop and refresh their professional knowledge and skills.

To enable them to be kept abreast of the latest changes in the business, legal and regulatory environment in which the Group conducts its business, the Company provides continuous professional training to Directors through circulating the Stock Exchange and regulatory updates to Directors.

Directors	Directors' Training*
Executive Directors	
Cheng Tun Nei	✓
Chan Kar Lee Gary	✓
Lee Cheung Ming	✓
Independent Non-executive Directors	
Shum Pui Kay	✓
Wah Wang Kei Jackie	✓
Chow Yu Chun Alexander	✓

* including regular information updates and reading materials relating to regulatory updates

Independence of Non-executive Directors

The Company confirms that the Board has received from each of the Independent Non-executive Directors, namely, Mr. Shum Pui Kay, Mr. Wah Wang Kei Jackie and Mr. Chow Yu Chun Alexander, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, and, having taken into account the factors as set out in Rule 3.13 of the Listing Rules in assessing the independence of Independent Non-executive Directors, the Company considers that all Independent Non-executive Directors are independent.

CHAIRMAN AND CHIEF EXECUTIVE

The Chairman is responsible for the management of the Board and external corporate communication whereas the chief executive is responsible for the day-to-day operation, among other matters, the implementation of overall strategy and direction set by the Board.

Mr. Cheng Tun Nei 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.

BOARD COMMITTEES

The Board has established three committees namely the Audit Committee, the Remuneration Committee and the Nomination Committee with defined terms of reference, which are in line with the CG Code, for overseeing the respective aspects of the Company's affairs. All committees comprise a majority of Independent Non-executive Directors.

Audit Committee

The Audit Committee was established in accordance with written terms of reference accessible on the websites of the Company and the Stock Exchange.

The Audit Committee oversees the audit process and provides an independent review of the effectiveness of the financial reporting process and the internal control procedures. The chairman of the Audit Committee possesses appropriate accounting or related financial management expertise as required under the Listing Rules.

The Audit Committee currently consists of three Independent Non-executive Directors. The chairman of the committee is Mr. Chow Yu Chun Alexander and the members are Mr. Shum Pui Kay and Mr. Wah Wang Kei Jackie.

For the Year, the Audit Committee held two meetings to discuss and review with the external auditor and senior management for, inter alia, the interim and annual results of the Group. The work performed by the Audit Committee during the Year included: (i) discuss of the accounting principles and practices being adopted together with auditing and financial reporting matters; (ii) discuss of the nature and scope of the audit and determined the scope and extent of the interim review with the external auditor; (iii) review of the interim and annual financial statements of the Group, including true and fairness, integrity and significant financial reporting judgements contained therein; and (iv) review of and recommendations to the Board on the re-appointment of the external auditor after considering on the terms of engagement of the external auditor.

The Audit Committee also reviewed the risk management and internal control systems of the Group with an independent internal audit service provider for the Year. No material findings had been identified.

Auditor's Remuneration

A summary of remuneration paid to the external auditor of the Company, BDO Limited, for the audit services and non-audit services for the Year is as follows:

	2020 HKD'000
Nature of services	
Audit services	2,030
Non-audit services	320

The Group's external auditor is BDO Limited, their independence is a fundamental governance principle. The lead audit partner of BDO Limited is subject to rotation every seven years pursuant to the International Federation of Accountants rules on independence of external auditors. As part of the rotation, the current lead audit partner was first appointed for the 2017 financial year end audit. The non-audit services during the Year provided by external auditors included interim review.

BOARD COMMITTEES *(Continued)*

Remuneration Committee

The Remuneration Committee was set up with written terms of reference posted on the websites of the Company and the Stock Exchange to assist the Board in achieving its objectives of attracting, retaining and motivating the highest calibre and experience needed to shape and execute the business strategies across the Group in order to maximise the shareholder value.

The Remuneration Committee currently consists of three Independent Non-executive Directors. The chairman of the Remuneration Committee is Mr. Wah Wang Kei Jackie and the members are Mr. Shum Pui Kay and Mr. Chow Yu Chun Alexander.

During the Year, the Remuneration Committee by way of written resolutions to consider and approve the following matters: (i) reviewed and recommended the remuneration packages of individual Executive Directors, considering the experience, qualifications, business performance, market practices and competitive market conditions. The recommended remuneration package is performance-based and includes salaries, discretionary bonus and share options; and (ii) made recommendations to the Board on the remuneration of Independent Non-executive Directors. The Independent Non-executive Directors are compensated fairly with reference to their effort and time dedicated to the Board.

Details of Directors' and five highest paid individuals (including the Directors) during the Year are set out in Note 11 to the consolidated financial statements.

Nomination Committee

The Nomination Committee was established with written terms of reference accessible on the websites of the Company and the Stock Exchange and responsible for reviewing and providing recommendations to the Board on the nomination policy, evaluate and assess the optimal composition of the Board, considering the Group's strategies and objectives and take up a key role in recruitment of board members.

The Nomination Committee currently consists of one Executive Director and two Independent Non-executive Directors. The Nomination Committee is chaired by Mr. Cheng Tun Nei while Mr. Shum Pui Kay and Mr. Wah Wang Kei Jackie are the members.

During the Year, the following matters are considered and approved by the Nomination Committee in the way of written resolutions: (i) reviewed the structure, size and composition of the Board; (ii) assessed the independence of Independent Non-executive Directors; and (iii) made recommendations to the Board for re-election of the retiring Directors at the annual general meeting of the Company held on 12 June 2020.

Nomination and Appointment of Directors

The Nomination Policy for the Directors is embedded in the Nomination Committee's terms of reference. The policy stipulates the nomination, appointment, re-appointment of Directors and the nomination procedures of the Company, which provides that in evaluating and selecting any candidate for directorship, the Nomination Committee shall consider the candidates' high ethical character with reputation for integrity, professional qualifications, skills, knowledge and experience, independence, diversity on the Board, willingness to devote adequate time to discharge the director's duties, any potential contributions the candidate can bring to the Board and such other perspectives that are appropriate to the Company's business.

During the Year, the Board reviewed its composition, the retirement and re-appointment of Directors. No new Director was appointed.

Corporate Governance Report

COMPANY SECRETARY

Mr. Yeung King Hang ("**Mr. Yeung**") has been appointed as the company secretary of the Company since 10 December 2020.

In 2020, Mr. Yeung completed over 15 hours of professional training and confirms that he has complied with the requirements under Rule 3.29 of the Listing Rules.

CORPORATE GOVERNANCE FUNCTION

In order to achieve enhanced corporate governance of the Company, the Board has committed to constantly review the Company's policies and practices on corporate governance, the training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the code of conduct and compliance manual applicable to employees and the Directors, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report. During the Year, the Board performed the duties relating to corporate governance matters as aforementioned.

RISK MANAGEMENT AND INTERNAL CONTROLS

Risk identification and control is the Board's responsibility. When the Board pursues the Group's long-term strategic objectives, it also deals with internal control issues including the Group's risk appetite, risk and return trade-offs, risk management and internal control systems.

Procedures are designed to identify and manage risks that might adversely impact the Group's business operations. Through the establishment of policies and internal guidelines such as the approval of detailed operational and financial reports, budgets and plans provided by the management of the business operations; inhouse code for the approval and control of expenditures; periodic review of actual results against budget or forecast; annual review by the Audit Committee of the ongoing work of the Group's internal audit and risk management functions, the effectiveness of the internal control systems is ensured.

An independent service provider was appointed to assist the Board to monitor the effectiveness of the risk management and internal control system of the Group. The service provider performed annual risk management and internal control review of the procedures, systems and controls of the Company in accordance with "Internal Control Integrated Framework". A Risk Management and Internal Control Review Report was submitted to the Audit Committee and the Board on a half-yearly basis so that remedial actions can be taken by formalizing management policies to manage external and internal risks in a systematic and timely manner.

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those with significant impact on the Group. As far as the Company is aware of, the Group has complied, in material respect, with the relevant rules and regulations promulgated by the relevant regulatory bodies to which the Group operates its business in and holds the relevant required licences for conducting certain licensed activities.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements which give a true and fair view of the state of affairs of the Group, in accordance with accounting principles generally accepted in Hong Kong. The statement by the auditor of the Company about their responsibilities for the consolidated financial statements is set out in the "Independent Auditor's Report" contained in this Annual Report.

SHAREHOLDERS' COMMUNICATION

The Board recognises the importance of maintaining an effective two-way communication with its stakeholders. Information in relation to the Group is disseminated to the Shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars. Such published documents together with the latest corporate information and news are also made available on the websites of the Stock Exchange and the Company at www.symphonyholdings.com. The annual general meeting of the Company provides a forum for communication between the Board and the Shareholders.

During the Year, no change was made to the constitutional documents of the Company.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group realises the importance of environmental protection in pursuing long-term sustainability. In particular, the Group promotes water and energy saving, recycling of materials at its offices such as putting up notices in the restrooms and pantry reminding staff members to save water, switching off idle lightings, air-conditioning and electrical appliances. The Group also encourages the use of recycle papers and doubled sided printing. The Group is committed to improving environmental sustainability and will closely monitor the performance. The ESG Report of the Company is included on pages 32 to 55 of this Annual Report.

SHAREHOLDERS' RIGHTS

Procedures for Convening Special General Meetings by Shareholders

Pursuant to bye-law 58 of the Bye-laws, the Board may whenever it thinks fit call special general meetings.

Special general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings.

Such requisition shall be made in writing to the Board or the company secretary of the Company by mail at 10/F., Island Place Tower, 510 King's Road, North Point, Hong Kong for the purpose of requiring an special general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in accordance with the provision of section 74(3) of the Companies Act 1981 of Bermuda.

Procedures for Putting Forward Proposals at Shareholders' Meeting

Shareholders are requested to follow bye-law 58 of the Bye-laws for including a resolution at a special general meeting. The requirements and procedures are set out above in the paragraph headed "Procedures for Convening Special General Meetings by Shareholders".

DIVIDEND POLICY

The Company aims to provide stable and sustainable dividends to the Shareholders, linked to the earning performance of its business. The Board considers the Company's future business funding need and the Company's financial position when deciding the dividend amount to be paid.

To give flexibility to the Board in making payout decisions after having regard to the circumstances then pertaining, the dividend policy does not specify any payout ratio, the form of dividends shall take. The policy will be subject to review by the Board from time to time and be updated as and when considered necessary.

Environmental, Social and Governance Report

INTRODUCTION

Purpose of the Report

Symphony Holdings Limited ("**Symphony Holdings**" or the "**Company**") and its subsidiaries (collectively, the "**Group**", "**we**" or "**us**") are pleased to publish the Environmental, Social and Governance Report (the "**Report**") for the period from 1 January 2020 to 31 December 2020 (the "**Reporting Period**") to disclose our approach, strategy and performance in environmental, social and governance, enabling our stakeholders to understand our initiatives and achievements of sustainable development in the past year.

Reporting Scope

Unless otherwise stated, the reporting scope of the Report covers the principal operation of the Group, including:

- the Group's Hong Kong office;
- China Rise Securities Asset Management Company Limited ("**China Rise Securities**");
- Shenyang Park Outlets ("**Shenyang Park Outlets**");
- Xiamen Park Outlets ("**Xiamen Park Outlets**"); and
- the business of the retailing and sourcing services of their branded apparel, swimwear and accessories in the People's Republic of China (the "**PRC**") (the "**Branding Business**").

Among these, Xiamen Park Outlets is a new reporting scope for the year, covering the Xiamen Park Outlets that opened on 8 November 2019. We consider that the said operations represent the Group's main economic, environmental and social impacts during the Reporting Period. The Group will continue to improve its sustainability policy to be aligned with its own development process.

Basis of the Report

This Report has been prepared in accordance with the "Environmental, Social and Governance Reporting Guide" (the "**Guide**") contained in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the disclosure principles set out in the Guide. The content index of the Guide is accompanied with this Report for the convenience of all stakeholders. For details of corporate governance, please refer to the Corporate Governance Report in the Group's 2020 Annual Report.

Reporting Principles

The Report has been prepared in accordance with the following four reporting principles under the guidelines:

Opinions and Feedback

We value the opinions from our stakeholders and are committed to adopting appropriate opinions and suggestions from our stakeholders regarding the Report and the sustainable development of the Group to strive for improvement. Please contact us by emailing us at info@symphonyholdings.com.

SYMPHONY'S SUSTAINABLE DEVELOPMENT STRATEGY

Sustainable Development Governance

Symphony Holdings is a holding company focusing on brand operation and investment management. It owns a number of fashionable sports brands and operates outlet projects in areas including Shenyang and Xiamen, continuing to intensify the brand operation and extensively explore large retail business models. Meanwhile, we are dedicated to integrating environmental, social and governance issues into our daily operations and business decision-making process, fulfilling the Group's corporate social responsibility as a listed company, and promoting sustainable development of the environment and the society. The Group has identified sustainable development issues that are material to the Group and has developed stringent and comprehensive management policies and initiatives for each of the environmental, social and governance subject areas to guide the business and departments in their implementation.

Internal Control and Risk Management

The Board of Directors of Symphony Holdings is responsible for the significant risks, including environmental, social and governance risks, that are confronted by the Group. The Board of Directors ensures that the Group's internal control and risk management system are constantly effective in identifying, assessing, managing and controlling significant risks to minimise the negative impact of these risks on the Group and its stakeholders.

The Group's Audit Committee will regularly review the Group's risk management and internal control and listen to the management and departmental reporting. At the same time, the Group has also appointed an independent internal control adviser to review the Group's risk management and internal control systems on a regular basis, and recommend measures to the Audit Committee. Based on the Group's business development and sustainable development strategy, we regularly review and improve our internal control and risk management system to strive to provide the best.

Communication with Stakeholders

As a pioneer in the industry, the Group takes the opinions of its stakeholders very seriously and considers them to be an important element in making the Group successful and developing forward. We have identified our customers, shareholders, employees, suppliers, business partners, government authorities and regulators as the key stakeholders of the Group. We are committed to establishing and maintaining diverse and two-way channels for communication to maintain a close relationship with stakeholders and to collect their opinions and suggestions on the Group, so we can improve continuously. The details of the channels for communication are set out as follows:

Stakeholders	Means of communication	
Employees	• Performance evaluation • Departmental briefings • Training and workshop • Safety meetings	• Recreational contests • Team building activities • Regular union activities • Questionnaires
Customers	• Communication in daily operations • WeChat official account • Public events	• Customer interviews and opinion collection
Suppliers	• Suppliers performance evaluation • Business meeting	• Site visits • Questionnaires
Shareholders and investors	• Annual general meeting • Announcements and circulars • Group website	• Financial reports • Result announcements • Questionnaires
Government authorities and regulators	• Work reports • Approval and reply on application	• Exchange in meetings
Other busines partners	• Communication in daily operations • Regular meetings	• Questionnaires

MATERIALITY ASSESSMENT

In order to further gather stakeholders' opinions, we engaged an independent third party consultant during the Reporting Period to assist the Group in conducting a materiality assessment in the form of an online survey involving a wide range of stakeholders to help us assess and target management of key sustainability issues. The following is the materiality assessment process:

1. Issue identification

Based on past and daily communication with stakeholders, and with reference to the Guide of the Hong Kong Stock Exchange and material issues of the industry, 26 issues relating to the Group were identified.

2. Materiality evaluation

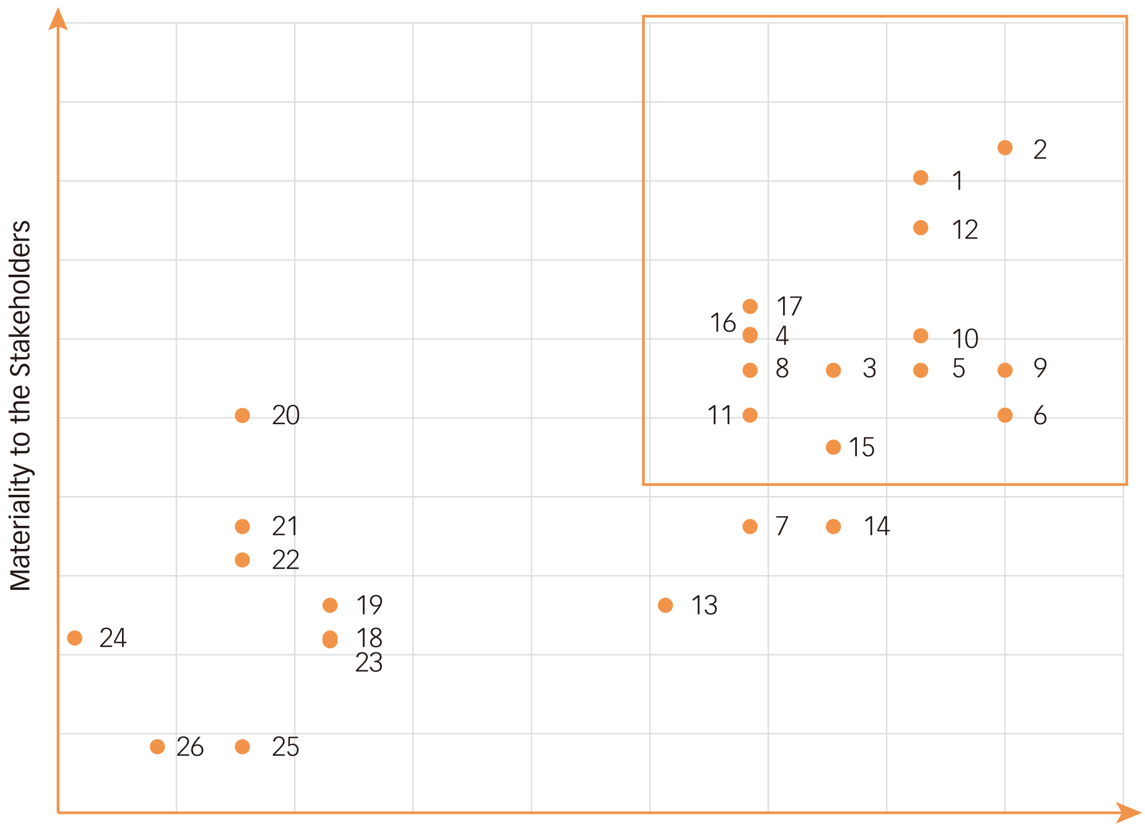
Through various means, including inviting stakeholders to answer online engagement surveys to evaluate the materiality of various issues to the Group and express their opinions on the Group's sustainable development and performance.

3. Comprehensive results analysis

Conduct quantitative analysis on the evaluation of each stakeholder and integrate with the assessment of the senior management of the Group to determine the materiality of each issue, and thereby identify issues that are significant to the Group which is presented in a matrix.

The result of the materiality assessment are presented in the following materiality matrix:

Materiality Matrix



Product and service responsibility		Working environment		Environmental protection and green operation	
1)	Product and service quality	11)	Workplace diversity, anti-discrimination and equal opportunities	18)	Air emissions
2)	Product and customer safety and health	12)	Occupational safety and health	19)	Greenhouse gas emissions
3)	Customer communication and satisfaction	13)	Employee training and development	20)	Treatment and management of waste
4)	Complaint handling	14)	Preventing child and forced labour	21)	Wastewater discharges
5)	Protecting customers' data and privacy	15)	Employee relationships and engagement	22)	Electricity and water saving
6)	Intellectual property	16)	Attracting talents and retaining employees	23)	Sustainable utilization of other resources
7)	Management of advertising and labelling	17)	Employee welfare	24)	Green procurement

Operational practices		Contributions to community	
8)	Supplier/tenant evaluation	25)	Participation in charitable activities
9)	Anti-corruption	26)	Charitable donations
10)	Disaster and emergency response		

The 14 issues in the upper right corner are the most significant issues from this analysis and will be highlighted in the Report.

Material issues		Relevant section of the Report
1)	Product and service quality	Product Responsibility and Customer Service
2)	Product and customer safety and health	Product Responsibility and Customer Service
3)	Customer communication and satisfaction	Sincerity in Customer Service
4)	Complaint handling	Sincerity in Customer Service
5)	Protecting customers' data and privacy	Privacy Protection
6)	Intellectual property	Product Responsibility and Customer Service
8)	Supplier/tenant evaluation	Supply Chain Management
9)	Anti-corruption	Anti-corruption
10)	Disaster and emergency response	Occupational Health and Safety
11)	Workplace diversity, anti-discrimination and equal opportunities	Attracting Talents
12)	Occupational safety and health	Occupational Health and Safety
15)	Employee relationships and engagement	Employee Relationships and Team Building
16)	Attracting talents and retaining employees	Attracting Talents
17)	Employee welfare	Attracting Talents

PRODUCT RESPONSIBILITY AND CUSTOMER SERVICE

To maintain the Group's leading position in the industry, we need to be aware of market trends and everchanging consumer needs and continue to improve the quality of our products and services to bring long-term value to the Group, our customers and other stakeholders. We have established comprehensive management policies in all areas of our business, covering the subject area of product liability including product and service quality, health and safety, advertising, labelling and privacy, in order to provide our employees guidelines for their daily operations. We also comply with all local laws and regulations of where we opreate to ensure business compliance, they include but not limited to the Law of the PRC on Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》), the Product Quality Law of the PRC (《中華人民共和國產品質量法》), the Advertisement Law of the PRC (《中華人民共和國廣告法》), and the Interim Measures for the Administration of Internet Advertisement (《互聯網廣告管理暫行辦法》). During the Reporting Period, the Group did not recall any products due to safety and health reasons, and did not violate any laws and regulations relevant to product safety and health, advertising and labelling issues.

Operations Management

Outlet Business

Based on the operation philosophy of "people-oriented, ethical operation, strict management, and excellent services", Symphony Holdings is committed to operating the Park Outlets to provide visitors with shopping, dining, children's playground and recreational facilities. Currently, we have more than 400 renowned brands in Shenyang and Xiamen Park Outlets, offering visitors a one-stop shopping experience for leisure and entertainment.

We are particularly concerned about the quality of the brands that become our tenants. Before any new tenants join us, we conduct a detailed review of the prospective tenants by examining their business licenses, brand registration certificates, authorisation certificates, and business-related permits, to ensure that they are recognised by the relevant regulatory authorities. We have also established policies and guidelines on product quality to ensure that all products sold in our brand tenants are authorised and that they meet the brand's quality requirements, giving our visitors peace of mind.

In order to provide visitors with a pleasant, safe and welcoming leisure shopping experience, we have staff stationed in the outlets to promptly address any issues or potential risks that may occur in the outlets, to resolve problems for tenants and visitors.

During the Reporting Period, we organised a variety of activities, including but not limited to puppet shows, ethnic cultural parades, games with prizes, lucky draws, and member studios, which enhanced the overall experience of the visitors and their satisfaction with the Park Outlets.

Brand Business

For the Group's apparel and accessories business, we own trademark licenses for international renowned brands of apparel, swimwear and accessories, and trade and retail related products in Mainland China, including sport shoes, compression garments, swimwear and swimming accessories. We only sell products that are authorised by the brand merchants and are approved by the country and the industry, in order to ensure the quality of each product and to protect the rights of our customers.

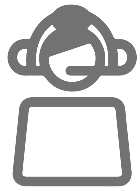
Securities Business

China Rise Securities of Symphony Holdings is principally engaged in securities and related business, and is licensed by the Securities and Futures Commission of Hong Kong to carry out Regulated Activity Type 1 (Securities Dealing), Type 4 (Investment Advisory) and Type 9 (Asset Management). We are able to provide to our customers services for securities trading, margin financing, placing, underwriting, project investment, corporate consultancy, investment consultancy and asset/portfolio management. As securities trading business is subject to strict regulation by the Securities and Futures Commission of Hong Kong and relevant regulatory authorities, we have formulated a series of comprehensive business operation manuals covering subject areas including but not limited to account opening procedures, account closing procedures, customer risk assessment, customer due diligence, transaction monitoring, payment process, trading system security, phone records, suspicious transaction monitoring and reporting, and record retaining. They set out operational processes and standards for staff to follow, ensuring business compliance while protecting the interest of both the Group and its customers.

Sincerity in Customer Service

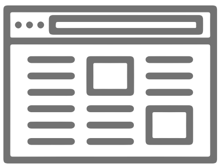
Whether it is our outlet business, branding business or securities business, Symphony Holdings is committed to delivering its best by putting its customers and visitors in top priority, attentively listening to and adopting every opinion and suggestion where appropriate, to continuously improve the business practices and performance of the Group.

Customer Service Hotline



Customer Service Centres

Email



Company Website

Telecommunication Applications

We have also established relevant procedures and rules and policies to guide our customer service staff to properly handle customer complaints, including customers' request for return or exchange, contacting brand tenants to promptly handle product quality issues, understanding and timely handle issues on the site, in order to solve issues for customers in an appropriate and sincere manner and enhance their satisfaction.

During the Reporting Period, a total of one complaint was received by the Group's Park Outlets related to customer services, which was handled in a timely and appropriate manner. No customer complaints were received for the brand business and securities business.

Pandemic Prevention and Control

In response to the COVID-19 pandemic, the health and safety of our employees, tenants and visitors are our top priorities. We have made every effort to comply with the Law of the PRC on the Prevention and Treatment of Infectious Diseases (《中華人民共和國傳染病防治法》) and the Regulation on the Urgent Handling of Public Health Emergencies (《突發公共衛生事件應急條例》) to prevent and fight against the pandemic. For example, we have set up a working group for the prevention of infectious diseases in our Xiamen Park Outlets and implemented a pandemic prevention and control plan to fully implement and supervise pandemic prevention initiatives to minimize the risk of virus transmission. Our initiatives include:

- Conduct daily temperature checks on employees before and after business hours
- Ensure social distancing
- Require employees to wear masks and frequently wash their hands
- Separate staff mealtimes to reduce gathering in large groups, and disinfect dining areas
- Disinfect public areas and facilities on a daily basis
- Request customers to conduct body temperature checks
- If a customer or an employee shows any symptoms, he/she would be quarantined, and we will contact a doctor for initial screening
- If there is a confirmed case, the area will be quarantined and disinfected

Privacy Protection

To protect the interests of the Group, its employees, customers and other stakeholders as much as possible, Symphony Holdings is committed to complying with the Personal Data (Privacy) Ordinance (《個人資料（私隱）條例》) of Hong Kong and other applicable laws and regulations, and making every effort to protect the confidentiality of the documents and information involved in its business. We have a confidentiality policy in place that requires our employees not to disclose such information to external parties without consent, and not to use customer information for purposes not related to business. We also assign dedicated personnel to handle customer data, including phone numbers and identities, to reduce the risk of data breach or leak.

Due to the nature of our business, intellectual property is not a significant issue for the Group.

Advertisement and Promotion

For the advertisement and promotion of products and services, the Group complies with the Advertisement Law of the PRC (《中華人民共和國廣告法》), the Interim Measures for the Administration of Internet Advertisement (《互聯網廣告管理暫行辦法》), the Law of the PRC on Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) and other applicable laws and regulations to protect consumers' rights. As our Park Outlets organise promotional activities from time to time, the brand business would also promote our licensed products. During the preparation of our promotional materials, we arrange to have staff dedicated to reviewing the contents to ensure the truthfulness before releasing them to the public in order to avoid misleading consumers.

With regard to product labelling, we enter into agreements with brand tenants of the Park Outlets, and the agreements require that the goods sold by such brand tenants shall bear complete product labels in compliance with the regulations, and contain product name, brand label, implementation standards, name of the manufacturer, details of the certificate of approval, product specifications and other applicable information, in order to fully protect the consumers' right to know.

Supply Chain Management

Apart from stringent management of our own products and service quality, the Group also expects its suppliers to adopt high standards in providing quality products and services, and at the same time actively fulfil their corporate social responsibilities by incorporating sustainability elements into their business operations, working with us together to promote the sustainable development of our supply chain.

During the Reporting Period, we engaged a total of 271 suppliers, all of which are located in the PRC, attempting to reduce greenhouse gas emissions from transportation. The Group proactively manages the environmental and social risks of its suppliers. We maintain close communication with our suppliers and clarify our philosophy and expectations on sustainable development, in hope that they will adhere to the principles of sustainable development in the provision of products and services, and make a positive impact on the environment and society. Taking the Shenyang Park Outlets as an example, we have strict regulations on the quality of suppliers and tenants, ethics and integrity, code of conduct and other environmental, social and governance subject areas, such as the use of flammable decoration materials is prohibited, including plasterboard, carpet and fabric. In cases such materials and timber must be used in the project, fire retardant initiatives or fire retardant treated products shall be used to ensure the safety of the renovation materials.

We believe that the quality of our suppliers' products and services is closely related to the quality of our services. As such, whether in the process of selecting new suppliers or evaluating existing suppliers, we have established strict procurement processes and management guidelines to ensure that they meet our selection criteria and requirements, including technical proficiency, product and service quality and business compliance.

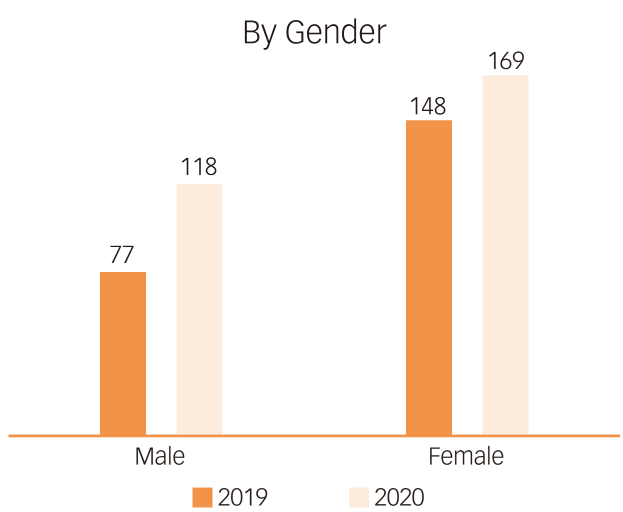
EMPLOYMENT AND LABOUR PRACTICES

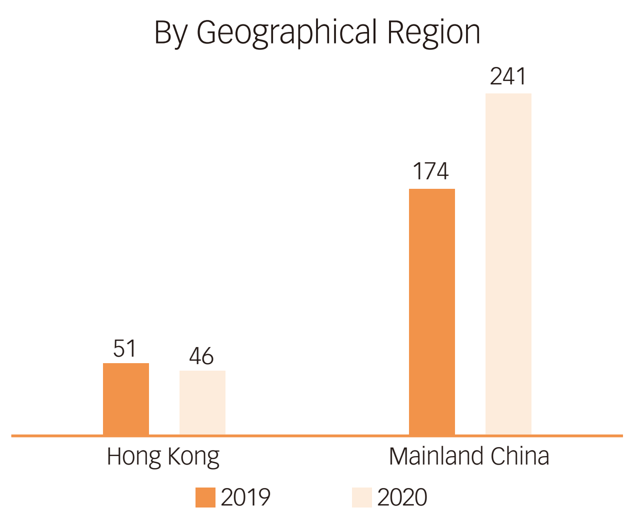
We believe that having a professional and dedicated team is undeniably the first and most essential requirement for business success. Therefore, Symphony Holdings appreciates and values each and every one of its employees as its most indispensable and important asset. We are committed to attracting and retaining talents to build a strong team to drive the sustainable development of the Group. The Group complies with the applicable laws and regulations in relation to employment, including but not limited to the Labour Law of the PRC (《中華人民共和國勞動法》), the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), the Regulation on the Implementation of the Employment Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), the Law of the PRC relating to the Protection of Minors (《中華人民共和國未成年人保護法》), the Regulations on the Prohibition of the Use of Child Labour (《禁止使用童工規定》), and the Employment Ordinance of Hong Kong (《僱傭條例》) (Cap. 57 of the Laws of Hong Kong). We uphold the employment philosophy of diversity and equality, maintain a happy, harmonious, non-discriminatory workplace culture that supports employee development, and build a healthy and safe working environment.

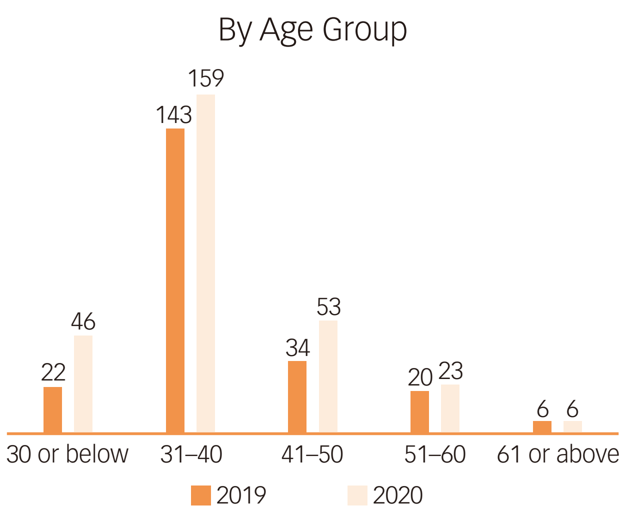
During the Reporting Period, we did not involve in any violations or complaints regarding laws and regulations related to employment and labour practices, including salary and dismissal, recruitment and promotion, working hours, leave, equal opportunity, diversity, anti-discrimination and other packages and benefits.

Employee Statistics

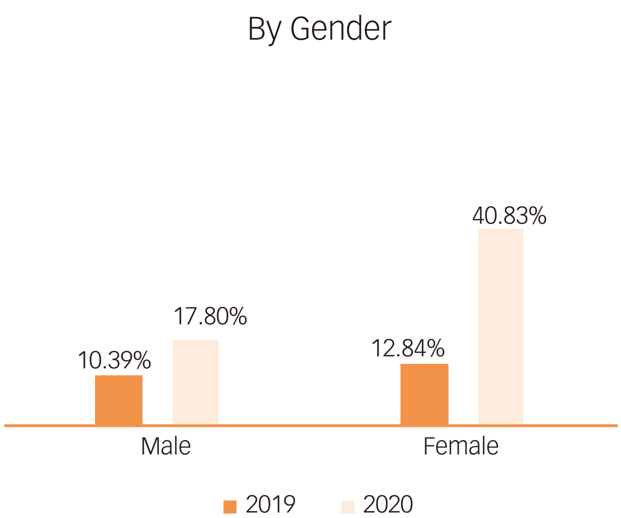
As of 31 December 2020, the Group had 287 employees in the reporting scope, of which 283 employees were full-time employees, and 4 employees were part-time employees. The statistics by gender, age group and geographical region, as well as their turnover are as follows:

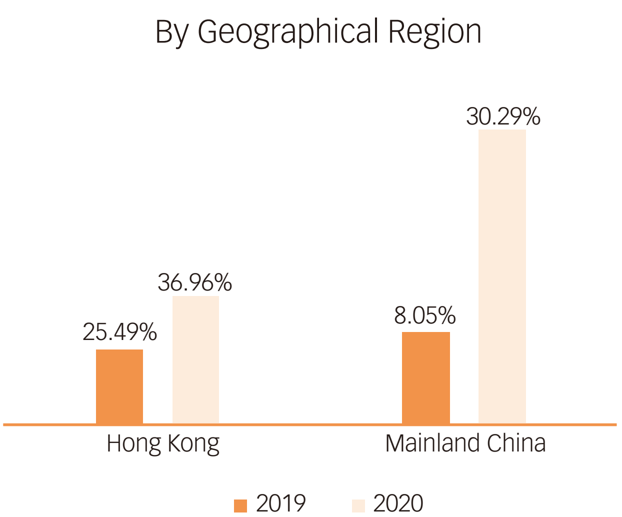


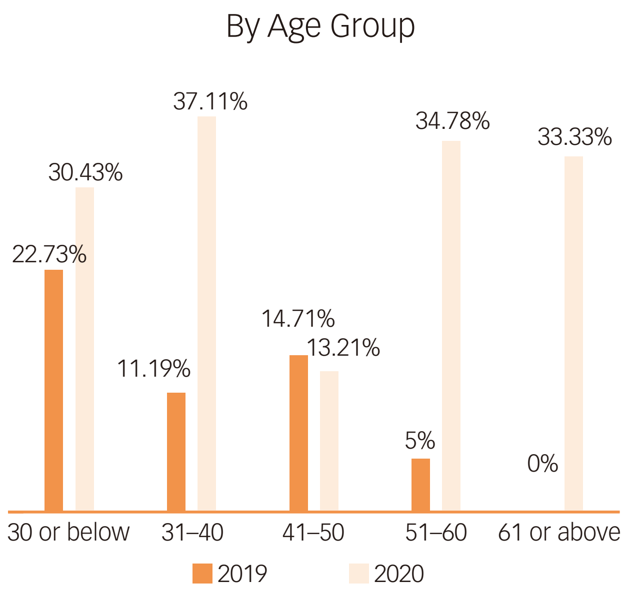




Statistics on Employee Turnover







Attracting Talents

As a leading company in the industry, we are actively recruiting suitable talents to join our team to drive the Group forward. We recruit those who are interested in developing in this industry through channels including online recruitment, on-site recruitment, job fairs and internal referrals. We focus on the candidates' ability and personal qualities in the selection process, rather than their nationality, gender, age, family status and other aspects. This is to ensure all employees are treated equally and are free from any form of workplace discrimination in recruitment, salary adjustment, promotion, training or other human resources procedures, in order to maintain a diverse and equal workplace culture.

We also provide competitive salaries, benefits and compensation to our employees in strict accordance with the local applicable laws, regulations and regulatory ordinance of where we operate, and clearly set out the employment terms and conditions regarding working hours, leaves, dismissal and termination procedures in our human resources related policies to protect the interests of both the Group and our employees. We offer base salary, job position compensation, performance evaluation remuneration, and subsidies to our employees. We pay social insurance and housing provident fund for our employees in Mainland China, and Mandatory Provident Fund Schemes for our employees in Hong Kong. We regularly review the salary levels of our employees to ensure they are closely aligned with the market and relevant job levels. Other compensation and benefits include but not limited to:

Leaves

- Annual leave
- Sick leave
- Personal leave
- Marriage leave
- Bereavement leave
- Prenatal check-up leave
- Breastfeeding leave
- Companionship leave
- Miscarriage leave
- Female employees are entitled to a half-day leave for Women's Day

Subsidies

- Allowance for high temperature
- Allowance for holidays
- Mobile phone allowance
- Meal allowance
- Medical insurance
- Free shuttle bus
- Overtime pay
- Annual body check-up

Incentives

- Year-end bonus
- Chinese New Year Gift Pack
- First Prize
- Second Prize
- Commendation
- Merit
- Wedding gift
- Childbirth gift
- Birthday gift
- Hospitalisation/ surgery consolation
- Movie tickets

Employee Relationships and Team Building

In order to build a powerful team, the Group pays special attention to employee relationships and team building, hoping to understand the opinions of employees and enhance their sense of belonging to the Group through diversified and regular communication channels and staff activities. We have established a WeChat group for our employees to communicate with each other and make constructive suggestions to the Group. We have also set up an electronic version of the general manager's mailbox, so that employees can communicate directly with the general manager by scanning the code, and the general manager would provide feedback on the last Friday of each month, to enable us to listen to the employees' opinions and make continuous improvements.

Support to Employee Development

Our employees are the most important asset of the Group, and this is why we place special emphasis on nurturing professional and industry-committed talents to help the Group develop. We are committed to establishing and maintaining a comprehensive career development and training policy so that our employees can continue to develop and grow within Symphony Holdings and become the cornerstones of the industry.

To enable our employees to demonstrate their strengths, we evaluate their performance by regularly conducting performance appraisals, and reward and promote with reference to the results of those who perform well. We evaluate the performance of our employees in a fair, just, positive, objective, timely and pragmatic manner to ensure that all employees are given equal opportunities for evaluation and promotion.

Moreover, we also provide a variety of training programmes for our employees, including new employee orientation, on-job training and external training, allowing the employees to continuously learn the latest job knowledge and skills. We gather the training needs of each department and the Company's business goals every year to formulate a training plan. The training courses we arranged for our employees during the Reporting Period include but not limited to:

- New employee orientation
- Store specifications
- Project marketing and promotion
- Performance plan
- Cashier system
- Employees internal assessment
- Store examination and acceptance
- Fire safety
- Shopping centre design
- Procedures for maintenance
- Pandemic prevention and safety
- Software operation skills
- Etiquette training
- First aid

During the Reporting Period, Shenyang Park Outlets adopted a new video training method to teach computer software operation skills, etiquette training and other contents, so that employees can improve their knowledge anytime and anywhere.

The Group conducted over 200 hours of training courses during the Reporting Period and the average number of training hours per employee was approximately 3.21 hours[1]. The following is a breakdown of the percentage of training and the average number of training hours by gender and employee category for the Group during the Reporting Period:

Percentage of training received		Percentage of training received by employee category	
Male	43.24%	Senior management	5.41%
Female	56.76%	Mid-level management	20.00%
		General and technical staff	74.59%

Training hours by gender	
Male	3.49 Hours
Female	3.05 Hours

Average training hours by employee category	
Senior management	5.56 Hours
Mid-level management	2.61 Hours
General and technical staff	3.22 Hours

Occupational Health and Safety

We must be responsible for the well-being of our employees and provide them with a healthy and safe working environment, so that they can make contribution to the Group without any concerns. We comply with applicable laws and regulations regarding occupational health and safety, including but not limited to the Law of the PRC on the Prevention of Occupational Diseases (《中華人民共和國職業病防治法》) and the Occupational Safety and Health Ordinance (《職業安全及健康條例》) of Hong Kong, as well as developing comprehensive health and safety initiatives to minimise the potential safety hazards in the working environment. The occupational health and safety initiatives we have implemented include:

- Arrange body check-ups for eligible employees
- Establish the Fire Evacuation Exercise Plan (《消防疏散演習預案》), regularly organise fire drills and training so that employees can learn how to use firefighting equipment, and enhance their ability to respond to fire and other emergencies
- Regularly inspect fire pump room and facilities to ensure they are in good condition
- Formulate the Flood Emergency Plan (《防汛應急預案》) to clarify the process and initiatives for prevention, response and follow-up of extreme weather to protect the lives and properties of the customers and employees of the shopping centres. We require our engineering staff to check the facilities and equipment of the shopping centres before any extreme weather, properly implement waterproofing, check the outdoor drainage system, reinforce the outdoor advertising facilities, landscape lights and other lighting equipment.
- Put up fire education information in the office to enhance staff awareness of fire safety

During the Reporting Period, there were no material administrative sanctions or penalties imposed on the Group as a result of violations of production safety laws or regulations.

1 The average training hours per employee is calculated based on the number of training hours and the number of employees for the year (including employees who left during the year).

Employment Standards

As a responsible enterprise, the Group strictly complies with laws and regulations related to employment standards, and prohibits child labour and any form of forced labour, including intimidation and abuse, fraudulent means to induce anyone to work for the Group, and punishment or threats to employees in an attempt to force them to work or gain benefits therefrom. During the recruitment process, the Human Resources Department would review the candidates' identification documents to ensure they reach the legal working age. We have also set out the working hours and overtime arrangements in our human resources related policies to ensure that employees only work overtime on a voluntary basis.

ANTI-CORRUPTION

Symphony Holdings prohibits all forms of corruption, bribery, extortion, fraud, money laundering and other illegal and unethical business practices and integrity violations. We maintain good corporate governance by adhering to all applicable laws and regulations, including but not limited to the Anti- Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), the Criminal Law (《刑法》) and the Interim Provisions on Banning Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》). We have also established a rigorous and comprehensive anti-corruption policy, whistle-blowing and investigation mechanism to prohibit bribery, transfer of interest and other illegal practices by our employees in order to maintain good corporate governance. Any suspected cases of corruption or other violations of law can be reported anonymously through the general manager's suggestion box or other channels. We will conduct timely investigation and take appropriate follow-up action or even legal proceedings.

When entering into contracts with brand tenants of Park Outlets, our contracts contains anti-commercial bribery clauses that require them to operate with business ethics and integrity, and refrain from any commercial bribery or other improper transactions.

The securities business of the Group involves risks of money laundering and terrorist financing. In this regard, we have established an anti-money laundering and counter-terrorist financing policies in accordance with the Drug Trafficking (Recovery of Proceeds) Ordinance (《販毒(追討得益)條例》), the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (for financial institutions) (《打擊洗錢及恐怖分子資金籌集(金融機構)條例》) , the United Nations (Anti-Terrorism Measures) Ordinance (《聯合國(反恐怖主義措施)條例》), the Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Licensed Corporations) (證監會《打擊洗錢及恐怖分子資金籌集指引》(適用於持牌法團)) of the Securities and Futures Commission and the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (《證券及期貨事務監察委員會持牌人或註冊人操守準則》) of Hong Kong, where the compliance officer is responsible for overseeing and managing the risks of money laundering and terrorist financing of the business.

During the Reporting Period, neither the Group nor its employees were involved in any complaints or litigation relating to corruption, bribery, blackmail, fraud, and money laundering.

ENVIRONMENTAL PROTECTION

Symphony Holdings emphasises the importance of environmental protection in its daily operations and business decisions, and has made environmental management one of its priorities. With our power and influence, we hope to reduce the Group's overall carbon footprint and address the intensifying climate change issue. The Group strictly complies with the local laws and regulations of where it operates relevant to the environment, including but not limited to the Law of Environmental Protection of the PRC (《中華人民共和國環境保護法》) and the Environmental Impact Assessment (EIA) Law of the PRC (《中華人民共和國環境影響評價法》). During the Reporting Period, we are not aware of any material administrative sanctions or penalties imposed on the Group for violations of environmental laws or regulations.

Energy, Air and Greenhouse Gas Emissions

Our daily operations consume purchased electricity and vehicle fuel, and such energy consumption contributes to air gas and greenhouse gas emissions. We are active in implementing energy efficiency initiatives across our businesses to address the climate change issues. We have installed automatic lighting sensors in our offices that automatically turn lights off when the area is unoccupied. We also require our employees to turn off lights, air conditioning and other electronic equipment when they leave to reduce energy consumption. We also make use of natural light and ventilation to reduce our reliance on electricity and air conditioning, and set the air conditioning temperature to 25 degrees in summer and 18 degrees in winter to avoid wasting energy.

We recognise that the electricity used in the daily operations of Park Outlets is a major part of the Group's overall energy consumption. As such, we are promoting energy conservation by focusing on both the environment and the brand tenants of Park Outlets:

Environment:

- Indoor plazas and walkways at Park Outlets are installed with glass rooftops to make full use of natural light, thus reducing our reliance on electricity
- Use LED lights to replace traditional light bulbs to reduce our reliance on non-renewable energy
- Shorten the periods of using outdoor lighting and air conditioners

Brand tenants:

- Closely monitor the electricity consumption of brand tenants, if there is an abnormal increase in electricity consumption, we will communicate with the tenants to understand the situation and advise them to take appropriate energy-saving initiatives, such as adjusting air-conditioning temperature and replacing energy-efficient applicant

Waste

Our business generates non-hazardous waste including domestic waste and office used paper. Due to the nature of our business, we do not produce significant hazardous waste nor consume finished packaging materials. We strive to minimise the burden in our business places on the environment, so we manage our waste emissions properly by collecting, categorising and recycling our waste. We categorise the waste collected and entrust qualified suppliers and cleaners to handle the waste. We advocate "paperless office" in our offices, encourage our employees to use electronic communication channels instead of paper as much as possible, and set up recycling bins to collect and reuse paper. We entrust qualify recycling suppliers to collect and recycle waste paper, and encourage employees to bring their own cups to avoid using disposable paper cups.

Water Consumption

The Group's domestic water supply is provided by the water supply company where we operate, and we have not encountered any problems in obtaining a suitable water source. The Group understands the importance of water conservation, so we integrate the principle of water conservation into our business operations, closely monitor the water consumption of our staff and brand tenants, and adopt appropriate water conservation initiatives. We put up "water conservation" posters in the canteen area and toilets to raise awareness of water conservation among our staff. We also regularly inspect and maintain our water facilities and will repair any leaks or other irregularities in a timely manner to avoid wastage.

To promote water conversation, we have set up a leading group for water conservation in Shenyang Park Outlets, headed by the general manager, to reinforce water management. We make use of water-saving appliances while strengthening water-saving promotion through LED displays, broadcasting and knowledge contests, to promote water-saving awareness among employees and visitors. We have also established a computer-aided management model that uses an integrated geographic information system to monitor water consumption in real time, and the water supply would be stopped and repaired in case of leaks. We also monitor brand tenants with high water consumption and regularly check the use of their water-saving devices. We also recycle some of the waste water for irrigation and flushing purposes. As there are restaurants in Park Outlets, most of them use a double pipe water supply system, which consumes more water. We changed it to a single pipe constant temperature water supply system and the original control valve to flow control system, which can reduce the water consumption by more than 30%.

Green Park Outlets

We closely monitor the impact of our business operations on the environment and natural resources, and actively seek and implement appropriate environmental protection initiatives, with the Group's resources and power, hoping to mitigate the climate change issues and build a greener and better future for our next generation.

As partners of a number of international brands, the Group's Park Outlets hope to leverage their influence to promote brand tenants to contribute to the environment together. Preference is given to brands with ISO 14001 Environmental Management System when it comes to cooperation. Our cooperation agreements signed with our tenants also set out clauses regarding environmental protection that tenants are required to comply with, including:

- Environmental contamination shall be minimised during the process of production, storage and transportation of the goods
- Goods and their raw materials shall meet the requirements of national, local and industrial laws and regulations relating to environmental protection
- Priority shall be given to the use of pollution-free or less polluting production techniques and equipment
- Forbid to source from country or municipalities where methods of production and equipment have been prohibited
- Use of recyclable packaging materials shall be given priority for product packaging so as to reduce wastage of resources

Xiamen Park Outlets of the Group officially opened in late 2019. During the construction process of the project, we strictly complied with the national and industry environmental requirements and have passed the environmental protection examination and acceptance for completed projects to ensure that the emissions meet the relevant local standards in Xiamen. According to the examination and acceptance report, the main emissions from the daily operation of Xiamen Park Outlets are waste water, fume exhaust gas, noise and domestic waste. To ensure environmental compliance, we have adopted strict management initiatives to these emissions, including:

Waste water:

- After pre-treatment of using grease trap facilities, oily waste water is discharged into the septic tank together with other domestic sewage, and then discharged into municipal sewage network

Fume exhaust gas:

- Fume exhaust gas from restaurant is treated by grease purification equipment and then discharged to the roof through a dedicated exhaust pipe
- The basement car park is equipped with a mechanical ventilation system, and vehicle exhaust gas is directed from the car park exhaust system to an exhaust vent to the lawn above, while exhaust gas from diesel generators is discharged through a dedicated exhaust flue

Noise:

- Noises are generated by fans, diesels machines, submersible pumps, generators, pumps and other equipment, we carry out sound insulation and noise reduction treatment, including the installation of ventilation rooms, sound-absorbing walls and vibration damping pads

Domestic waste:

- We regularly entrust environmental authorities to collect domestic waste and qualified units to handle catering waste separately

ENVIRONMENTAL PERFORMANCE[2]

Key environmental indicators	2020	2019	Unit
Greenhouse Gas Emissions (GHG)			
Total GHG emissions[3]	3,663.22	775.64[4]	tonnes of CO_2e
Direct emissions (scope 1)	42.25	64.75	tonnes of CO_2e
Indirect emissions (scope 2)[5]	3,622.95	710.90[4]	tonnes of CO_2e
GHG reduction (scope 1)[6]	1.98	N/A	tonnes of CO_2e
GHG emissions per m^2 of floor area (scopes 1 and 2)	39.45	40.58[4]	kg of CO_2e/m^2
Air Emissions			
Nitrogen oxides (NO_X)	13.13	131.60	kg
Sulphur oxides (SO_X)	0.21	0.36	kg
Particulate Matter (PM)	0.97	15.35	kg
Non-hazardous waste[7]			
Total non-hazardous waste	2,103.84	220.21	tonnes
Amount of disposal of non-hazardous waste	2,101.51	215.75	tonnes
Recycled amount of non-hazardous waste	2.33	4.46	tonnes
Non-hazardous waste per m^2 of floor area	22.66	11.52	kg/m^2
Energy			
Total consumption	3,967.39	925.47	MWh
Purchased electricity[8]	3,820.12	700.83	MWh
Unleaded petrol	132.02	186.51	MWh
Liquefied petroleum gas	15.25	N/A[9]	MWh
Diesel oil	N/A[10]	38.13	MWh
Energy consumption per m^2 of floor area	42.72	48.42	kWh/m^2
Water[11]			
Total water consumption	69,621.83	22,347.00	m^3
Water consumption per m^2 of floor area	0.75	1.28	m^3/m^2

2 The environmental performance data for the Reporting Period and 2019 cannot be directly compared due to the addition of relevant data for Xiamen Park Outlets during the Reporting Period.

3 According to The Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standards Revised Edition by the World Business Council for Sustainable Development and the World Resources Institute, scope 1 (direct emissions) covers the greenhouse gas emissions directly from operations owned or controlled by the Group, while scope 2 (indirect emissions) covers "indirect energy" greenhouse gas emissions from the Group's internal consumption (purchased or acquired) of electricity, heat, cooling and steam.

4 We have restated our data for scope 2 (indirect emissions) for 2019 with reference to the latest supplementary emission factors for purchased electricity in Mainland China in the "How to Prepare an ESG Report" published by the Stock Exchange.

5 Such data only covers the electricity consumption known to the subsidiaries controlled by the Group as well as the indirect greenhouse gas emissions caused by electricity consumption, which include the part of lighting electricity publicly consumed by our offices in Hong Kong and Shanghai as well as Shenyang Park Outlets and Xiamen Park Outlets.

6 As Xiamen Park Outlets has been added to the reporting scope, the environmental data for the Reporting Period includes the greenhouse gas reduction data generated by the trees planted in Xiamen Park Outlets.

7 The Group optimised its waste data collection system during the Reporting Period, so the data on non-hazardous waste for the Reporting Period includes data related to other domestic waste.

8 As the electricity consumption data collection method of Shenyang Park Outlets was optimised during the Reporting Period, the purchased electricity data for both years cannot be directly compared.

9 Vehicles for Xiamen Park Outlets, which was added in the reporting scope for the year, use liquefied petroleum gas as fuel, therefore the relevant data was generated in 2020.

10 The yacht for the Hong Kong office was not in use during the Reporting Period, so no data related to diesel oil was generated during the Reporting Period.

11 The property management company for Hong Kong office began providing individual water consumption data to tenants in January 2020, so water consumption data from the Hong Kong office was added for the Reporting Period.

CONTRIBUTIONS TO COMMUNITY

With a vision of "social harmony and harmonious neighbourliness", Symphony Holdings has always been committed to contributing to the community, hoping to build a better community through the strength of the Group and its employees. As the pandemic continues to rage, we were unable to organise or participate in any large-scale charity events this year, but we still actively spread our love in different ways and continue to give back to the community. During the Reporting Period, the Group mainly used its resources for community investment for fighting against the pandemic, charitable donations and environmental participation.

Against the Pandemic

Shenyang Park Outlets of the Group organised a number of events during the pandemic, include "To the Most Beautiful Fighters" (「致敬最美逆行者」活動) in March, "Compliments of the White Angels" (「禮讚白衣天使」活動) in May on the Nurses' Day, and "Medical Professionals' Compassion and Boundless Love – Commendation to Healthcare Workers" (「醫者仁心，大愛無疆－致敬醫護工作者」活動) in July, where coffees, humidifiers, and supplements were gifted to healthcare workers to thank them for their selfless dedication during the pandemic, and to give them our love.

During the Reporting Period, the Group also donated 500 packs of anti-pandemic materials (including masks and hand sanitisers) to Yan Chai Hospital, value at approximately HK$65,000.

Charitable Donation

The Group has always been committed to supporting the charitable work of Yan Chai Hospital. During the pandemic, we continued to work closely with Yan Chai Hospital so that they could continue to give kindness. During the Reporting Period, we donated HK$42,000 to Yan Chai Hospital and participated in the Yan Chai Fortune Bag in Care of Elderly (仁濟安老送關懷「愛心福袋」活動), Yan Chai Charity Cookies (愛心曲奇暖萬家慈善活動), and Yan Chai Charity Raffle 2020 (仁濟慈善雙週2020慈善獎券活動) to raise funds for the hospital's services, with a total exceeding HK$14,000.

Moreover, we also donated 20 computers, 17 laptops, 9 printers and 14 monitors to Caritas Computer Workshop to improve its working conditions.

Environmental Participation

With the concept of protecting the environment, we actively participated in various environmental protection activities during the Reporting Period to raise the environmental awareness of our employees. During the Reporting Period, our companies in Hong Kong participated in Earth Hour of WWF Hong Kong and signed the charter to turn lights off for one hour on the evening of 28 March 2020 to reduce electricity consumption. We also sent emails to staff encouraging them to donate used clothes, bags and shoes to The Salvation Army, and red packet envelopes to property management companies to reduce waste and extend the life cycle of items.

GOING FORWARD

In the future, Symphony Holdings are committed to continuing our corporate social responsibility and integrating environmental, social and governance issues into our daily operation and business decision-marking process, in order to make a positive impact on our next generation, as well as our environment and our society.

The COVID-19 has undoubtedly had an unprecedented impact on all industries, and we are heavily impacted being at the front line of the retail industry. Nevertheless, we are committed to maintaining a healthy and safe working environment, operating location and shopping area in compliance with the government's pandemic prevention initiatives, and with our employees, customers, brand tenants, visitors and other stakeholders in mind, while continuing to actively fulfil our employment responsibilities, provide high quality products and services, listen and respond to the needs of the community, and build a sustainable future.

The Group would like to sincerely thank its stakeholders for their continued support and trust. We look forward to working with our stakeholders in the coming years to overcome the pandemic and move forward together.

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Independent Auditor's Report

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TO THE MEMBERS OF SYMPHONY HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Symphony Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 62 to 199, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

– Fair value of investment properties, leasehold land and buildings and outlet mall buildings classified as level 3 recurring fair value measurements;

– Impairment assessment of trade and other receivables and loans receivable; and

– Impairment assessment of goodwill and intangible assets.

KEY AUDIT MATTERS *(Continued)*

Fair value of investment properties, leasehold land and buildings and outlet mall buildings classified as level 3 recurring fair value measurements

Refer to Notes 14 and 15 to the consolidated financial statements and the accounting policies set out in Notes 4(g) and 4(h) to the consolidated financial statements.

At 31 December 2020, the Group's investment properties, leasehold land and buildings and outlet mall buildings, with the carrying amounts of approximately HKD1,587,247,000, HKD310,606,000 and HKD1,436,901,000 (2019: HKD1,503,312,000, HKD308,288,000 and HKD1,345,473,000), were measured at fair values respectively. The fair values of these assets were classified as level 3 recurring fair value measurements under the definition of HKFRS 13 "Fair Value Measurement" because certain key inputs used for determining the fair values of properties were not largely based on observable market data and involved management significant judgement and high level of estimation uncertainty.

Management has engaged independent qualified professional valuers to assist with the fair value measurements of these assets.

We identified the fair value of investment properties, leasehold land and buildings and outlet mall buildings classified as level 3 recurring fair value measurements as a key audit matter because of the significant judgement and high level of estimation uncertainty involved in the valuation of these assets and the carrying amounts thereof are significant to the consolidated financial statements.

Our key audit procedures in relation to this key audit matter included:

- Evaluating the competence, capabilities and objectivity of the independent qualified professional valuers used by the management;
- Assessing the appropriateness of valuation methodologies and the reasonableness of key inputs and assumptions used in the valuation;
- Evaluating the accuracy, completeness and relevance of the data used in the valuation provided by the management to the independent qualified professional valuers; and
- Evaluating the reasonableness of disclosures relating to the fair value of investment properties, leasehold land and buildings and outlet mall buildings.

Impairment assessment of trade and other receivables and loans receivable

Refer to Notes 22 and 24 to the consolidated financial statements and the accounting policies set out in Note 4(q) to the consolidated financial statements.

At 31 December 2020, the Group had trade and other receivables, net of loss allowance, and related loss allowance of approximately HKD208,396,000 and HKD11,805,000 (2019: HKD190,369,000 and HKD15,395,000) respectively. In addition, the Group had loans receivable, net of loss allowance, and related loss allowance of approximately HKD127,731,000 and HKD11,211,000 (2019: HKD167,193,000 and HKD6,800,000) respectively.

The expected credit loss ("**ECL**") calculations of financial assets at amortised cost under HKFRS 9 "Financial Instruments" ("**HKFRS 9**") involved management's significant judgement and high level of estimation uncertainty. It includes key assumptions such as probability of default rates, expected recovery rates in the event of loss-given default and forward-looking information specific to the debtors and the macroeconomic environment where the debtors are located.

KEY AUDIT MATTERS *(Continued)*

Impairment assessment of trade and other receivables and loans receivable *(Continued)*

We identified the impairment assessment of trade and other receivables and loans receivable as a key audit matter because of the significant judgement and high level of estimation uncertainty involved in the ECL calculations and the carrying amounts thereof are significant to the consolidated financial statements.

Our key audit procedures in relation to this key audit matter included:

– Assessing the appropriateness of the ECL models by challenging the reasonableness of key assumptions and inputs used by the management in estimating the ECL, including evaluating the accuracy and relevance of the historical default rates and whether they are properly adjusted based on the recent credit loss experience and forward-looking information specific to the debtors and the macroeconomic environment where the debtors are located; and

– Evaluating the reasonableness of disclosures relating to impairment assessment of trade and other receivables and loans receivable.

Impairment assessment of goodwill and intangible assets

Refer to Notes 20 and 17 to the consolidated financial statements and the accounting policies set out in Notes 4(e), 4(j) and 4(s) to the consolidated financial statements.

At 31 December 2020, the Group's goodwill, net of impairment loss, and intangible assets with indefinite useful lives, with the carrying amounts of approximately HKD141,401,000 and HKD194,740,000 (2019: HKD141,401,000 and HKD194,733,000), were required to be tested for impairment at the end of reporting period, irrespective of whether there is any indication of impairment.

At 31 December 2020, the Group's intangible assets with finite useful lives, with the carrying amount of approximately HKD24,084,000 (2019: HKD46,754,000), were required to be tested for impairment when there is an indication of impairment.

The management concluded that except for the impairment loss on goodwill arising from the acquisition of healthcare products business recognised in the prior years, there was no impairment loss in respect of the rest of goodwill and intangible assets at 31 December 2020 and 2019. This conclusion was based on the assessment of recoverable amounts of the cash-generating units allocated in the value-in-use calculations performed by independent qualified professional valuers. The assessment of recoverable amounts required management's significant judgement and high level of estimation uncertainty, including long-term growth rates, gross profit margins and discount rates.

We identified the impairment assessment of goodwill and intangible assets as a key audit matter because of the significant judgement and high level of estimation uncertainty involved in the assessment of recoverable amounts and the carrying amounts thereof are significant to the consolidated financial statements.

KEY AUDIT MATTERS *(Continued)*

Impairment assessment of goodwill and intangible assets *(Continued)*

Our key audit procedures in relation to this key audit matter included:

– Evaluating the competence, capabilities and objectivity of the independent qualified professional valuers used by the management;

– Checking the arithmetic accuracy of the cash flow projections used in the impairment assessment of goodwill and intangible assets;

– Assessing the reasonableness of key inputs used in the cash flow projections, including long-term growth rates, gross profit margins and discount rates; and

– Evaluating the reasonableness of disclosures relating to the impairment assessment of goodwill and intangible assets.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Tang Tak Wah
Practising Certificate Number: P06262

Hong Kong, 26 March 2021

Consolidated Statement of Profit or Loss

For the year ended 31 December 2020

	Notes	2020 HKD'000	2019 HKD'000
Revenue	7	**352,159**	388,944
Cost of sales		**(106,753)**	(109,831)
Gross profit		**245,406**	279,113
Other income and gains	10(a)	**29,278**	43,579
Distribution and selling expenses		**(97,927)**	(114,086)
Administrative expenses		**(119,586)**	(129,711)
Depreciation and amortisation expenses		**(99,481)**	(54,254)
Finance costs	8	**(69,564)**	(53,691)
Other expenses	10(b)	**(1,278)**	(7,914)
Impairment loss on financial assets		**(6,591)**	(3,023)
Impairment loss on amount due from an associate	19	**(4,024)**	(11,631)
Impairment loss on goodwill	20	**–**	(6,100)
Increase in fair value of investment properties	15	**6,066**	44,217
Share of results of joint ventures	18	**2,749**	5,315
Share of result of an associate	19	**(1,725)**	–
Fair value (loss)/gain on financial assets at fair value through profit or loss	25	**(97,529)**	88,843
(Loss)/profit before income tax expense		**(214,206)**	80,657
Income tax (expense)/credit	9	**(2,880)**	1,248
(Loss)/profit for the year	10(c)	**(217,086)**	81,905
(Loss)/profit for the year attributable to:			
– Owners of the Company		**(216,328)**	71,705
– Non-controlling interests		**(758)**	10,200
		(217,086)	81,905
(Loss)/earnings per share:			
– Basic (loss)/earnings per share	13	**HK(7.27) cents**	HK2.41 cents
– Diluted (loss)/earnings per share	13	**HK(7.27) cents**	HK2.41 cents

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 HKD'000	2019 HKD'000
(Loss)/profit for the year	10(c)	**(217,086)**	81,905
Other comprehensive income for the year, net of tax			
Items that will not be reclassified to profit or loss:			
Surplus arising on revaluation of properties	14	**48,198**	452,286
Deferred tax liability arising on revaluation of properties	28	**(11,510)**	(111,346)
		36,688	340,940
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of joint ventures	18	**4,232**	(542)
Exchange differences arising on translation of foreign operations		**168,047**	(32,457)
		172,279	(32,999)
Other comprehensive income for the year, net of tax		**208,967**	307,941
Total comprehensive income for the year		**(8,119)**	389,846
Total comprehensive income for the year attributable to:			
– Owners of the Company		**(7,978)**	383,148
– Non-controlling interests		**(141)**	6,698
		(8,119)	389,846

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 HKD'000	2019 HKD'000
Non-current assets			
Property, plant and equipment	14	**1,826,363**	1,688,077
Investment properties	15	**1,587,247**	1,503,312
Right-of-use assets	16	**510,435**	495,515
Intangible assets	17	**218,824**	241,487
Interests in joint ventures	18	**72,849**	65,868
Interest in an associate	19	**–**	–
Goodwill	20	**141,401**	141,401
Deferred tax assets	28	**23,477**	21,691
Club debenture		**1,876**	1,876
Restricted bank deposits	26(a)	**3,576**	3,356
Statutory deposits for financial services business		**200**	200
Total non-current assets		**4,386,248**	4,162,783
Current assets			
Inventories	21	**61,680**	67,958
Trade and other receivables	22	**208,396**	190,369
Amounts due from joint ventures	18	**8,344**	10,048
Amount due from an associate	19	**6,959**	18,081
Advances to customers in margin financing	23	**107,676**	122,648
Loans receivable	24	**127,731**	167,193
Financial assets at fair value through profit or loss	25	**113,922**	240,953
Restricted bank deposits	26(a)	**41,802**	37,174
Bank balances and cash – held on behalf of customers	26(b)	**21,173**	13,415
Bank balances and cash	26(c)	**234,577**	129,791
Total current assets		**932,260**	997,630
Current liabilities			
Trade and other payables	27	**282,997**	309,054
Amount due to a related party	31	**119**	112
Amount due to a director	32	**15,495**	–
Lease liabilities	30	**11,195**	11,692
Bank borrowings	29	**600,966**	198,822
Bank overdrafts	29	**–**	7,804
Tax payable		**14,846**	30,092
Total current liabilities		**925,618**	557,576
Net current assets		**6,642**	440,054
Total assets less current liabilities		**4,392,890**	4,602,837

	Notes	2020 HKD'000	2019 HKD'000
Non-current liabilities			
Loan from non-controlling interests	46	**3,576**	2,114
Lease liabilities	30	**186,554**	173,207
Bank borrowings	29	**1,004,107**	1,212,079
Deferred tax liabilities	28	**301,824**	287,112
Total non-current liabilities		**1,496,061**	1,674,512
NET ASSETS		**2,896,829**	2,928,325
Equity			
Share capital	33	**297,422**	297,422
Reserves	36	**2,588,293**	2,620,065
Total equity attributable to owners of the Company		**2,885,715**	2,917,487
Non-controlling interests	46	**11,114**	10,838
TOTAL EQUITY		**2,896,829**	2,928,325

The consolidated financial statements on pages 62 to 199 were approved and authorised for issue by the board of directors on 26 March 2021 and were signed on its behalf by:

Cheng Tun Nei
Director

Chan Kar Lee Gary
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to owners of the Company								
	Share capital HKD'000 *(Note 33)*	Contributed surplus HKD'000 *(Note 36)*	Share premium HKD'000 *(Note 36)*	Properties revaluation reserve HKD'000 *(Note 36)*	Translation reserve HKD'000 *(Note 36)*	Retained profits HKD'000 *(Note 36)*	Subtotal HKD'000	Non-controlling interests HKD'000 *(Note 46)*	Total HKD'000
Balance at 1 January 2019	297,403	523,213	1,071,484	243,778	(66,961)	501,911	2,570,828	43,039	2,613,867
Profit for the year	–	–	–	–	–	71,705	71,705	10,200	81,905
Surplus arising on revaluation of properties	–	–	–	452,286	–	–	452,286	–	452,286
Deferred tax liability arising on revaluation of properties	–	–	–	(111,346)	–	–	(111,346)	–	(111,346)
Share of other comprehensive income of joint ventures	–	–	–	–	(542)	–	(542)	–	(542)
Exchange differences arising on translation of foreign operations	–	–	–	–	(28,955)	–	(28,955)	(3,502)	(32,457)
Other comprehensive income for the year, net of tax	–	–	–	340,940	(29,497)	–	311,443	(3,502)	307,941
Total comprehensive income for the year	–	–	–	340,940	(29,497)	71,705	383,148	6,698	389,846
Exercise of warrants *(Note 35)*	19	–	173	–	–	–	192	–	192
Acquisition of non-controlling interests *(Note 46)*	–	–	–	–	(991)	–	(991)	(38,899)	(39,890)
Dividend paid *(Note 12)*	–	–	–	–	–	(35,690)	(35,690)	–	(35,690)
Balance at 31 December 2019	297,422	523,213	1,071,657	584,718	(97,449)	537,926	2,917,487	10,838	2,928,325

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to the owners of the Company								
	Share capital HKD'000 *(Note 33)*	Contributed surplus HKD'000 *(Note 36)*	Share premium HKD'000 *(Note 36)*	Properties revaluation reserve HKD'000 *(Note 36)*	Translation reserve HKD'000 *(Note 36)*	Retained profits HKD'000 *(Note 36)*	Subtotal HKD'000	Non-controlling interests HKD'000 *(Note 46)*	Total HKD'000
Balance at 1 January 2020	297,422	523,213	1,071,657	584,718	(97,449)	537,926	2,917,487	10,838	2,928,325
Loss for the year	–	–	–	–	–	(216,328)	(216,328)	(758)	(217,086)
Surplus arising on revaluation of properties	–	–	–	48,198	–	–	48,198	–	48,198
Deferred tax liability arising on revaluation of properties	–	–	–	(11,510)	–	–	(11,510)	–	(11,510)
Share of other comprehensive income of joint ventures	–	–	–	–	4,232	–	4,232	–	4,232
Exchange differences arising on translation of foreign operations	–	–	–	–	167,430	–	167,430	617	168,047
Other comprehensive income for the year, net of tax	–	–	–	36,688	171,662	–	208,350	617	208,967
Total comprehensive income for the year	–	–	–	36,688	171,662	(216,328)	(7,978)	(141)	(8,119)
Capital contribution from a non-controlling shareholder *(Note 46)*	–	–	–	–	–	–	–	417	417
Dividend paid *(Note 12)*	–	–	–	–	–	(23,794)	(23,794)	–	(23,794)
Balance at 31 December 2020	297,422	523,213	1,071,657	621,406	74,213	297,804	2,885,715	11,114	2,896,829

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 HKD'000	2019 HKD'000
Cash flows from operating activities		
(Loss)/profit before income tax expense	**(214,206)**	80,657
Adjustments for:		
Interest income	**(3,253)**	(4,656)
Dividend income	**(660)**	(40)
Finance costs	**69,564**	53,691
Share of results of joint ventures	**(2,749)**	(5,315)
Share of result of an associate	**1,725**	–
COVID-19-related rent concessions	**(1,767)**	–
Depreciation of property, plant and equipment	**59,507**	32,548
Depreciation of right-of-use assets	**17,304**	18,110
Amortisation of intangible assets	**22,670**	3,596
Loss/(gain) on disposal of property, plant and equipment	**895**	(42)
Write off of property, plant and equipment	**33**	292
Increase in fair value of investment properties	**(6,066)**	(44,217)
Fair value loss/(gain) on financial assets at fair value through profit or loss	**97,529**	(88,843)
Recovery of bad debts written off	**(194)**	–
Bad debts written off	**–**	304
Impairment loss on financial assets	**6,591**	3,023
Impairment loss on amount due from an associate	**4,024**	11,631
Impairment loss on goodwill	**–**	6,100
Gain on write-back of other payables	**–**	(17,503)
Write off of obsolete inventories	**2,106**	12
Provision of allowance of inventories	**17,455**	8,951
Operating cash flows before movements in working capital	**70,508**	58,299
(Increase)/decrease in inventories	**(18,222)**	8,191
Decrease/(increase) in trade and other receivables	**1,230**	(2,530)
Decrease in advances to customers in margin financing	**14,972**	21,497
Decrease/(increase) in loans receivable	**35,051**	(1,105)
Decrease/(increase) in financial assets at fair value through profit or loss	**30,673**	(76,545)
(Increase)/decrease in bank balances and cash – held on behalf of customers	**(7,758)**	2,346
Increase/(decrease) in trade and other payables	**21,871**	(4,818)
Cash generated from operations	**148,325**	5,335
Overseas tax paid	**(15,505)**	(2,965)
Hong Kong Profits Tax paid	**(3,670)**	(578)
Net cash from operating activities	**129,150**	1,792

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 HKD'000	2019 HKD'000
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		–	(10,000)
Payment for acquisition of non-controlling interests	46	–	(40,490)
Repayments from/(advances to) joint ventures		964	(1,925)
Advance to a joint ventures partner		(1,077)	(16,389)
Proceeds from reduction in the issued shares of joint ventures		–	34,867
Repayment from an associate		9,635	5,429
Purchases of property, plant and equipment		(28,436)	(7,532)
Proceeds from disposal of property, plant and equipment		932	49
Additions to construction in progress and buildings		(109,047)	(287,555)
Proceed from a refundable deposit for acquiring a land-use right		–	41,667
Proceeds from disposal of investment properties under construction		–	314,365
Additions to intangible assets		(7)	(45,633)
Increase in restricted bank deposits		(6,360)	(5,915)
Interest received		3,688	4,225
Dividend received from financial assets at fair value through profit or loss		660	40
Net cash used in investing activities		(129,048)	(14,797)
Cash flows from financing activities	47(b)		
Proceeds from issue of new shares upon exercise of warrants		–	192
Capital contribution from a non-controlling shareholder		417	–
Advance from/(repayment to) a non-controlling shareholder		1,323	(6,485)
Proceeds from bank borrowings		271,323	299,947
Repayments of bank borrowings		(104,601)	(163,584)
Repayment to a related party		–	(10,369)
Advance from a director		15,495	–
Repayments of lease liabilities		(11,338)	(11,516)
Dividend paid		(23,794)	(35,690)
Interest paid		(56,349)	(37,743)
Net cash from financing activities		92,476	34,752
Net increase in cash and cash equivalents		92,578	21,747
Cash and cash equivalents at the beginning of the year	47(a)	121,987	125,129
Effect of foreign exchange rate changes on cash and cash equivalents		20,012	(24,889)
Cash and cash equivalents at the end of the year	47(a)	234,577	121,987

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 HKD'000	2019 HKD'000
Analysis of the balances of cash and cash equivalents:			
– Bank balances and cash		**234,577**	129,791
– Bank overdrafts	29	**–**	(7,804)
		234,577	121,987

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 (together the "**Group**") are mainly consisted of:

– Branding: (i) development and management of "PONY" and "SKINS" trademarks; (ii) retailing and provisions of sourcing services for branded apparel, swimwear and accessories; (iii) sourcing, manufacturing and trading of healthcare products; and (iv) operation of duty free shops;

– 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 principal activities of the Company's principal subsidiaries are set out in Note 45 to the consolidated financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new or revised HKFRSs – effective 1 January 2020

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 Hong Kong Institute of Certified Public Accountants ("**HKICPA**") relevant to the Group's accounting policies and business operations adopted for the first time prepared and presented on the consolidated financial statements for the annual period beginning on or after 1 January 2020:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform
Amendments to HKFRS 3	Definition of a Business

The Group has early adopted the Amendments to HKFRS 16 "COVID-19-Related Rent Concessions" ("**Amendments to HKFRS 16**") for the annual period beginning on or after 1 January 2020.

In addition to the above new or revised HKFRSs, a revised "Conceptual Framework for Financial Reporting" was issued in 2018 and its consequential amendments, the "Amendments to References to the Conceptual Framework in HKFRS Standards" (together the "**Conceptual Framework**"), both issued by the HKICPA, will be effective for the annual period beginning on or after 1 January 2020.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new or revised HKFRSs – effective 1 January 2020 *(Continued)*

The Conceptual Framework sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard.

Except as described below regarding the impact of the adoption of the Amendments to HKFRS 16, the adoption of the remaining new or revised HKFRSs that are effective for the annual period beginning on or after 1 January 2020 did not have any significant impact on the Group's accounting policies, financial position and performance for the current and prior years, and/or the disclosures set out in the consolidated financial statements.

Amendments to HKFRS 16 "COVID-19-Related Rent Concessions"

The amendments provide a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of COVID-19 pandemic ("**COVID-19-related rent concessions**") are lease modifications and instead account for those rent concessions applying HKFRS 16 "Leases" ("**HKFRS 16**") as if they were not lease modifications by satisfying all of the following criteria:

(a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) There is no substantive change to other terms and conditions of the lease.

The Group has elected to early adopt the amendments and applies the practical expedients to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, all of rent concessions received have been accounted for as negative variable lease payments, without revising discount rate, recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity on 1 January 2020.

If the Group fails to apply the practical expedients, all of rent concessions received have to be accounted for as lease modifications, which would have resulted remeasurements of lease liabilities to reflect the revised considerations to be paid by using revised discount rates with the effects of changes in lease liabilities recognised against right-of-use assets.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) 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[4]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendments to HKAS 41, HKFRS 1, HKFRS 9 and HKFRS 16	Annual Improvements to HKFRSs 2018–2020[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKAS 28 and HKFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[3]
HKFRS 17	Insurance Contracts[3]

1 Effective for the annual period beginning on or after 1 January 2021
2 Effective for the annual period beginning on or after 1 January 2022
3 Effective for the annual period beginning on or after 1 January 2023
4 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
5 The amendments was originally intended to be effective for the annual period 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

Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current" and HK Interpretation 5 (2020) "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause"

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of reporting period. The amendments also introduce a definition of "settlement" to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Interpretation 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Interpretation 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New or revised HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKAS 16 "Property, Plant and Equipment – Proceeds before Intended Use"

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by the management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

Amendments to HKAS 37 "Onerous Contracts – Cost of Fulfilling a Contract"

The amendments specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

HKFRS 17 "Insurance Contracts"

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4 "Insurance Contracts". The standard outlines a "General Model", which is modified for insurance contracts with direct participation features, described as the "Variable Fee Approach". The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

Amendments to HKFRS 3 "Reference to the Conceptual Framework"

The amendments update HKFRS 3 "Business Combinations" ("**HKFRS 3**") so that it refers to the Conceptual Framework instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" ("**HKAS 37**"), an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 "Levies" ("**HK(IFRIC)-Int 21**"), the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Amendments to HKAS 28 and HKFRS 10 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New or revised HKFRSs that have been issued but are not yet effective *(Continued)*

Annual Improvements to HKFRSs 2018–2020

The annual improvements amends a number of standards, including:

- HKAS 41 "Agriculture", which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

- HKFRS 1 "First-time Adoption of Hong Kong Financial Reporting Standards", which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- HKFRS 9 "Financial Instruments" ("**HKFRS 9**"), which clarify the fees included in the "10 percent" test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16 "Leases", which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2"

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "**Reform**"). The amendments complement those issued in November 2019 and relate to: (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

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 adoption in the future, and 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 the consolidated financial statements. The directors' current intention is to apply these changes on the date when they become effective.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRSs**") issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at fair values as explained in the Group's accounting policies set out in Note 4 to the consolidated financial statements.

(c) Use of critical accounting judgement and estimation

The preparation of consolidated financial statements in conformity with HKFRSs requires the management to make critical accounting judgement, estimation and assumptions based on historical experience and various factors that are believed to be reasonable in the application of the Group's accounting policies, which involved key sources of estimation uncertainty and significant risks of causing material adjustments to the carrying amounts of assets and liabilities presented in the consolidated financial statements when those areas have high degree of judgement or complexity of estimation since the actual results may differ from these judgement and estimation when it is not readily apparent from other sources.

As a result, the management review, on an ongoing basis, to revise for any changes of these critical accounting judgement and estimation, and recognise in the period when it is revised or in the period of the revision and the future periods as if the revision affects both periods. For details of the critical accounting judgement and estimation that have significant impact on the consolidated financial statements are further discussed in Note 5 to the consolidated financial statements.

(d) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars ("**HKD**"), which is the same as the functional currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (together the "**Group**"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is remeasured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributable to owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Business combination and basis of consolidation *(Continued)*

Changes in the Group's interests in a subsidiary that do not result in a loss of control of the subsidiary are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for on the same basis as would be required if the relevant assets or liabilities were disposed of.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (i) power over the investee, (ii) exposure, or rights, to variable returns from the investee, and (iii) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists, the Company considers all relevant facts and circumstances, including:

- the size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- substantive potential voting rights held by the Company and other parties who hold voting rights;
- other contractual arrangements; and
- historic patterns in voting attendance

In the Company's statement of financial position, investments in subsidiaries are stated at costs less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiaries in the period when the dividend is declared or if the carrying amounts of these investments in the separate financial statements exceed the carrying amounts of the investees' net asset including goodwill.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions are eliminated against the carrying amount of the associate. Where unrealised losses provide evidence of impairment of the asset transferred, they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of investment, after reassessment, is recognised immediately in profit or loss. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, all amounts previously recognised in other comprehensive income in relation to that associate are recognised on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest it that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

In the Company's statement of financial position, interest in an associate is carried at cost less impairment loss, if any. The result of the associate is accounted for by the Company on the basis of dividend received and receivable during the year.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- Joint ventures: where the Group has rights to only the net assets of the joint arrangement; or

- Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- the structure of the joint arrangement;

- the legal form of joint arrangements structured through a separate vehicle;

- the contractual terms of the joint arrangement agreement; and

- any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures in the same manner as interests in associates (i.e. using the equity method – see Note 4(c) to the consolidated financial statements).

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

The Company's interests in joint ventures are stated at cost less impairment losses, if any. The results of joint ventures are accounted for by the Company on the basis of dividend received and receivable.

(e) Goodwill

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree over the fair value of the identifiable assets and liabilities measured as at the acquisition date.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after reassessment.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Goodwill *(Continued)*

Goodwill is measured at cost less impairment losses, if any. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see Note 4(s) to the consolidated financial statements), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit on a pro-rata basis on the carrying amount of each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value-in-use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(f) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value-added taxes or other sales-related taxes and is after deduction of any trade discounts, volume rebates, rights of return or allowances.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or services may be transferred over time or at a point in time. Control of the goods or services is transferred over time if the Group's performance included the following criteria:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract with reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted by using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Revenue recognition *(Continued)*

Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expenses accreted on the contract liability under the effective interest method.

For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15 "Revenue from Contracts with Customers" ("**HKFRS 15**").

(i) Sales of goods

Revenue from sales of goods directly to customers is recognised at a point in time when the control of goods have been passed to customers, which is primarily upon the underlying goods are delivered to and have been accepted by customers. There is generally one performance obligation for sales of goods for all categories of customers. For goods sold to wholesales customers, payment is normally due from 30 to 60 days. For goods sold to retail customers, payment is normally due immediately when customers purchase goods in retail shops. For goods sold to e-trading customers, payment is normally due within 30 days when customers place orders in online platform.

Invoice amounts are net of value-added taxes or other sales-related taxes. Sales contracts normally provide no trade discounts, volume rebates, rights of return or allowances that may give rise to variable consideration in the sales contracts.

(ii) Commission income from concessionaire sales

Commission income from concessionaire sales is recognised over time when the underlying services are provided to the relevant retail shops located in the outlet malls based on commission rates charged for concessionaire sales generated from retail shops in accordance with the agreed terms and conditions of the underlying services contracts. There is no minimum guarantee income restricted on retail shops to generate concessionaire sales during the contractual period. Invoices are issued on a monthly basis to the retail shops and are normally due from 30 to 60 days.

(iii) Royalty income

Royalty income represents licence fees received from the licensees who are granted to access the intellectual property right, not limited to design, manufacture, package, sales, distribution and marketing of "PONY" and "SKINS" branded products in foreign licensed territories. All of licensing agreements including minimum guarantee plus sales-based royalty payments. The management considers that the intellectual property right is significantly affected by the activities committed by the Group. As a result, the minimum guarantee element is recognised over time rateably over licensing periods, any additional sales-based element in excess of the minimum guarantee element would be subject to the royalty exception and recognised in the period accordingly when the usage occurs.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Revenue recognition *(Continued)*

(iv) Securities brokerage commission

Securities brokerage income is recognised at a point in time based on the execution date of trade charged at an agreed commission rate of transaction volume of the trade executed in accordance with the terms and conditions specified in account opening agreements. Invoices are issued on a monthly basis to customers and payment is normally due within 30 days.

(v) Underwriting and placing income

Underwriting and placing income is recognised at a point in time when the relevant underwriting and placing services are completed and charged at an agreed commission rate in accordance with the agreed terms and conditions of underwriting and placing agreements or mandate letters, where appropriate. Invoice are issued when the relevant activities are rendered and payment is normally due within 60 days.

(vi) Financial consultancy income

Financial consultancy income is recognised over time as the customers simultaneously receive and consume benefits whenever they request for consultancy services, not limited to, legal and compliance, corporate finance, and merger and acquisition advisory services from the Group. The services performed are normally charged at a fixed monthly fee regardless of any services performed. Invoices are issued on a monthly basis to customers and payment is normally due from 30 to 60 days.

(vii) Other services income

Other services income is recognised over time when the underlying services are rendered to customers. Invoices are issued on a monthly basis to customers and payment is normally due from 30 to 60 days.

(viii) Rental income

Rental income under operating leases is recognised on a straight-line basis over the relevant lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

(ix) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. Interest income is recognised as it accrues by using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost, i.e. the gross carrying amount, net of loss allowance of the asset.

(x) Dividend income

Dividend income is recognised when the right to receive the dividend is established.

(xi) Securities investment income

Investment income from trading of listed securities through the recognised stock market is recognised on the execution date of trade when sales and purchase agreement of trading of listed securities is entered with clients.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Property, plant and equipment

Owner-occupied leasehold land and buildings are stated at revaluation less accumulated depreciation. Revaluation is performed with sufficient regularity to ensure that the carrying amount does not differ materially from which would be determined by using fair values at the end of reporting period. Increases in value arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of "properties revaluation reserve". Decreases in value arising on revaluation are first offset against increases on earlier revaluation in respect of the same property and thereafter recognised in profit or loss. Any subsequent increases are recognised in profit or loss up to the amount previously charged and thereafter to the properties revaluation reserve. When the use of a property changes from owner-occupied to investment property, the property is also remeasured to fair value prior to the reclassification.

Upon disposal, the relevant portion of the properties revaluation reserve realised in respect of the previous revaluation is released from the properties revaluation reserve to retained profits on the date of disposal of properties.

Apart from properties and construction in progress, other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Apart from construction in progress, other property, plant and equipment are depreciated so as to write off their cost or revaluation, net of expected residual value, over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted, if appropriate, at the end of each reporting period.

The below items of property, plant and equipment, other than construction in progress, are depreciated over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, their annual depreciation rates are listed as follows:

Leasehold land and buildings in Hong Kong and the PRC	Shorter of expected useful lives and remaining lease terms
Buildings	Shorter of expected useful lives and remaining lease terms
Leasehold improvements	Shorter of expected useful lives and remaining lease terms
Plant and machinery	9%–45%
Furniture, fixtures and equipment	9%–20%
Motor vehicles	16%–20%
Vessel	10%

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Property, plant and equipment *(Continued)*

Construction in progress is stated at cost less impairment losses, if any. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

If an item of property, plant and equipment becomes an investment property because its usage has changed as evidenced by the end of owner-occupation, any difference between the carrying amount and the fair value of that item, at the date of transfer, is recognised in other comprehensive income and accumulated in properties revaluation reserve. On the subsequent sales or retirement of the asset, the relevant properties revaluation reserve will be transferred directly to retained profits on the date of sales or retirement.

An item of property, plant and equipment is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount. For details of the determination of recoverable amount is set out in Note 4(s) to the consolidated financial statements.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefit is expected to arise from continuous usage of the asset. Any gain or loss arising from disposal or retirement of the asset is the difference between the net sales proceeds and the carrying amount of the asset, which is recognised in profit or loss on the date of disposal or determined as no future economic benefit.

Asset held under a finance lease is depreciated over its expected useful life on the same basis as owned assets, or where shorter, the relevant lease term. Upon the initial adoption of HKFRS 16 on 1 January 2019, the asset is depreciated the finance lease asset under the category of right-of-use asset from the commencement date to the end of useful life of the underlying asset if the underlying lease transfers ownership of the underlying asset to the lessee by the end of lease term.

(h) Investment properties

Investment properties are properties held either to earn rentals or for capital appreciation or for both, but not held-for-sales in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. These include land held for undetermined future use and properties that are constructed or under development for future use as an investment property.

When the Group holds a property interest under an operating lease to earn rental income, which has met the definition of an investment property, the Group should classify the property interest as an investment property by using the fair value model.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values by using the fair value models, unless they are still in the course of construction or development and their fair values cannot be reliably determined at the end of reporting period. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction or development are capitalised as part of the carrying amount of investment properties under construction or development.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Investment properties *(Continued)*

If an investment property becomes an item of property, plant and equipment because of its usage has been changed as evidenced by the commencement of owner-occupation, the property's deemed cost for subsequent accounting is determined with reference to its fair value at the date of change in use.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the investment property, calculated as the difference between the net disposal proceeds and the carrying amount of the investment property, which is included in profit or loss for the period in which the investment property is derecognised or determined as no future economic benefit.

(i) Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contact conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all eases.

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise when: (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on a straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset is initially recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets by applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses (see Note 4(s) to the consolidated financial statements for the impairment assessment of right-of-use assets), and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property (see Note 4(h) to the consolidated financial statements), they are carried at fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use (see Note 4(g) to the consolidated financial statements), they are carried at fair value.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Leases *(Continued)*

Right-of-use asset *(Continued)*

The Group accounts for leasehold land and buildings that are held for rental or capital appreciation purpose under HKAS 40 "Investment Property" ("**HKAS 40**") and are carried at fair value. The Group accounts for leasehold land and buildings which is held for own use under HKAS 16 "Property, Plant and Equipment" ("**HKAS 16**") and are carried at fair value. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted by using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate as an alternative.

In the consolidated statement of financial position, the current portion of long-term lease liability is determined as the present value of lease payments that are due to be settled within twelve months after the end of reporting period.

After the initial recognition, the lease liability is measured at amortised cost and interest expenses is calculated by using the effective interest method. Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed lease payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or the rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modification, e.g. a change in future lease payments arising from change in an index or a rate, a change in the lease term, a change in the in-substance of fixed lease payments or a change in assessment to purchase the underlying asset.

When the Group revises its estimates of the term of any lease because, for example, it reassesses the probability of a lessee extension or termination option being exercised, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted by using a revised discounted rate. The carrying amount of lease liability is similarly revised when the variable element of future lease payments dependent on an index or a rate is revised, except for the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying amount of the right-of-use asset with the revised carrying amount being amortised over the remaining revised lease term. If the carrying amount of the right-of-use asset is adjusted to nil, any further reduction is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Leases *(Continued)*

Lease liability *(Continued)*

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional right-of-use asset obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease whether that is an extension to the lease term, or one or more additional assets being leased, the lease liability is remeasured by using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. With the exception to which the practical expedient for the COVID-19-related rent concessions applies (see Note 2(a) to the consolidated financial statements), if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

Accounting as a lessor

When the Group acts as a lessor, it determines at the lease inception whether each of the lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis.

The Group has leased out its investment properties to a number of tenants. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate leases. The sub-lease is classified as a finance lease or an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption criteria as aforementioned, then the Group classifies the sub-lease as an operating lease.

Any changes in the scope of the consideration for a lease that was not part of the original terms and conditions of the lease are accounted for as lease modifications. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, recognising the remaining lease payments as income on either straight-line basis or another systematic basis over the remaining lease term.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Intangible assets (other than goodwill)

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses and intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses (see Note 4(s) to the consolidated financial statements for the impairment assessment of intangible assets).

Intangible assets with finite useful lives

For intangible assets with finite useful lives, amortisation is provided on a straight-line basis over their useful lives, and the amortisation expenses is recognised in profit or loss. The following intangible assets with finite useful lives are amortised from the date when they are available for use and their estimated useful lives are as follows:

Customer relationships	**5–15 years**

Both of the estimated useful lives and method of amortisation are reviewed at the end of each reporting period. Under the COVID-19 pandemic, the management has revised the estimated useful lives of the customer relationships as certain customers have discontinued business relationships with the Group.

Intangible assets with indefinite useful lives

For intangible assets with indefinite useful lives comprise of: (i) intellectual property right, not limited to design, manufacture, package, sales, distribution and marketing of “PONY” and SKINS” branded products, with licensing periods from 7 to 15 years granted by the local government agencies in the foreign licensed territories; (ii) rights to manufacture, market, distribute and sell of healthcare products under patents and trademarks in Hong Kong, with licensing periods from 1 to 2 years; and (iii) trading rights granted by Hong Kong Exchanges and Clearing Limited, which allows the Group to trade securities on or through the Stock Exchange and The Hong Kong Futures Exchange Limited.

According to the past experience, all of those patents, trademarks and trading rights can be renewed indefinitely at little or even no cost to the Group, and are expected to generate net cash inflows to the Group in an indefinite manner. The Group intends to renew those patents, trademarks and trading rights indefinitely given by the evidence to support its ability and intentions. As a result, they are regarded as having indefinite useful lives.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed at the end of each reporting period to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite useful lives as set above.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Intangible assets (other than goodwill) *(Continued)*

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as it incurred.

(iii) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(iv) Impairment of intangible assets

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at the end of each reporting period, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see Note 4(s) to the consolidated financial statements).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount; however, the carrying amount should not be increased above the lower of its recoverable amount and the carrying amount that would have resulted had no impairment loss been recognised for the asset in the prior years. All reversals are recognised in the profit or loss immediately.

(k) Foreign currencies

In preparing the financial statements of each individual group entity, transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "**functional currency**") are recorded at the exchange rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the exchange rates ruling at the end of each reporting period. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are retranslated at the exchange rates prevailing on the date when the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary assets and liabilities, and on the translation of monetary assets and liabilities, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary assets and liabilities carried at fair value are included in profit or loss for the period, except for exchange differences arising on the retranslation of non-monetary assets and liabilities in respect of which gains and losses are recognised in other comprehensive income, in which cases, the exchange differences are also recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Foreign currencies *(Continued)*

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group, i.e. Hong Kong dollars ("**HKD**") at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the exchange rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as "translation reserve" and attributable to non-controlling interests, as appropriate. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary assets and liabilities forming part of the Group's net investments in the foreign operations concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the translation reserve relating to that foreign operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the translation reserve.

(l) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sales, are capitalised as part of the cost of those assets until such assets are substantially ready for their intended use or sales. Income earned on temporary investment of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(m) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees rendered to related service.

(ii) Defined contribution retirement plans

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met: (i) in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or (ii) in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets that are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

Current tax

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated by using tax rates that have been enacted or substantively enacted at the end of reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

Additional income taxes that arise from the distribution of dividend are recognised when the liability to pay the related dividend is recognised.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill not deductible for tax purposes and initial recognition of assets and liabilities that are not part of the business combination which affect neither accounting nor taxable profits, taxable temporary differences arising from investments in subsidiaries or interests in joint ventures and an associate where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period, and reflects any uncertainty related to income taxes.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Income tax *(Continued)*

Deferred tax *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

An exception to the general requirement in determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40. Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured by using the tax rates that would apply on sales of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sales. In other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities by using tax rates enacted or substantively enacted at the end of reporting period. Deferred tax assets and liabilities are not discounted.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(o) Club debenture

Club debenture acquired is measured on the initial recognition at cost and its useful life is assessed to be indefinite. The club debenture is tested for impairment at the end of each reporting period and not to be amortised. Its useful life is also reviewed at the end of each reporting period to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(p) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present locations and conditions. Cost is calculated by using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sales readily.

When the inventories are sold, the carrying amount of inventories is recognised as expenses in the period in which the related revenue is recognised.

The amount of any written down of inventories to net realisable value and all loss of inventories are recognised as an expense in the period when the written down occurs. The amount of any reversal of any written down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The amount of any written down of inventories to net realisable value and all losses of inventories are recognised as expenses in the period in which the written down or loss incurred. The amount of any reversal of any written down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("**FVTPL**"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest, if applicable.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividend and interest income are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets

The Group recognises loss allowance for expected credit loss ("**ECL**") on trade receivables and other financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12-months ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The Group measured loss allowance for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical experience, adjusted for forward-looking factors specific to the debtors and the macroeconomic environment where the debtors located.

For other debt financial assets (including loan commitments issued), the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since initial recognition, the loss allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset (including a loan commitment) has increased significantly since initial recognition and when estimating the ECLs, the Group considers reasonable and supportable information that is relevant and available without undue costs or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

In particular, the following information has taken into account of when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets *(Continued)*

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group rebutted the presumption of default under the ECL model, mainly for trade and other receivables, loans receivable, advances to customers in margin financing, and amounts due from joint ventures and an associate over 90 days past due based on the good repayment records for those customers or counterparties having a continuous business with the Group. They are assessed either collectively based on the provision matrix for trade receivables or individually for other categories of financial assets measured at amortised cost with reference to the Group's historical experience, adjusted for forward-looking factors specific to the debtors and the macroeconomic environment where the debtors located.

The Group considers a financial asset to be credit-impaired when: (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising securities collateral, if applicable; or (ii) the financial asset is more than 180 days past due; or (iii) significant financial difficulty of the issuer or the counterparty; or (iv) a breach of contract, such as a default or past due event; or (v) the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; or (vi) it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or (vii) the disappearance of an active market for that financial asset because of financial difficulties.

ECLs are remeasured at the end of each reporting period to reflect changes in the financial asset's credit risk since initial recognition. Any change in the ECLs is recognised as provision or reversal of loss allowance in profit or loss. The Group recognises provision or reversal of loss allowance for financial assets measured at amortised cost with a corresponding adjustment to their carrying amount through the usage of loss allowance account.

Interest income on credit-impaired financial assets is calculated based on the amortised cost, i.e. the gross carrying amount less loss allowance of the financial assets. For non-credit-impaired financial assets, interest income is calculated based on the gross carrying amount of financial assets.

Write off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, i.e. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 180 days past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account of legal advice where appropriate. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Financial instruments *(Continued)*

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, amounts due to a related party and a director, lease liabilities, bank borrowings, bank overdrafts and loan from non-controlling interests are subsequently measured at amortised cost, using the effective interest method. The related interest expenses is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the financial liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with the accounting policy set out in Note 4(q)(ii) to the consolidated financial statements; and (ii) the amount initially recognised less, where appropriate, the cumulative amortisation recognised in accordance with the principles of HKFRS 15.

The fair value of financial guarantee contract is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligation. Where guarantee in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Financial instruments *(Continued)*

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss when the financial asset is derecognised.

Financial liabilities are derecognised when the obligation specified in the relevant contract is either discharged, cancelled or expired. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable is recognised in profit or loss when the financial liabilities is derecognised.

When the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(viii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(r) Share-based payments

Where share options are awarded to directors, key management personnel, employees and others providing similar services, the fair value of the services received is measured with reference to the fair value of the options at the date of grant. Such fair value is recognised in profit or loss over the vesting period with a corresponding increase in the share options reserve within the equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all non-market vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Share-based payments *(Continued)*

Equity-settled share-based payments transactions with parties other than directors, key management personnel, employees and others providing similar services are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date when the Group obtains the goods or the counterparty renders the services. The fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss.

Non-market performance and services conditions are included in the assumptions about the number of options that are expected to vest. The total expenses is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In some circumstances when the employees may provide services in advance of the grant date and therefore the grant-date fair value is estimated for the purpose of recognising the expenses during the period between the service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions, which recognises the impact of the revision to original estimates, if applicable, in the consolidated statement of comprehensive income, with a corresponding adjustment to the equity. The cumulative expenses is not adjusted for failure to achieve a market vesting condition.

(s) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment under cost model;
- intangible assets;
- goodwill;
- right-of-use assets;
- investments in subsidiaries and interests in an associate and joint ventures; and
- club debenture

If the recoverable amount, i.e. the greater of the fair value less costs of disposal and value-in-use of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Impairment of assets (other than financial assets) *(Continued)*

Value-in-use is based on the estimated future cash flows expected to be derived from the asset or cash-generating unit (see Note 4(e) to the consolidated financial statements), discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or cash-generating unit. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently, i.e. a cash-generating unit.

Except for goodwill, where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in the prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

(t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable to result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided that the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined as aforesaid. Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed as aforesaid.

(u) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses of the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquired non-current assets, including property, plant and equipment, are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rationale basis over the useful lives of the related assets.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Government grants *(Continued)*

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and are recognised as other income, rather than reducing the related expense.

The benefit of a government loan at a below-market rate of interest is treated as a government grant and measured at the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

(v) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly-controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include: (i) that person's children and spouse or domestic partner; (ii) children of that person's spouse or domestic partner; and (iii) dependents of that person or that person's spouse or domestic partner.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Cash and cash equivalents

Cash and cash equivalents comprise of cash balances, short-term deposits and highly liquid investments with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the consolidated statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

Bank balances held on behalf of customers

The Group maintains trust and segregated accounts with authorised financial institutions to hold clients' deposits arising from normal business transactions. The Group has classified the clients' monies as "bank balances and cash – held on behalf of customers" under the current assets presented in the consolidated statement of financial position as the Group is allowed to retain some or all of the interest income on the clients' monies and recognised the corresponding amount of trade payables to the respective customers under the current liabilities payable to clients on the grounds that it is liable for any loss or misappropriation of clients' monies. Under the Hong Kong Securities and Futures Ordinance (Cap. 571), the Group is not allowed to use the clients' monies to settle its own financial obligations.

(x) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "**CODM**"). The CODM who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors of the Company that make strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgement, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(a) Critical judgement in applying accounting policies

(i) Classification between investment properties and owner-occupied properties

The Group has developed criteria required management significant judgement and estimation to determine whether a property qualifies as an investment property. According to the accounting policies set out in Notes 4(g) and 4(h) to the consolidated financial statements, investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the management considers whether a property generates cash flows largely independent of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held-for-use in the production or supply of goods or services or for administrative purposes. The Group may provide ancillary services to the occupants of properties it holds. The management significant judgement is made on an individual property basis to determine whether ancillary services are significant that a property does not qualify as an investment property. The property is an investment property only if the ancillary services are insignificant to the arrangement as a whole.

At 31 December 2020, the carrying amounts of right-of-use assets and outlet mall buildings of approximately HKD508,710,000 and HKD1,436,900,000 (2019: HKD491,326,000 and HKD1,345,473,000) related to the leasehold land and building interests of outlet malls, where located in Shenyang and Xiamen, the People's Republic of China (the "**PRC**"). Regarding the operation models, the concessionaire sales generated is largely dependent on the sales performance of the retail shops located in the outlet malls, which the Group has the power to exercise significant operating and financing decisions on daily operations of the outlet malls. As a result, the directors are in the opinion of the outlet malls are in the nature of owner-occupied properties and should follow the accounting policies as set out in Note 4(g) to the consolidated financial statements.

(ii) Determination of control, joint control and power to exercise significant influence

The management is required to exercise significant judgement to determine whether the Group has control, joint control or power to exercise significant influence on the entities held by the Group. This requires an assessment of relevant activities and whether the decision of those activities are either under control, require unanimous consent or has power to exercise significant influence on those entities.

In determining the classification of a joint arrangement between a joint venture and a joint operation, evaluation of rights and obligations arising from the joint arrangement is required. Where the Group holds less than 20% of voting rights but the Group has the power to exercise significant influence, such entity is treated as an associate. Alternatively, when the Group holds over 20% but not over 50% of voting rights and the Group does not have the power to exercise significant influence, such entity is treated as a financial instrument.

Differing conclusions around these judgement may materially affect how the group entities to be presented in the consolidated financial statements, either in a full consolidation method, an equity method or a proportionate consolidation method.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(a) Critical judgement in applying accounting policies *(Continued)*

(iii) Acquisition of subsidiaries

The management determines whether an acquisition of subsidiaries defined as an acquisition of business in accordance with HKFRS 3 through business combination or as an acquisition of assets required significant judgement in terms of considering the nature and substance of the acquired subsidiaries whether it is a business under the requirement of HKFRS 3. In case the acquisition of subsidiaries is not a business, it should be classified as an acquisition of assets.

(b) Key sources of estimation uncertainty

In addition to information disclosed elsewhere in the consolidated financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(i) Impairment of interests in joint ventures

The management determines whether interests in joint ventures has any impairment indicators with reference to the requirements under HKFRS 11 "Joint Arrangements" ("**HKFRS 11**") and HKAS 36 "Impairment of Assets" involved significant judgement and estimation at the end of each reporting period.

In order to identify the impairment indicators, the management particularly in assessing: (i) whether the carrying amount of the interests can be supported by the recoverable amount, being the higher of fair value less cost of disposal or value-in-use; and (ii) the appropriate key assumptions of inputs to be applied in preparing cash flow projections including whether the projections is discounted by an appropriate rate and projected by an appropriate growth rate. The cash flow projections is therefore used as the value-in-use calculation to estimate the share of future cash flows expected to arise from the business operations held by the joint venture companies with an appropriate discount rate to calculate the share of present value of the interests in joint ventures. The calculation of fair value less cost of disposal of the interests may require the assistance by the independent qualified professional valuer particularly when the joint venture companies operate and manage an outlet mall located in Anyang, the PRC.

Where the actual cash flows are less than the expected cash flow projections, impairment loss may arise in the profit or loss to the extent when the recoverable amounts exceed the carrying amounts of the interests in joint ventures.

(ii) Useful lives of property, plant and equipment

The management determines the estimated useful lives, residual values and related depreciation expenses for the Group's property, plant and equipment based on the historical experience and expectations of the actual useful lives and residual values of property, plant and equipment with similar nature and functions. The management will revise the depreciation expenses where the useful lives and residual values are different to those previously estimated, or it will write off or write down as if there is any technological obsolescence, changes in market demand or service outputs that has been reduced significantly to abandon or sell the assets.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

(iii) Useful lives of intangible assets

According to the past experience, all of intangible assets with indefinite useful lives comprising of the intellectual property right of "PONY" and "SKINS" trademarks, patents and trademarks of healthcare product business and trading rights of securities can be renewed indefinitely at little or even no cost and are expected to generate net cash inflow in an indefinite manner.

For "PONY" and "SKINS" trademarks, the management also considers that a relatively significant amount of marketing and promotion support has been spent providing that the trademarks have considerable and stable economic benefits to the Group. The Group has demonstrated its financial ability to protect the legal rights in the absence of any regulatory, economic or competitive factors that may truncate the useful life assessment. However, the management is aware of any changes of strategic decision, not limited to withdrawal of marketing support or weakening of customers' preference may result changes in the assessment of useful lives from indefinite to finite. If an intangible asset is defined as having a finite useful life, annual amortisation expenses will be recognised to reduce both operating profits and the carrying amount of intangible asset.

The useful lives of intangible assets are reviewed at the end of each reporting period to determine whether the indefinite useful life assessment continue to be supportable. If not, the change in the useful life assessment from indefinite to definite is accounted for prospectively from the date of change.

(iv) Impairment of non-financial assets (other than goodwill and intangible assets)

The Group assesses whether there are any indicators of impairment for all categories of non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. For the purpose of impairment testing, a non-financial asset is allocated to its cash-generating unit. It requires management significant judgement and estimation in the area of impairment testing, particularly in assessing: (i) whether the carrying amount of a non-financial asset can be supported by the recoverable amount, being the higher of fair value less cost of disposal or value-in-use; and (ii) the appropriate key assumptions of inputs to be applied in preparing cash flow projections including whether the projection is discounted by an appropriate rate. The cash flow projections is therefore used as the value-in-use calculation to estimate the future cash flows expected to arise from the cash-generating unit with an appropriate discount rate to calculate the present value of a non-financial asset. The calculation of fair value less cost of disposal of a non-financial asset is based on binding sales transactions or market prices less incremental costs for disposing the asset with reference to market data.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

(v) Impairment of goodwill and intangible assets

Goodwill and intangible assets are tested for impairment when indicators exist and irrespective of whether there is any indication of impairment, goodwill is required to be tested annually for impairment. For the purpose of impairment testing, goodwill has been allocated to the cash-generating units operating in financial services and healthcare product businesses.

Determining whether goodwill and intangible assets is impaired requires an estimation an estimation of the recoverable amount of the cash-generating unit to which goodwill or intangible assets has been allocated. For the purpose of impairment testing, goodwill and intangible assets are allocated to their respective cash-generating units. It requires management significant judgement and estimation in the area of impairment testing, particularly in assessing: (i) whether the carrying amount of a cash-generating unit can be supported by the recoverable amount, being the higher of fair value less cost of disposal or value-in-use; and (ii) the appropriate key assumptions of inputs to be applied in preparing cash flow projections including whether the projection is discounted by an appropriate rate, projected by an appropriate growth rate and used appropriate number of years to prepare business plan etc. The cash flow projections is therefore used as the value-in-use calculation to estimate the future cash flows expected to arise from the cash-generating unit with an appropriate discount rate to calculate the present value of goodwill and intangible assets. The calculation of fair value less cost of disposal of intangible assets are based on binding sales transactions or market prices less incremental costs for disposing the assets with reference to market data.

The management has also taken into account of past performance, future market development, exit prices, marketing costs and related economic parameters affecting the goodwill and intangible assets when preparing cash flow projections. These significant assumptions and estimation reflect the management best understanding and prediction to the business but involve inherent uncertainty outside the control by the management.

(vi) Fair value measurement of properties and financial instruments

For the leasehold land and buildings, outlet mall buildings, investment properties, listed equity securities and unlisted equity investment are carried at fair value based on the valuation performed by independent qualified professional valuers at the end of each reporting period. In determining the fair value, the valuers use the most relevant property and financial instruments valuation techniques involving certain estimates of market conditions and utilisation of market observable inputs and data as far as possible. The key inputs used in the fair value measurement are categorised into different levels based on how observable of the key inputs used in the valuation techniques are: (i) Level 1: Quoted prices in active markets for identical items (unadjusted); (ii) Level 2: Observable direct or indirect inputs other than Level 1 inputs; and (iii) Level 3: Unobservable inputs (i.e. not derived from market data). The classification of an item into the above levels is based on the lowest level of the key inputs used that has a significant effect on the fair value measurement of the properties and financial instruments. Transfer of items between levels are recognised in the period as they occur. Changes to key assumptions and inputs used in the valuation techniques would result in changes in the fair value of the properties and financial instruments and the corresponding adjustments to the amount of gain or loss are reported in profit or loss or other comprehensive income respectively.

Information of the valuation techniques and key inputs used in determining the fair value of properties and financial instruments are set out in Notes 14, 15 and 38(c) to the consolidated financial statements.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

(vii) Provision of allowance of inventories

At the end of each reporting period, the management reviews the inventories ageing analysis and provides allowance for slow-moving and obsolete inventory items which are identified as no longer suitable for consumption and saleable. Management significant judgement and estimation is required in determining such allowance. If there is any condition which have an impact on the net realisable value of inventories to be deteriorated, additional allowance of inventories may be required. The management estimates the net realisable value based on the latest invoice amounts and current market conditions on similar inventories. When the actual outcome is different from the original estimation, such difference will impact the provision of allowance to be recognised or reversed in the period when such estimation is changed.

(viii) ECL assessment of financial assets measured at amortised cost

The management measures loss allowance of financial assets measured at amortised cost based on 12-months or lifetime ECL assessment. For trade receivables, the loss allowance using HKFRS 9 simplified approach is calculated by lifetime ECL assessment. For other financial assets (including loan commitments issued), the loss allowance is calculated by 12-month ECL assessment. However, when there has been a significant increase in credit risk since initial recognition, the loss allowance will be calculated by lifetime ECL assessment.

When determining whether the credit risk of a financial asset (including a loan commitment) has increased significantly since initial recognition and when estimating the loss allowance, it involves management significant judgement and estimation for the management to consider reasonable and supportable information that is relevant and available without undue costs or effort. This includes both quantitative and qualitative information analysis, based on historical experience and informed credit assessment and including forward-looking information.

In order to determine the most appropriate ECL models in estimating the loss allowance, the management identifies appropriate key drivers of credit risks as well as future movement of different economic drivers and how these drivers affect each other in the contractual period of the financial assets. When the actual outcome is different from the original estimation, such difference will impact the loss allowance to be recognised or reversed in the period when such estimation is changed.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

(ix) Estimation of income taxes and deferred taxes

The Group is subject to taxation exposures mainly in Hong Kong, the PRC and foreign tax jurisdictions. Management significant judgement and estimation is required in determining the anticipated amounts of provisions of taxes and the timing of the related payments. There is a certain extent of transactions and calculations for which the ultimate tax determination is uncertain arising from the ordinary course of business. The Group recognises provisions of taxes only to the extent for the anticipated tax amounts based on prevailing tax regulations and the best estimates whether additional taxes to be due particularly on uncertain tax items. Where the final tax outcome of these matters is different from the tax amounts that were initially recorded, such differences will impact on the provisions of taxes in the period when such determination is made.

Providing that the Group recognised deferred tax assets related to unused tax losses to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised in accordance with business plans and budgets formed in the prior years. Management significant judgement and estimation is required to determine an appropriate amount of deferred tax assets to be recognised based on the likelihood of timing and level of future taxable profits to be generated, together with the consideration of future tax planning strategies. Where the expectation is different from the original estimation, such differences will impact the recognition of deferred tax assets in the period when such estimation is changed.

6. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting process to both directors and key management personnel of the Company (together the "**Chief Operating Decision Maker**"), the Group is 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, segment liabilities, other segment information, geographical information and information about major customers, 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 to derive revenue from sales of goods and royalty income in a worldwide basis; (ii) retailing and provisions of sourcing services for branded apparel, swimwear and accessories in the PRC; (iii) sourcing, manufacturing and trading of healthcare products in Hong Kong; and (iv) operation of duty free shops;

– Retailing: (i) rental income from investment properties in Hong Kong and the PRC; and (ii) commission income from concessionaire sales by managing and operating outlet malls in the PRC; and

– Financial services: services 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.

The composition of reportable segments has been changed from six to three reportable segments during the year. 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 year ended 31 December 2019 has been represented to be comparable with the revised reportable segments as required by HKFRS 8.

6. SEGMENT INFORMATION *(Continued)*

(a) Segment revenue and results (Business segments)

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

For the year ended 31 December 2020

	Branding HKD'000	Retailing HKD'000 *(Note)*	Financial services HKD'000	Consolidated HKD'000
Revenue from external customers	167,931	156,093	28,135	352,159
Inter-segment revenue*	3,195	4,619	–	7,814
Reportable segment revenue	171,126	160,712	28,135	359,973
Reportable segment loss	(17,230)	(40,629)	(92,591)	(150,450)
Reconciliation:				
Interest income				3,253
Central administrative expenses				(64,009)
Share of results of joint ventures				2,749
Share of result of an associate				(1,725)
Impairment loss on amount due from an associate				(4,024)
Loss before income tax expense				(214,206)

Note:

Revenue from commission income from concessionaire sales included in retailing segment is analysed as follows:				
Gross revenue from concessionaire sales				765,487
Commission income from concessionaire sales				98,417

6. SEGMENT INFORMATION *(Continued)*

(a) Segment revenue and results (Business segment) *(Continued)*

For the year ended 31 December 2019 (Represented)

	Branding HKD'000	Retailing HKD'000 *(Note)*	Financial services HKD'000	Consolidated HKD'000
Revenue from external customers	228,613	119,783	40,548	388,944
Inter-segment revenue*	1,362	4,479	–	5,841
Reportable segment revenue	229,975	124,262	40,548	394,785
Reportable segment profit	9,742	8,476	102,144	120,362
Reconciliation:				
Interest income				4,656
Gain on write-back of other payables				17,503
Central administrative expenses				(55,548)
Share of results of joint ventures				5,315
Impairment loss on amount due from an associate				(11,631)
Profit before income tax expense				80,657

Note:

Revenue from commission income from concessionaire sales included in retailing segment is analysed as follows:	
Gross revenue from concessionaire sales	514,698
Commission income from concessionaire sales	54,441

* 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.

The accounting policies across different reportable segments are the same as the Group's accounting policies. The segment results is evaluated based on different reportable segment profit/(loss), which is a common measure of profit or loss incurred in different reportable segments, with the adjustments of profit/(loss) before income tax expense. The adjusted profit/(loss) before income tax expense of each reportable segment is measured consistently with the Group's profit before income tax expense except for the corporate income and expenses, including interest income, gain on write-back of other payables, central administrative expenses, share of results of joint ventures and an associate and impairment losses on amount due from an associate which are managed by the headquarter for daily monitoring of working capital purpose.

6. SEGMENT INFORMATION *(Continued)*

(b) Segment revenue and results (Disaggregation of revenue)

The following table provides an analysis of reportable segment revenue recognised during the year 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 year, mainly into two categories: (i) revenue from contracts with customers within the scope of HKFRS 15; and (ii) revenue from other sources not within the scope of HKFRS 15:

For the year ended 31 December 2020

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	124,768	98,417	–	223,185
Hong Kong (Place of domicile)	8,455	–	4,986	13,441
United Kingdom	7,042	–	–	7,042
United States of America	5,040	–	–	5,040
Other Asian countries *(Note)*	7,821	–	–	7,821
Others *(Note)*	14,805	–	–	14,805
Total	167,931	98,417	4,986	271,334
Major products and services:				
Sales of goods	156,689	–	–	156,689
Commission income from concessionaire sales	–	98,417	–	98,417
Royalty income	8,449	–	–	8,449
Securities brokerage commission	–	–	2,809	2,809
Underwriting and placing income	–	–	702	702
Financial consultancy income	–	–	1,475	1,475
Other services income	2,793	–	–	2,793
Total	167,931	98,417	4,986	271,334
Timing of revenue recognition:				
At a point in time	156,689	–	3,511	160,200
Transferred over time	11,242	98,417	1,475	111,134
Total	167,931	98,417	4,986	271,334

6. SEGMENT INFORMATION *(Continued)*

(b) Segment revenue and results (Disaggregation of revenue) *(Continued)*

For the year ended 31 December 2020 *(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	–	49,752	–	49,752
Hong Kong (Place of domicile)	–	7,924	23,149	31,073
Total	–	57,676	23,149	80,825
Major products and services:				
Rental income	–	57,676	–	57,676
Interest income	–	–	23,149	23,149
Total	–	57,676	23,149	80,825

6. SEGMENT INFORMATION *(Continued)*

(b) Segment revenue and results (Disaggregation of revenue) *(Continued)*

For the year ended 31 December 2019 (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	192,166	54,441	–	246,607
Hong Kong (Place of domicile)	18,609	–	4,434	23,043
United States of America	6,526	–	–	6,526
Other Asian countries *(Note)*	7,716	–	–	7,716
Others *(Note)*	3,596	–	–	3,596
Total	228,613	54,441	4,434	287,488
Major products and services:				
Sales of goods	214,487	–	–	214,487
Commission income from concessionaire sales	–	54,441	–	54,441
Royalty income	12,877	–	–	12,877
Securities brokerage commission	–	–	2,388	2,388
Underwriting and placing income	–	–	536	536
Financial consultancy income	–	–	1,510	1,510
Other services income	1,249	–	–	1,249
Total	228,613	54,441	4,434	287,488
Timing of revenue recognition:				
At a point in time	214,487	–	2,924	217,411
Transferred over time	14,126	54,441	1,510	70,077
Total	228,613	54,441	4,434	287,488

6. SEGMENT INFORMATION *(Continued)*

(b) Segment revenue and results (Disaggregation of revenue) *(Continued)*

For the year ended 31 December 2019 (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	–	57,567	–	57,567
Hong Kong (Place of domicile)	–	7,775	36,114	43,889
Total	–	65,342	36,114	101,456
Major products and services:				
Rental income	–	65,342	–	65,342
Interest income	–	–	36,114	36,114
Total	–	65,342	36,114	101,456

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

(c) Segment assets

The following table provides an analysis of reportable segment assets of different reportable segments recognised as at 31 December 2020 and 2019:

	2020 HKD'000	2019 HKD'000 (Represented)
Branding	**294,913**	304,131
Retailing	**4,198,852**	3,974,702
Financial services	**431,283**	593,695
Total reportable segment assets	**4,925,048**	4,872,528
Unallocated	**393,460**	287,885
Consolidated total assets	**5,318,508**	5,160,413

The segment assets is evaluated based on different reportable segment assets, which is a common measure of assets held by different reportable segments. The consolidated total assets are allocated to different reportable segments which are measured consistently with the Group's assets except for the corporate assets held by headquarter or inactive subsidiaries, including interests in joint ventures, interest in an associate, deferred tax assets, club debenture, amounts due from joint ventures, amount due from an associate, restricted bank deposits and bank balances and cash.

6. SEGMENT INFORMATION *(Continued)*

(d) Segment liabilities

The following table provides an analysis of reportable segment liabilities of different reportable segments recognised as at 31 December 2020 and 2019:

	2020 **HKD'000**	2019 HKD'000 (Represented)
Branding	**47,598**	43,176
Retailing	**410,205**	432,882
Financial services	**22,932**	17,886
Total reportable segment liabilities	**480,735**	493,944
Unallocated	**1,940,944**	1,738,144
Consolidated total liabilities	**2,421,679**	2,232,088

The segment liabilities is evaluated based on different reportable segment liabilities, which is a common measure of liabilities held by different reportable segments. The consolidated total liabilities are allocated to different reportable segments which are measured consistently with the Group's liabilities except for the corporate liabilities held by headquarter or inactive subsidiaries, including amounts due to a related party and a director, bank borrowings, bank overdrafts, tax payable, loan from non-controlling interests, deferred tax liabilities and dividend payable.

6. SEGMENT INFORMATION *(Continued)*

(e) Other segment information

For the year ended 31 December 2020

	Branding HKD'000	Retailing HKD'000	Financial services HKD'000	Consolidated HKD'000
Amounts included in the measures of segment results, segment assets and segment liabilities:				
Capital expenditure *(Note)*	1,229	44,178	16,199	61,606
Depreciation of property, plant and equipment	2,345	55,948	1,214	59,507
Depreciation of right-of-use assets	3,261	14,043	–	17,304
Amortisation of intangible assets	22,670	–	–	22,670
Loss on disposal of property, plant and equipment	49	7	839	895
Write off of property, plant and equipment	1	32	–	33
Increase in fair value of investment properties	–	(6,066)	–	(6,066)
Fair value loss on financial assets at fair value through profit or loss	–	–	97,529	97,529
Impairment loss on financial assets	(1,234)	1,923	5,902	6,591
Recovery of bad debts written off	(1,012)	542	276	(194)
Write off of obsolete inventories	2,106	–	–	2,106
Provision of allowance of inventories	17,455	–	–	17,455
COVID-19-related rent concessions	(183)	(1,584)	–	(1,767)
Dividend income	–	–	(660)	(660)
Interest income	–	–	(23,149)	(23,149)
Interest expenses	440	68,969	155	69,564

6. SEGMENT INFORMATION *(Continued)*

(e) Other segment information *(Continued)*

For the year ended 31 December 2019 (Represented)

	Branding HKD'000	Retailing HKD'000	Financial services HKD'000	Consolidated HKD'000
Amounts included in the measures of segment results, segment assets and segment liabilities:				
Capital expenditure *(Note)*	46,934	420,800	3	467,737
Depreciation of property, plant and equipment	3,118	29,079	351	32,548
Depreciation of right-of-use assets	3,843	14,267	–	18,110
Amortisation of intangible assets	3,596	–	–	3,596
Gain on disposal of property, plant and equipment	–	(42)	–	(42)
Write off of property, plant and equipment	286	6	–	292
Increase in fair value of investment properties	–	(44,217)	–	(44,217)
Fair value gain on financial assets at fair value through profit or loss	–	–	(88,843)	(88,843)
Impairment loss on financial assets	2,068	455	500	3,023
Impairment loss on goodwill	–	6,100	–	6,100
Bad debts written off	(396)	700	–	304
Write off of obsolete inventories	12	–	–	12
Provision of allowance of inventories	8,951	–	–	8,951
Penalty expenses	–	–	6,300	6,300
Dividend income	–	–	(40)	(40)
Interest income	–	–	(36,114)	(36,114)
Interest expenses	753	52,777	161	53,691

Note: Capital expenditure including purchases of property, plant and equipment, additions to intangible assets, interest expenses on bank borrowings and construction costs of outlet malls located in Shenyang and Xiamen, the PRC.

6. SEGMENT INFORMATION *(Continued)*

(f) Geographical information

The following table provides an analysis of revenue from external customers by geographical locations based on the services locations or delivery destinations and non-current assets by geographical locations based on the physical locations of the assets operated ("**Specified non-current assets**"):

	Revenue from external customers		Specified non-current assets *(note)*	
	2020	2019	**2020**	2019
	HKD'000	HKD'000	**HKD'000**	HKD'000
The PRC	**272,937**	304,174	**3,342,266**	3,116,403
Hong Kong (Place of domicile)	**44,514**	66,932	**798,153**	763,823
United Kingdom	**7,042**	–	**7**	–
United States of America	**5,040**	6,526	**–**	–
Other Asian countries	**7,821**	7,716	**–**	–
Others	**14,805**	3,596	**145,920**	191,642
Total	**352,159**	388,944	**4,286,346**	4,071,868

Note: Non-current assets located in different geographical locations excluding interests in joint ventures, interest in an associate, deferred tax assets and restricted bank deposits which are located across different geographical locations and the costs of capturing such information will be excessive.

(g) Information about major customers

No revenue from transactions with a single external customer, in aggregate, representing 10% or more of the Group's total revenue for the year ended 31 December 2020 and 2019.

7. REVENUE

Revenue from external customers including net invoiced amounts of goods sold, commission income from concessionaire sales, royalty income, securities brokerage commission, underwriting and placing income, financial consultancy income, other services income, rental income and interest income. The amounts of each significant categories of revenue recognised during the year are disaggregated as follows:

	2020 HKD'000	2019 HKD'000
Revenue from contracts with customers within the scope of HKFRS 15:		
Sales of goods	156,689	214,487
Commission income from concessionaire sales	98,417	54,441
Royalty income	8,449	12,877
Securities brokerage commission	2,809	2,388
Underwriting and placing income	702	536
Financial consultancy income	1,475	1,510
Other services income	2,793	1,249
	271,334	287,488
Revenue from other sources not within the scope of HKFRS 15:		
Rental income	57,676	65,342
Interest income	23,149	36,114
	80,825	101,456
Total	352,159	388,944

8. FINANCE COSTS

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

	2020 HKD'000	2019 HKD'000
Interest expenses on bank borrowings	60,920	62,171
Interest expenses on bank overdrafts	129	213
Interest expenses on loan from non-controlling interests	155	161
Interest expenses on lease liabilities	12,713	12,762
	73,917	75,307
Less: Interest expenses being capitalised *(Note)*	(4,353)	(21,616)
	69,564	53,691

Note: All of the interest expenses on bank borrowings was capitalised as specific borrowings and there was no general borrowings related to the capital expenditure used in the construction works of outlet malls located in Shenyang and Xiamen, the PRC for both current and prior years.

9. INCOME TAX (EXPENSE)/CREDIT

The amount of income tax (expense)/credit recognised in the consolidated statement of profit or loss during the year is as follows:

	2020 HKD'000	2019 HKD'000
Current tax:		
Hong Kong		
– Profits Tax		
– Provision for the year	(805)	(710)
– Under provision in respect of prior years	(29)	–
The PRC and other jurisdictions		
– PRC Enterprise Income Tax		
– Provision for the year	(4,065)	(2,590)
– Foreign tax		
– Reversal/(provision) for the year	1,495	(459)
	(3,404)	(3,759)
Deferred tax *(Note 28)*:		
Hong Kong and the PRC		
– Profits Tax and PRC Enterprise Income Tax		
– Reversal for the year	524	5,007
Income tax (expense)/credit	(2,880)	1,248

9. INCOME TAX (EXPENSE)/CREDIT *(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 years. According to the definition of "connected entity" under the Two-tiered Profits Tax Regime, the management has elected one of the Company's subsidiaries to apply for the two-tiered profits tax rates to calculate the provision for Hong Kong Profits Tax for both current and prior years 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 year.

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 years, 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 years, based on the existing tax legislation, interpretation and practices in respect thereof.

Up to date of approval and authorisation for issuance of the consolidated 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 year 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 the consolidated financial statements. In addition, pursuant to the signed sales and purchase agreement in respect of the acquisition of the above subsidiary in 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 years.

9. INCOME TAX (EXPENSE)/CREDIT *(Continued)*

The amount of income tax (expense)/credit recognised during the year can be reconciled to (loss)/profit before income tax expense in the consolidated statement of profit or loss as follows:

	2020 HKD'000	2019 HKD'000
(Loss)/profit before income tax expense	**(214,206)**	80,657
Tax expense calculated at the statutory tax rate	**35,344**	(13,143)
Tax effect of expenses not deductible for tax purpose	**(52,204)**	(14,886)
Tax effect of revenue not taxable for tax purposes	**30,957**	35,226
Tax effect of share of results of joint ventures	**454**	877
Tax effect of share of result of an associate	**(284)**	–
Tax effect of tax losses not recognised	**(28,661)**	(17,718)
Tax effect of deductible temporary difference not recognised	**(450)**	318
Tax effect of utilisation of tax losses previously not recognised	**7,254**	4,834
Effect of different tax rates of subsidiaries operating in other jurisdictions	**4,739**	5,740
Under provision in respect of prior years	**(29)**	–
Income tax (expense)/credit	**(2,880)**	1,248

In addition to the amount charged to the profit or loss, deferred tax liability relating to surplus arising on revaluation of properties of approximately HKD11,510,000 (2019: HKD111,346,000) has been charged to other comprehensive income during the year as set out in Note 28 to the consolidated financial statements.

10. (LOSS)/PROFIT FOR THE YEAR

(a) Other income and gains

	2020 HKD'000	2019 HKD'000
Dividend income	**660**	40
Foreign exchange gains	**434**	1,495
Gain on disposal of property, plant and equipment	**–**	42
Interest income	**3,253**	4,656
Government grants *(Note)*	**5,877**	2,003
Reimbursement income of operating outlet malls	**12,133**	8,970
Gain on write-back of other payables	**–**	17,503
Recovery of bad debts written off	**194**	–
Others	**6,727**	8,870
	29,278	43,579

Note: During the year, the Group has received financial support from the Hong Kong Special Administrative Region Government who set up the Anti-epidemic Fund under the Employment Support Scheme to encourage entities to retain their employees who would otherwise be made redundant. Under the Employment Support Scheme, the Group is required not to make redundancies during the subsidy period and to spend all of subsidies on paying salaries.

For the remaining portion of the government grants is received from the PRC local authorities who provide financial support on the branding business in the PRC. There was no unfulfilled condition to receive both government grants at the end of reporting period.

(b) Other expenses

	2020 HKD'000	2019 HKD'000
Bad debts written off	**–**	304
Loss on disposal of property, plant and equipment	**895**	–
Write off of property, plant and equipment	**33**	292
Penalty expenses	**–**	6,300
Others	**350**	1,018
	1,278	7,914

10. (LOSS)/PROFIT FOR THE YEAR *(Continued)*

(c) (Loss)/profit for the year is arrived at:

	2020 HKD'000	2019 HKD'000
After charging:		
Directors' emoluments *(Note 11(a))*	**6,564**	6,859
Employees' costs (excluding directors' emoluments) comprise:		
– Salaries	**59,478**	59,730
– Welfare and other expenses	**2,287**	3,586
– Contributions to defined contribution retirement plans	**5,338**	9,562
	73,667	79,737
Auditor's remuneration	**2,030**	2,030
Amortisation of intangible assets	**22,670**	3,596
Cost of inventories recognised as expenses	**106,753**	109,831
Depreciation of property, plant and equipment	**59,507**	32,548
Depreciation of right-of-use assets	**17,304**	18,110
Loss/(gain) on disposal of property, plant and equipment	**895**	(42)
Write off of obsolete inventories	**2,106**	12
Provision of allowance of inventories	**17,455**	8,951
Bad debts written off	**–**	304
Short-term leases expenses	**12,547**	23,491

10. (LOSS)/PROFIT FOR THE YEAR *(Continued)*

(c) (Loss)/profit for the year is arrived at: *(Continued)*

	2020 HKD'000	2019 HKD'000
After crediting:		
Gross rental income from investment properties	**(57,676)**	(65,342)
Less: Direct operating expenses related to:		
– Investment properties that generate rental income	**12,803**	14,769
– Investment properties that did not generate rental income	**65**	13
	(44,808)	(50,560)
Interest income from:		
– Bank deposits	**(2,511)**	(3,909)
– Loans receivable and advances to customers in margin financing	**(23,149)**	(36,114)
– Others	**(742)**	(747)
Dividend income	**(660)**	(40)
Foreign exchange gains	**(434)**	(1,495)
Recovery of bad debts written off	**(194)**	–
Increase in fair value of investment properties	**(6,066)**	(44,217)
Reimbursement income of operating outlet malls	**(12,133)**	(8,970)
COVID-19-related rent concessions received *(Note)*	**(1,767)**	–
Gain on write-back of other payables	**–**	(17,503)

Note: During the year, the lessors of the retail shops and Tianjin community mall provided rent concessions to the Group through rent reductions ranging from 1 to 17 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 HKD1,767,000 was recognised as negative variable lease payments in profit or loss.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and Chief Executive's emoluments

Directors' and Chief Executive's emoluments paid or payable by the Group during the year is disclosed as follows:

For the year ended 31 December 2020

	Executive Directors			Independent Non-executive Directors			
	Cheng Tun Nei HKD'000 *(Note a)*	Chan Kar Lee Gary HKD'000	Lee Cheung Ming HKD'000 *(Note b)*	Shum Pui Kay HKD'000	Wah Wang Kei Jackie HKD'000	Chow Yu Chun Alexander HKD'000	Total HKD'000
Directors' fees	–	–	–	160	170	170	500
Other emoluments:							
Salaries, welfare and other expenses	2,280	1,881	1,368	–	–	–	5,529
Discretionary bonus *(Note c)*	200	165	120	–	–	–	485
Contributions to defined contribution retirement plans	18	14	18	–	–	–	50
Total emoluments	2,498	2,060	1,506	160	170	170	6,564

For the year ended 31 December 2019

	Executive Directors			Independent Non-executive Directors			
	Cheng Tun Nei HKD'000 *(Note a)*	Chan Kar Lee Gary HKD'000	Lee Cheung Ming HKD'000 *(Note b)*	Shum Pui Kay HKD'000	Wah Wang Kei Jackie HKD'000	Chow Yu Chun Alexander HKD'000	Total HKD'000
Directors' fees	–	–	–	160	170	170	500
Other emoluments:							
Salaries, welfare and other expenses	2,400	1,980	1,440	–	–	–	5,820
Discretionary bonus *(Note c)*	200	165	120	–	–	–	485
Contributions to defined contribution retirement plans	18	18	18	–	–	–	54
Total emoluments	2,618	2,163	1,578	160	170	170	6,859

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' and Chief Executive's emoluments *(Continued)*

Notes:

(a) Mr. Cheng Tun Nei acts as Chairman and Chief Executive Officer of the Company;

(b) Mr. Lee Cheung Ming was appointed as the Executive Director of the Company effective on 1 January 2019; and

(c) The distribution amounts of discretionary bonus was determined based on the individual's performance during the year after the review and approval from the remuneration committee of the Company.

No actual or accrued compensation was recognised for any loss of office as a director in connection with the management of affairs towards the Group for both current and prior years.

No actual or accrued payment to any of the director in respect of an inducement to accept office as the director or paid as the consideration to any third parties for making available of directors' services for both current and prior years.

No loans, quasi-loans and other dealing arrangements in favour of the directors, controlled bodies corporate by or connected entities with any of the directors at 31 December 2020 and 2019.

Except for the contributions to defined contribution retirement plans, no other retirement benefits was paid or payable to and received or receivable by the directors for the management of affairs towards the Group. None of the director was waived for emoluments for both current and prior years.

Salaries, welfare and other expenses paid or payable to the Executive Directors of the Company is general emoluments in respect of their services rendered in connection with the management of affairs towards the Group.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

Among the five individuals of the Group with the highest emoluments during the year, which included the Chief Executive Officer and two directors (2019: the Chief Executive Officer and two directors) of the Company. Their emoluments are disclosed in Note 11(a) to the consolidated financial statements. The emoluments of the remaining two (2019: two) individuals during the year is disclosed as follows:

	2020 HKD'000	2019 HKD'000
Salaries, welfare and other expenses	1,943	2,873
Contributions to defined contribution retirement plans	33	36
	1,976	2,909

The aggregate of the emoluments in respect of the remaining two (2019: two) individuals with the highest emoluments paid or payable during the year were within the following bands:

	2020 No. of employees	2019 No. of employees
Below HKD1,000,000	1	–
HKD1,000,001 to HKD1,500,000	1	1
HKD1,500,001 to HKD2,000,000	–	1

12. DIVIDEND

	2020 HKD'000	2019 HKD'000
2019 final dividend of HKD0.008 (2019: 2018 final dividend of HKD0.012) per ordinary share declared and paid	23,794	35,690

No interim dividend was declared and paid to the shareholders of the Company for both current and prior years.

The board of directors recommended the payment of a final dividend to the shareholders of the Company in respect of the financial year ended 31 December 2020 of HKD0.005 (2019: HKD0.008) per ordinary share of the Company, in total of approximately HKD14,871,000 (2019: HKD23,794,000). The final dividend proposed after the end of reporting period was not reflected as dividend payable in the consolidated financial statements as at 31 December 2020 and 2019.

13. (LOSS)/EARNINGS PER SHARE

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

	2020 HKD'000	2019 HKD'000
(Loss)/earnings:		
(Loss)/profit for the year attributable to owners of the Company	**(216,328)**	71,705

	2020 Number of shares ('000)	2019 Number of shares ('000)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating the basic and diluted (loss)/earnings per share	**2,974,066**	2,974,066
(Loss)/earnings per share:		
Basis (loss)/earnings per share (HK cents)	**(7.27)**	2.41
Diluted (loss)/earnings per share (HK cents)	**(7.27)**	2.41

Note: The diluted loss per share is equal to the basic loss per share as there was no dilutive potential ordinary shares to be issued as there was no outstanding share options and warrants during the year after the share options was either fully exercised or lapsed and warrants was fully expired in the prior year.

The Company's warrants did not give rise to any potential dilutive effect on the basic earnings per share presented for the period from 1 January 2019 to 5 July 2019 (the date when the Company's warrants was fully expired) as the exercise price of the Company's warrants outstanding during the period was higher than the average market price of the Company's shares.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings in Hong Kong	Leasehold land and buildings in the PRC	Outlet mall buildings	Leasehold improvements	Construction in progress	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Vessel	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
At cost or revaluation:										
At 1 January 2019 as originally presented	273,000	26,780	331,295	97,945	184,987	2,113	19,729	4,147	2,930	942,926
Initial adoption of HKFRS 16	–	–	–	–	–	–	–	(773)	–	(773)
Adjusted balance at 1 January 2019	273,000	26,780	331,295	97,945	184,987	2,113	19,729	3,374	2,930	942,153
Additions	–	–	13,147	1,710	401,425	58	4,063	1,701	–	422,104
Transfer from construction in progress to buildings	–	–	583,072	–	(583,072)	–	–	–	–	–
Surplus arising on revaluation of properties	9,000	–	423,977	–	–	–	–	–	–	432,977
Disposal	–	–	–	–	–	–	–	(241)	–	(241)
Write off	–	–	–	(489)	–	–	(267)	–	–	(756)
Exchange realignment	–	(492)	(6,018)	(1,696)	(3,340)	(1)	(181)	(43)	–	(11,771)
At 31 December 2019	282,000	26,288	1,345,473	97,470	–	2,170	23,344	4,791	2,930	1,784,466
Representing:										
At cost	–	–	–	97,470	–	2,170	23,344	4,791	2,930	130,705
At revaluation	282,000	26,288	1,345,473	–	–	–	–	–	–	1,653,761
	282,000	26,288	1,345,473	97,470	–	2,170	23,344	4,791	2,930	1,784,466
At cost or revaluation:										
At 1 January 2020	282,000	26,288	1,345,473	97,470	–	2,170	23,344	4,791	2,930	1,784,466
Additions	–	–	6,295	1,459	33,170	–	4,520	–	16,162	61,606
Surplus arising on revaluation of properties	–	596	(1,313)	–	–	–	–	–	–	(717)
Disposal	–	–	–	–	–	(62)	–	(495)	(2,930)	(3,487)
Write off	–	–	–	–	–	–	(601)	–	–	(601)
Exchange realignment	–	1,722	86,445	6,094	–	5	902	206	–	95,374
At 31 December 2020	282,000	28,606	1,436,900	105,023	33,170	2,113	28,165	4,502	16,162	1,936,641
Representing:										
At cost	–	–	–	105,023	33,170	2,113	28,165	4,502	16,162	189,135
At revaluation	282,000	28,606	1,436,900	–	–	–	–	–	–	1,747,506
	282,000	28,606	1,436,900	105,023	33,170	2,113	28,165	4,502	16,162	1,936,641

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Leasehold land and buildings in Hong Kong HKD'000	Leasehold land and buildings in the PRC HKD'000	Outlet mall buildings HKD'000	Leasehold improvements HKD'000	Construction in progress HKD'000	Plant and machinery HKD'000	Furniture, fixtures and equipment HKD'000	Motor vehicles HKD'000	Vessel HKD'000	Total HKD'000
Accumulated depreciation:										
At 1 January 2019 as originally presented	–	–	–	64,849	–	1,675	15,796	2,176	1,048	85,544
Initial adoption of HKFRS 16	–	–	–	–	–	–	–	(26)	–	(26)
Adjusted balance at 1 January 2019	–	–	–	64,849	–	1,675	15,796	2,150	1,048	85,518
Provided for the year	7,303	1,167	11,097	9,685	–	182	2,100	721	293	32,548
Write back on revaluation of properties	(7,303)	(1,149)	(10,857)	–	–	–	–	–	–	(19,309)
Eliminated on disposal	–	–	–	–	–	–	–	(234)	–	(234)
Eliminated on write off	–	–	–	(287)	–	–	(177)	–	–	(464)
Exchange realignment	–	(18)	(240)	(1,249)	–	(2)	(132)	(29)	–	(1,670)
At 31 December 2019	–	–	–	72,998	–	1,855	17,587	2,608	1,341	96,389
Provided for the year	10,349	423	38,234	5,793	–	102	2,738	672	1,196	59,507
Write back on revaluation of properties	(10,349)	(451)	(38,115)	–	–	–	–	–	–	(48,915)
Eliminated on disposal	–	–	–	–	–	(32)	–	(164)	(1,463)	(1,659)
Eliminated on write off	–	–	–	–	–	–	(568)	–	–	(568)
Exchange realignment	–	28	(119)	4,860	–	5	612	138	–	5,524
At 31 December 2020	–	–	–	83,651	–	1,930	20,369	3,254	1,074	110,278
Net book value:										
At 31 December 2020	282,000	28,606	1,436,900	21,372	33,170	183	7,796	1,248	15,088	1,826,363
At 31 December 2019	282,000	26,288	1,345,473	24,472	–	315	5,757	2,183	1,589	1,688,077

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The net book value of construction in progress consists of an amount of HKD33,170,000 (2019: HKD nil) related to the construction work of the outlet mall located in Shenyang, the PRC and will be depreciated once it is available for use. The estimated cost to completion of the construction work which is contractually committed amounted to HKD151,410,000 (2019: HKD nil). Additions of HKD33,170,000 (2019: HKD nil) is related to interest expenses capitalised and direct cost attributable to the construction during the year.

At 31 December 2020 and 2019, the Group's leasehold land and buildings and outlet mall buildings were valued by independent qualified professional valuers. The management will have discussions with the valuers regarding the key assumptions and methodologies when the fair value measurements is performed at the end of each reporting period. All of the revaluation surplus net of applicable deferred taxes was credited to the properties revaluation reserve for both current and prior years.

The following table provides the fair value of the leasehold land and buildings and outlet mall buildings held by the Group as at 31 December 2020 and 2019:

	2020 **HKD'000**	2019 HKD'000
Fair value:		
Leasehold land and buildings located in Hong Kong	**282,000**	282,000
Leasehold land and buildings located in the PRC	**28,606**	26,288
Outlet mall buildings	**1,436,900**	1,345,473
At 31 December	**1,747,506**	1,653,761

The fair values of the above properties were based on the highest and best use, which did not differ from their actual usage for both current and prior years.

Reconciliations of the opening and closing fair values of the leasehold land and buildings and outlet mall buildings at Level 3 recurring fair value measurements are provided as follows:

	2020 **HKD'000**	2019 HKD'000
Level 3 recurring fair value:		
At 1 January	**1,653,761**	631,075
Additions	**6,295**	13,147
Transfer from construction in progress to buildings	**–**	583,072
Surplus arising on revaluation of properties	**48,198**	452,286
Depreciation	**(49,006)**	(19,567)
Exchange realignment	**88,258**	(6,252)
At 31 December	**1,747,506**	1,653,761

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

At 31 December 2020 and 2019, all of the fair values of leasehold land and buildings and outlet mall buildings of approximately HKD1,747,506,000 (2019: HKD1,653,761,000) were classified as Level 3 recurring fair value measurements in accordance with the definitions set out in Note 5(b)(vi) to the consolidated financial statements. There was no transfer between different levels of the fair value hierarchy for both current and prior years as the key inputs used by the independent qualified professional valuers were remained as unobservable with significant adjustments before deriving the appropriate fair values of the properties.

Information about fair value measurements using significant unobservable inputs:

Properties	Valuation approach	*Notes*	Significant unobservable inputs	Range of estimates 2020	Range of estimates 2019
Hong Kong	Direct comparison approach	(i)	(Discount)/premium on characteristics of the properties	**-15%–15%**	-15%–15%
			Average market price of similar properties (HKD/sq. feet)	**22,684**	22,479
Shanghai, the PRC	Direct comparison approach	(i)	Discount on characteristics of the properties	**N/A**	-1%–0%
			Average market price of similar properties (RMB/sq. metre)	**N/A**	32,146
	Capitalisation of rental receivables approach	(ii)	Term yield	**4.5%**	N/A
			Reversionary yield	**5%**	N/A
			Market unit rent per month (RMB/sq. metre)	**155**	N/A
Shenyang, the PRC	Discount of rental income approach	(iii)	Rental yield	**7.5%**	6%
			Market unit rent per month (RMB/sq. metre)	**35–101**	114–128
Xiamen, the PRC	Discount of rental income approach	(iii)	Rental yield	**5%**	5%
			Market unit rent per month (RMB/sq. metre)	**56–105**	160–193

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Information about fair value measurements using significant unobservable inputs *(Continued)*

Notes:

(i) The direct comparison approach takes into account of the characteristics of the properties, which included the location, size, timing, floor level, view, age and quality against comparable sales evidence available in the market nearby.

A significant increase/(decrease) in the discount on characteristics of the properties, or a significant (decrease)/increase in the premium on characteristics of the properties or market prices of similar properties, would result in a significant (decrease)/increase in the fair value of leasehold land and buildings.

(ii) The capitalisation of rental receivables approach takes into account of the rental receivables outstanding during the residual period of the existing tenancy, which is then capitalised at an appropriate capitalisation rate with due allowance for the reversionary interests after the expiry of the tenancy.

A significant increase/(decrease) in both term yield and reversionary yield of the property, or a significant (decrease)/increase in the average market unit rent of the property would result in a significant (decrease)/increase in the fair value of the leasehold land and buildings.

(iii) The discount of rental income approach takes into account of the future rental income arising from the retail shops located in the outlet mall buildings located in Shenyang and Xiamen, the PRC for the remaining lease terms. This approach also consider different factors, such as rental yield and market unit rent of comparable properties available for rental purposes nearby.

A significant increase/(decrease) in rental yield and market unit rent of the property, would result in a significant increase/(decrease) in the fair value of the outlet mall buildings.

There was changes in the valuation techniques during the year as disclosed in the above table. In the opinion of the directors, the changes can better reflect how the market perceive the fair value of the properties based on the data available.

Had the leasehold land and buildings and outlet mall buildings not been revalued and stated at historical cost less accumulated depreciation and impairment loss, if any, their net book value would have been approximately HKD1,007,630,000 (2019: HKD954,836,000).

	2020 HKD'000	2019 HKD'000
Leasehold land and buildings located in Hong Kong	**81,221**	82,567
Leasehold land and buildings located in the PRC	**23,087**	21,968
Buildings located in the PRC	**903,322**	850,301
	1,007,630	954,836

The leasehold land and buildings located in Hong Kong and outlet mall buildings located in Shenyang, the PRC of approximately HKD1,718,900,000 (2019: leasehold land and buildings located in Hong Kong of approximately HKD282,000,000) were pledged to secure banking facilities granted to the Group as set out in Note 29 to the consolidated financial statements.

15. INVESTMENT PROPERTIES

	HKD'000
At fair value:	
At 1 January 2019 as originally presented	1,319,475
Initial adoption of HKFRS 16	160,740
Adjusted balance at 1 January 2019	1,480,215
Increase in fair value	44,217
Exchange realignment	(21,120)
At 31 December 2019	1,503,312
Increase in fair value	6,066
Exchange realignment	77,869
At 31 December 2020	1,587,247

The Group's investment properties located in Hong Kong, Beijing, Shanghai, Chongqing and Tianjin, the PRC are held either medium or long-term leases and for the purpose of either earning rental income or capital appreciation.

Upon the initial adoption of HKFRS 16 on 1 January 2019, the Group classified the operating lease arrangement related to the community mall located in Tianjin, the PRC as an investment property under the definition of HKAS 40, i.e. held for the purpose of earning rental income.

At 31 December 2020 and 2019, the Group's investment properties were valued by independent qualified professional valuers. The management will have discussions with the valuers regarding the key assumptions and methodologies when the fair value measurements is performed at the end of each reporting period. All of the changes in fair value net of applicable deferred taxes was recognised in profit or loss for both current and prior years.

The fair values of the above properties were based on the highest and best use, which did not differ from their actual usage for both current and prior years.

15. INVESTMENT PROPERTIES *(Continued)*

Reconciliations of the opening and closing fair values of the investment properties at Level 3 recurring fair value measurements are provided as follows:

	2020 HKD'000	2019 HKD'000
At Level 3 recurring fair value:		
At 1 January	**1,503,312**	1,480,215
Increase in fair value	**6,066**	44,217
Exchange realignment	**77,869**	(21,120)
At 31 December	**1,587,247**	1,503,312

At 31 December 2020 and 2019, all of the fair values of investment properties of approximately HKD1,587,247,000 (2019: HKD1,503,312,000) were classified as Level 3 recurring fair value measurements in accordance with the definition set out in Note 5(b)(vi) to the consolidated financial statements. There was no transfer between different levels of the fair value hierarchy for both current and prior years as the key inputs used by the independent qualified professional valuers were remained as unobservable with significant adjustments before deriving the appropriate fair values of the properties.

Information about fair value measurements using significant unobservable inputs

Properties	Valuation approach	*Notes*	Significant unobservable inputs	Range of estimates 2020	Range of estimates 2019
Beijing, the PRC	Direct comparison approach	(i)	Premium on characteristics of the properties	**N/A**	0%–0.7%
			Average market prices of similar properties (RMB/sq. metre)	**N/A**	44,667
	Capitalisation of rental receivables approach	(ii)	Term yield	**5%**	N/A
			Reversionary yield	**5%**	N/A
			Market unit rent per month (RMB/sq. metre)	**282**	N/A
Shanghai, the PRC	Direct comparison approach	(i)	Discount on characteristics of the properties	**N/A**	-1%–0%
			Average market prices of similar properties (RMB/sq. metre)	**N/A**	32,146
	Capitalisation of rental receivables approach	(ii)	Term yield	**4.5%**	N/A
			Reversionary yield	**5%**	N/A
			Market unit rent per month (RMB/sq. metre)	**155**	N/A

15. INVESTMENT PROPERTIES *(Continued)*

Information about fair value measurements using significant unobservable inputs *(Continued)*

Properties	Valuation approach	*Notes*	Significant unobservable inputs	Range of estimates 2020	2019
Chongqing, the PRC	Direct comparison approach	(i)	Average market prices of similar properties (RMB/sq. metre)	**19,880 (Commercial) 1,950 (Carpark)**	19,820 (Commercial) 1,940 (Carpark)
Tianjin, the PRC	Discount of rental income approach	(iii)	Rental yield	**10%**	6%
			Rental growth rate	**2%**	2%
			Adjustment rate on the length of lease term	**0%**	0.42%
			Adjustment rate on the Group's credit rating	**0%**	0.42%
			Market unit rent per month (RMB/sq. metre)	**55–94**	60–110
Hong Kong	Direct comparison approach	(i)	(Discount)/premium on characteristics of the properties	**-10%–10%**	-20%–3.5%
			Average market prices of similar properties (HKD/sq. feet)	**3,503 (warehouse) 16,810 (office)**	4,507 (warehouse) N/A (office)
	Capitalisation of rental receivables approach	(ii)	Term yield	**N/A**	2.0%
			Reversionary yield	**N/A**	2.5%
			Average market unit rent per month (HKD/sq. metre)	**N/A**	517

15. INVESTMENT PROPERTIES *(Continued)*

Information about fair value measurements using significant unobservable inputs *(Continued)*

Notes:

(i) The direct comparison approach takes into account of the characteristics of the properties, which included the location, size, timing, floor level, view, age and quality against comparable sales evidence available in the market nearby.

A significant increase/(decrease) in the discount on characteristics of the properties, or a significant (decrease)/increase in the premium on characteristics of the properties or market prices of similar land or properties, would result in a significant (decrease)/increase in the fair value of the investment properties.

(ii) The capitalisation of rental receivables approach takes into account of the rental receivables outstanding during the residual period of the existing tenancy, which is then capitalised at an appropriate capitalisation rate with due allowance for the reversionary interests after the expiry of the tenancy.

A significant increase/(decrease) in both term yield and reversionary yield of the property, or a significant (decrease)/increase in the average market unit rent of the property would result in a significant (decrease)/increase in the fair value of the investment properties.

(iii) The discount of rental income approach takes into account of the future rental income arising from the subleasing of retail shops accommodated in the community mall of Tianjin, the PRC.

A significant (decrease)/increase in rental yield, rental growth rate and market unit rent of the property, or a significant increase/(decrease) in the adjustment rates on the length of lease term and the Group's credit rating of the property, would result in a significant (decrease)/increase in the fair value of the investment properties.

There was changes in the valuation techniques during the year as disclosed in the above table. In the opinion of the directors, the changes can better reflect how the market perceive the fair value of the properties based on the data available.

The investment properties located in Hong Kong, Beijing and Chongqing, the PRC of approximately HKD1,383,558,000 (2019: HKD1,314,428,000) were pledged to secure banking facilities granted to the Group as set out in Note 29 to the consolidated financial statements.

16. RIGHT-OF-USE ASSETS

The analysis of the net book value of right-of-use assets categorised by class of underlying assets at 31 December 2020 and 2019 was as follows:

	Prepaid lease payments HKD'000	**Buildings** HKD'000	**Motor vehicles** HKD'000 *(Note 14)*	**Total** HKD'000
At 1 January 2019	514,667	5,892	747	521,306
Additions	–	1,614	–	1,614
Depreciation	(14,112)	(3,843)	(155)	(18,110)
Exchange realignment	(9,229)	(66)	–	(9,295)
At 31 December 2019	491,326	3,597	592	495,515
Additions	–	1,080	–	1,080
Depreciation	(13,888)	(3,261)	(155)	(17,304)
Exchange realignment	31,272	(128)	–	31,144
At 31 December 2020	508,710	1,288	437	510,435

Upon the initial adoption of HKFRS 16 on 1 January 2019, the right-of-use assets comprise of: (i) upfront lease payments paid for acquiring leasehold land interests located in Shenyang and Xiamen, the PRC under medium lease terms; (ii) right-to-use of office premises, warehouses and retail shops, where located in Hong Kong and the PRC under non-cancellable tenancy agreements, with lease terms from one to three years (2019: one to three years); (iii) a motor vehicle held under a finance lease.

The Group does not have any options to renew or terminate the existing tenancy agreements and no major lease incentives was received from the lessors or landlords for both current and prior years.

During the year, the Group entered into new tenancy agreements of warehouses (2019: office premises, warehouses and retail shops), which caused additions to right-of-use assets of approximately HKD1,080,000 (2019: HKD1,614,000).

The leasehold land interests located in Xiamen, the PRC of approximately HKD278,975,000 (2019: HKD269,063,000) was pledged to secure a banking facility granted to the Group as set out in Note 29 to the consolidated financial statements.

16. RIGHT-OF-USE ASSETS *(Continued)*

The analysis of expense items in relation to leases recognised in profit or loss during the year is as follows:

	2020 HKD'000	2019 HKD'000
Depreciation charge of right-of-use assets by class of underlying assets:		
– Leasehold land	**13,888**	14,112
– Leased properties	**3,261**	3,843
– Motor vehicles	**155**	155
	17,304	18,110
Interest expenses on lease liabilities *(Note 8)*	**12,713**	12,762
Expenses relating to short-term leases with remaining lease terms ending on or before 31 December 2020 (2019: 31 December 2019)	**12,627**	23,491
Variable lease payments not included in the measurement of lease liabilities	**9,900**	21,670
COVID-19-related rent concessions	**(1,767)**	–

Details of the total cash outflows for leases and the maturity analysis of lease liabilities (including fixed and variable lease payments) are set out in Notes 47(c) and 30 to the consolidated financial statements. As disclosed in Note 2(a) to the consolidated financial statements, the Group has early adopted the Amendments to HKFRS 16 and applied the practical expedient to all eligible rent concessions received from the lessors or landlords during the year.

17. INTANGIBLE ASSETS

	Trading rights HKD'000	Trademarks HKD'000	Customer relationships HKD'000	Total HKD'000
Cost:				
At 1 January 2019	599	148,501	53,946	203,046
Additions	–	45,633	–	45,633
At 31 December 2019	599	194,134	53,946	248,679
Additions	–	7	–	7
At 31 December 2020	599	194,141	53,946	248,686
Accumulated amortisation:				
At 1 January 2019	–	–	3,596	3,596
Provided for the year	–	–	3,596	3,596
At 31 December 2019	–	–	7,192	7,192
Provided for the year	–	–	22,670	22,670
At 31 December 2020	–	–	29,862	29,862
Net book value:				
At 31 December 2020	599	194,141	24,084	218,824
At 31 December 2019	599	194,134	46,754	241,487

In 2019, the Group acquired an international sports brand from an independent external party, including the global trademarks and patents of core technologies of "SKINS" branded products to develop, manufacture, promote and distribute "SKINS" branded products, which is designed and produced for athletes and sports enthusiasts. The consideration was approximately USD5,000,000 (equivalent to approximately HKD45,613,000).

In addition, the Group acquired patents and trademarks of healthcare products in Hong Kong of approximately HKD7,000 (2019: HKD21,000).

As at 31 December 2020 and 2019, the intangible assets consisted of the "PONY" and "SKINS" trademarks, patents and trademarks of healthcare products and trading rights, which are considered by the management as having indefinite useful lives required to be tested for impairment at the end of each reporting period, plus the customer relationships of healthcare products business which is considered by the management as having estimated useful lives of 5–15 years (2019: 15 years).

Under the COVID-19 pandemic, the management has revised the estimated useful lives of the customer relationships as certain customers have discontinued business relationships with the Group.

17. INTANGIBLE ASSETS *(Continued)*

For the impairment testing, the intangible assets have been allocated to their respective cash-generating units. Their recoverable amounts are determined based on the higher of fair value less costs of disposal or value-in-use. The value-in-use calculations are derived from the most recent financial budgets approved by the management. The key inputs implemented in the value-in-use calculations reflect the best estimate of the past performance, expectation of market development and specific risks encountered in the underlying businesses.

For the "PONY" trademark, it covers a detailed budget plan, plus an extrapolated cash flow projection by applying a long-term growth rate subsequent to the budget plan, with a pre-tax discount rate of 12.6% (2019: 11.5%).

The key assumptions used in the budget plan are:

i. Cash flows beyond the budget plan are extrapolated by using an estimated 3% (2019: 6%) long-term growth rate; and

ii. Gross profit margins will be maintained at its current level throughout the budget plan.

For the "SKINS" trademark, it covers a detailed budget plan, plus an extrapolated cash flow projection by applying a long-term growth rate subsequent to the budget plan, with a pre-tax discount rate of 12.0% (2019: 16.7%).

The key assumptions used in the budget plan are:

i. Cash flows beyond the budget plan are extrapolated by using an estimated 3% (2019: 2.9%) long-term growth rate; and

ii. Gross profit margins will be maintained at its current level throughout the budget plan.

For the patents and trademarks of healthcare products, it covers a detailed budget plan, plus an extrapolated cash flow projection by applying a long-term growth rate subsequent to the budget plan, with a pre-tax discount rate of 15.8% (2019: 16.8%).

The key assumptions used in the budget plan are:

i. Cash flows beyond the budget plan are extrapolated by using an estimated 3% (2019: 3%) long-term growth rate; and

ii. Gross profit margins will be maintained at its current level throughout the budget plan.

The management concluded that all of the cash-generating units identified in their respective business operations were sufficiently demonstrated, in any reasonable changes in key inputs used in the value-in-use calculations, the recoverable amounts exceeded the carrying amounts of the cash-generating units. As a result, no provision of impairment was recognised for both current and prior years.

18. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM JOINT VENTURES

	2020 HKD'000	2019 HKD'000
At 1 January	**65,868**	95,962
Reduction in share capital	**–**	(34,867)
Share of results for the year	**2,749**	5,315
Exchange realignment	**4,232**	(542)
	72,849	65,868

Details of the Company's interests in joint ventures at 31 December 2020 and 2019 are as follows:

Name of joint ventures	Place of incorporation/ registration and operation	Particulars of registered share capital	Effective interest in registered share capital indirectly held by the Company		Principal activities
			2020	2019	
武漢喬尚實業發展有限公司	The PRC (natural person investment or holding)	Registered paid-up shares of RMB50,000,000	**25%**	25%	Investment holding
安陽喬尚尚柏奧萊商業管理有限公司	The PRC (Taiwan, Hong Kong or Macau and domestic joint venture)	Registered paid-up shares of RMB10,000,000	**50%**	50%	Operation and management of outlet malls
安陽國旅尚柏奧萊置業有限公司	The PRC (domestic and foreign joint venture)	Registered paid-up shares of RMB60,000,000	**50%**	50%	Property investment

For the above joint venture companies are unlisted entities whose quoted market prices are not available to the Group.

The contractual arrangements provide the Group joint controls in the joint arrangements with the rights to the net assets to share the net income generated by the business operations from the joint ventures, whereas the rights to the assets and obligations for the liabilities under the joint arrangements rested primarily on the joint ventures. Under the requirement of HKFRS 11, the equity interests in these joint arrangements are classified as interests in joint ventures and accounted for using the equity method in the consolidated financial statements at 31 December 2020 and 2019.

At 31 December 2020 and 2019, the Company indirectly held 50% of the equity interests in 安陽喬尚尚柏奧萊商業管理有限公司 and 安陽國旅尚柏奧萊置業有限公司 and 25% of the equity interests in 武漢喬尚實業發展有限公司 and its wholly-owned subsidiary, 安陽國旅實業發展有限公司, which in aggregate held the remaining 50% of the equity interests in 安陽喬尚尚柏奧萊商業管理有限公司 and 安陽國旅尚柏奧萊置業有限公司.

18. INTERESTS IN JOINT VENTURES/AMOUNTS DUE FROM JOINT VENTURES *(Continued)*

In 2019, the directors of a joint venture company, namely 安陽國旅尚柏奧萊置業有限公司 resolved to reduce the amount of registered capital from RMB90,000,000 to RMB60,000,000. The proceeds from reduction of registered capital of approximately HKD34,867,000 were received in 2019.

Aggregate financial information of the joint ventures that are not individually material

	2020 **HKD'000**	2019 HKD'000
Share of results for the year	**2,749**	5,315
Share of other comprehensive income for the year	**4,232**	(542)
Share of total comprehensive income for the year	**6,981**	4,773

	2020 **HKD'000**	2019 HKD'000
Amounts due from joint ventures	**8,344**	10,048

For the above summarised financial information has been adjusted for any differences in accounting policies between the Group and the joint ventures. There are no contingent liabilities nor capital commitments to be shared with the joint ventures at 31 December 2020 and 2019.

At 31 December 2020, the carrying amount of the amounts due from joint ventures of approximately HKD8,344,000 (2019: HKD10,048,000) was unsecured, interest-free and repayable on demand.

19. INTEREST IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE

	2020 HKD'000	2019 HKD'000
Interest in an associate	–	–

Details of the Company's interest in an associate at 31 December 2020 and 2019 are as follows:

Name of associate	Place of incorporation/ registration and operation	Particulars of registered share capital	Effective interest in registered share capital indirectly held by the Company		Principal activities
			2020	2019	
Just Dawn Limited	The British Virgin Islands	Ordinary paid-up shares of USD30	30%	30%	Investment holding

For the above associate company is an unlisted entity whose quoted market price is not available to the Group and the directors considered that the Group has the power to exercise significant influence in accordance with the rights stated in the articles of association. Therefore, the associate company is accounted for using the equity method in the consolidated financial statements at 31 December 2020 and 2019.

Aggregate financial information of the associate that is not individually material

	2020 HKD'000	2019 HKD'000
Share of result for the year	(1,725)	–
Amount due from an associate	6,959	18,081

At 31 December 2020, the carrying amount of amount due from an associate of approximately HKD6,959,000 (2019: HKD18,081,000) was unsecured, interest-free and repayable on demand. During the year, provision of loss allowance on the amount due from an associate was recognised of approximately HKD4,024,000 (2019: HKD11,631,000).

20. GOODWILL

	2020 HKD'000	2019 HKD'000
Cost:		
At 1 January and 31 December	**147,501**	147,501
Accumulated impairment loss:		
At 1 January	**6,100**	–
Provided for the year	**–**	6,100
At 31 December	**6,100**	6,100
Net book value:		
At 31 December	**141,401**	141,401

At 31 December 2020 and 2019, the carrying amount of goodwill is allocated to the business combinations of financial services and healthcare products businesses of approximately HKD33,796,000 and HKD107,605,000 respectively.

For the impairment testing, the goodwill has been allocated to the respective cash-generating units of financial services and healthcare products businesses separately. Their recoverable amounts are determined based on the higher of fair value less costs of disposal or value-in-use. The value-in-use calculations are derived from the most recent financial budgets approved by the management. The key inputs implemented in the value-in-use calculations reflect the best estimate of the past performance, expectation of market development and specific risks encountered in the underlying businesses.

In 2019, the management identified an impairment indicator of the healthcare product business due to the outbreak of social incidents in Hong Kong. The management therefore assessed the recoverable amount of cash-generating units and as a result the carrying amount was written down to the recoverable amount, with an impairment loss of approximately HKD6,100,000 was recognised in profit or loss in 2019.

(i) Financial services business

For the financial services business, it covers a detailed budget plan, plus an extrapolated cash flow projection by applying a long-term growth rate subsequent to the budget plan, with a pre-tax discount rate of 19.5% (2019: 19.5%).

The key assumptions used in the budget plan are:

i. Cash flows beyond the budget plan are extrapolated by using an estimated 0% (2019: 0%) long-term growth rate; and

ii. Gross profit margins will be maintained at its current level throughout the budget plan.

20. GOODWILL *(Continued)*

(ii) Healthcare products business

For the healthcare products business, it covers a detailed budget plan, plus an extrapolated cash flow projection by applying a long-term growth rate subsequent to the budget plan, with a pre-tax discount rate of 15.8% (2019: 16.8%).

The key assumptions used in the budget plan are:

i. Cash flows beyond the budget plan are extrapolated by using an estimated 3% (2019: 3%) growth rate; and

ii. Gross profit margins will be maintained at its current level throughout the budget plan.

Except as described above in respect of the impairment of the goodwill of the healthcare product business in 2019, the management concluded that for all of the cash-generating units for both financial services and healthcare product business were sufficiently demonstrated, in any reasonable changes in key inputs used in the value-in-use calculations, the recoverable amounts exceeded the carrying amounts of the cash-generating units, and no provision of impairment was recognised for both current and prior years.

21. INVENTORIES

	2020 HKD'000	2019 HKD'000
Raw materials	**2,331**	4,323
Work-in-progress	**453**	333
Finished goods	**88,083**	83,255
Goods-in-transit	**2,358**	–
	93,225	87,911
Provision of allowance	**(31,545)**	(19,953)
	61,680	67,958

21. INVENTORIES *(Continued)*

Movements of provision of allowance of inventories during the year were as follows:

	2020 HKD'000	2019 HKD'000
At 1 January	**19,953**	11,223
Provision of allowance	**17,455**	8,951
Write off	**(6,119)**	–
Exchange realignment	**256**	(221)
At 31 December	**31,545**	19,953

A provision of allowance of inventories of approximately HKD17,455,000 (2019: HKD8,951,000) was recognised in profit or loss during the year due to the decrease in estimated net realisable value of certain categories of inventories as a result of changes in customers' preferences and COVID-19 pandemic which affect the demand of customers.

22. TRADE AND OTHER RECEIVABLES

	2020 HKD'000	2019 HKD'000
Trade receivables arising from:		
– Other than financial services segment	**42,750**	39,429
– Financial services segment	**10,088**	13,147
Total gross carrying amount	**52,838**	52,576
Less: Loss allowance	**(7,728)**	(6,575)
Total net carrying amount after loss allowance	**45,110**	46,001
Prepayments, deposits and other receivables:		
Total gross carrying amount	**167,363**	153,188
Less: Loss allowance	**(4,077)**	(8,820)
Total net carrying amount after loss allowance	**163,286**	144,368
Total trade and other receivables	**208,396**	190,369

22. TRADE AND OTHER RECEIVABLES *(Continued)*

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:

	2020	2019
	HKD'000	HKD'000
0 to 30 days	**26,904**	19,929
31 to 60 days	**4,728**	8,766
61 to 90 days	**800**	2,482
Over 90 days	**12,678**	14,824
	45,110	46,001

The management measures the loss allowance of trade receivables through HKFRS 9 simplified approach by assuming all of the trade debtors share a similar credit risk characteristic under the lifetime ECL calculation. Provision matrix is used to measure the loss allowance of trade receivables. The default rates are based on the past due days by grouping of customers arising from different reportable segments with similar loss patterns. The ECL calculation reflects the probability-weighted outcome based on the Group's historical experience, adjusted for forward-looking factors specific to the debtors and the macroeconomic environment where the trade debtors located. Generally, the balance of trade receivables is written off in full if it is past due more than 180 days without any credit enhancement.

Trade receivables arising from other than financial services segment

The Group allows an average credit period ranged from 60 to 90 days (2019: 60 to 90 days) for its trade debtors arising from other than financial services segment.

Movements of loss allowance of trade receivables arising from other than financial services segment during the year were as follows:

	2020	2019
	HKD'000	HKD'000
At 1 January	**6,075**	29,450
Provision of loss allowance	**2,125**	2,068
Write off	**(2,494)**	(24,064)
Exchange realignment	**31**	(1,379)
At 31 December	**5,737**	6,075

22. TRADE AND OTHER RECEIVABLES *(Continued)*

Trade receivables arising from financial services segment

	2020 HKD'000	2019 HKD'000
Trade receivables arising from the ordinary course of business of dealing in securities:		
– Cash clients	**311**	3,220
– Clearing house	**489**	532
– Others	**136**	–
	936	3,752
Trade receivables arising from the ordinary course of business of the provision of:		
– Money lending	**9,152**	9,395
Total gross carrying amount	**10,088**	13,147
Less: Loss allowance	**(1,991)**	(500)
Total net carrying amount after loss allowance	**8,097**	12,647

Movements of loss allowance of trade receivables arising from financial services segment during the year were as follows:

	2020 HKD'000	2019 HKD'000
At 1 January	**500**	–
Provision of loss allowance	**1,491**	500
At 31 December	**1,991**	500

Save for the credit period allowed by the Group, the settlement terms of trade receivables arising from the ordinary course of business of dealing in securities are either one or two trading days after the trade date depending on the categories of the underlying securities transactions are executed. The Group did not hold any securities collateral or other credit enhancement over the cash clients and clearing house. In the view of the fact that those receivables related to a number of diversified cash clients and clearing house and there is no significant increase in credit risk since initial recognition and not credit-impaired at the end of reporting period, the amount of loss allowance under lifetime ECL assessment was immaterial to be recognised for both current and prior years.

22. TRADE AND OTHER RECEIVABLES *(Continued)*

Trade receivables arising from financial services segment *(Continued)*

Trade receivables from money lending business was due on the agreed settlement dates in accordance with the respective money lending agreements. Similar to the balance of loans receivable as disclosed in Note 24 to the consolidated financial statements, the Group is allowed to dispose of the borrowers' properties and listed equity securities to settle any overdue balance of interest payments due to the Group. Based on the result of the ECL calculations and market value of securities collateral provided by the borrowers, a loss allowance of approximately HKD1,491,000 (2019: HKD500,000) was recognised in profit or loss during the year.

Prepayments, deposits and other receivables

Movements of loss allowance of other receivables during the year were as follows:

	2020 **HKD'000**	2019 HKD'000
At 1 January	**8,820**	7,974
(Reversal)/provision of loss allowance	**(1,436)**	455
Exchange realignment	**(3,307)**	391
At 31 December	**4,077**	8,820

The loss allowance of other receivables recognised during the year was limited to 12-month ECL calculation, except for those classified as stage 3 under the lifetime ECL calculation as described below, given that there is no significant increase in credit risk since initial recognition and are not credit-impaired at the end of reporting period. Therefore, the gross carrying amount of other receivables of approximately HKD163,286,000 (2019: HKD144,368,000) was classified as stage 1.

The definition of stages of default is set out in Note 24 to the consolidated financial statements.

The loss allowance of other receivables is related to certain counterparties who are slow in settlement and none of the balances are expected to be recovered in the remaining lifetime of the balances. At 31 December 2020, the gross carrying amount of credit-impaired receivables classified as stage 3 under the lifetime ECL calculation was approximately HKD4,077,000 (2019: HKD8,820,000) and reversal of loss allowance of approximately HKD1,436,000 (2019: provision of loss allowance of approximately HKD455,000) was recognised in profit or loss during the year.

23. ADVANCES TO CUSTOMERS IN MARGIN FINANCING

	2020 HKD'000	2019 HKD'000
Directors and their associates	**13,065**	18,036
Other margin clients	**94,611**	104,612
	107,676	122,648

At 31 December 2020 and 2019, 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.

At 31 December 2020, the total undiscounted market value of listed equity securities pledged in respect of the margin lending to the margin clients was approximately HKD375,001,000 (2019: HKD455,804,000). 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 years 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 31 December 2020 and 2019.

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.

24. LOANS RECEIVABLE

	2020 HKD'000	2019 HKD'000
Secured:		
Total gross carrying amount	138,942	173,993
Less: Loss allowance	(11,211)	(6,800)
	127,731	167,193

Movement of loss allowance of loans receivable during the year is as follows:

	2020 HKD'000	2019 HKD'000
At 1 January	6,800	6,800
Provision of loss allowance	4,411	–
At 31 December	11,211	6,800

At 31 December 2020 and 2019, 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 18% (2019: 8% to 36%) per annum and repayable within one year from the dates of advances to the borrowers or on demand.

24. LOANS RECEIVABLE *(Continued)*

Analysis of the gross carrying amount and loss allowance of loans receivable under different stages of default as at 31 December 2020 and 2019 were as follows:

	Stage 1 HKD'000	Stage 2 HKD'000	Stage 3 HKD'000	Total HKD'000
Gross carrying amount:				
At 1 January 2019	127,175	–	45,713	172,888
Proceeds from new loans	55,000	–	–	55,000
Repayments of loans	(53,439)	–	(456)	(53,895)
At 31 December 2019	128,736	–	45,257	173,993
Proceeds from new loans	65,362	–	–	65,362
Repayments of loans	(100,357)	–	(56)	(100,413)
At 31 December 2020	93,741	–	45,201	138,942
Loss allowance:				
At 1 January 2019 and 2020, 31 December 2019	–	–	6,800	6,800
Provision of allowance	43	–	4,368	4,411
At 31 December 2020	43	–	11,168	11,211

Loans receivable with aggregate gross carrying amount of approximately HKD93,741,000 (2019: HKD128,736,000) 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 loss allowance was limited to 12-month ECL calculation of approximately HKD43,000 (2019: HKD nil) was recognised in profit or loss for the year.

Loans receivable with aggregate gross carrying amount of approximately HKD45,201,000 (2019: HKD45,257,000) 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 of approximately HKD4,368,000 (2019: HKD nil) was recognised in profit or loss during the year.

24. LOANS RECEIVABLE *(Continued)*

Definition of stage 1, stage 2 and stage 3, collectively known as "stages of default" under the requirement of HKFRS 9 is as follows:

Stage 1: Exposure where the outstanding balance has not been recorded a significant increase in credit risk since the initial recognition and is not deemed to be credit-impaired at the end of reporting period, the proportion of lifetime ECL calculation associated with the probability of default events occurring within the next 12-months after the end of reporting period is recognised in profit or loss when it incurred.

Stage 2: Exposure where the outstanding balance has been recorded a significant increase in credit risk since the initial recognition but is not deemed to be credit-impaired at the end of reporting period, the lifetime ECL calculation which reflects the remaining lifetime of the associated balance is recognised in profit or loss when it incurred.

Stage 3: Exposure where the outstanding balance is deemed to be credit-impaired at the end of reporting period, the lifetime ECL calculation is implemented when there is one or more events identified that has/have a detrimental impact against the repayment of interest and/or principal in the remaining lifetime of the associated balance, being the net amount after loss allowance, is recognised in profit or loss when it incurred.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 **HKD'000**	2019 HKD'000
Listed equity securities in Hong Kong	**15,257**	66,012
Unlisted equity investment outside Hong Kong	**98,665**	174,941
	113,922	240,953

Both of the listed equity securities in Hong Kong and unlisted equity investment outside Hong Kong are classified as financial assets at FVTPL under the definition of HKFRS 9. The key inputs of fair value measurements are disclosed in Note 38(c) to the consolidated financial statements.

During the year, fair value loss on financial assets at FVTPL of approximately HKD97,529,000 (2019: fair value gain of approximately HKD88,843,000) was recognised in profit or loss.

26. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

(a) Restricted bank deposits

At 31 December 2020 and 2019, a restricted bank deposit of approximately HKD3,576,000 (2019: HKD3,356,000) was classified as a non-current asset, denominated in RMB and carried at a fixed interest rate of 2.75% (2019: 2.75%) per annum. The usage of bank deposit is restricted by one of the retail shop in the outlet mall, where located in Shenyang, the PRC.

At 31 December 2020 and 2019, a restricted bank deposit of HKD20,000,000 (2019: HKD20,000,000) was classified as a current asset, denominated in HKD and carried at a fixed interest rate of 1.1% (2019: 2.0%) per annum. The usage of bank deposit is to secure a banking facility of HKD170,000,000 (2019: HKD170,000,000) granted to the Group.

At 31 December 2020 and 2019, a restricted bank deposit of approximately HKD21,802,000 (HKD17,174,000) was classified as a current asset, denominated in RMB and carried at a fixed interest rate of 1.95% (2019: 1.95%) per annum. The usage of bank deposit is to secure a banking facility of RMB350,000,000 (2019: RMB350,000,000) granted to the Group.

(b) Bank balances and cash – held on behalf of customers

The Group maintains trust and segregated account with a bank to hold bank balances on behalf of cash and margin clients arising from the regulated activities governed under the Securities and Futures Commission (the "**SFC**"). The Group has recognised the related bank balances as "bank balances and cash – held on behalf of customers" in the current assets and the related payables due to timing difference between trade date and settlement date as "trade payables" in the current liabilities (refer to Note 27 to the consolidated financial statements) given that the Group is liable for any loss or misappropriation of clients' bank balances under the "Securities and Futures Ordinance (Cap. 571)" (the "**SFO**") governed by the SFC.

At 31 December 2020, the balance of bank balances and cash held on behalf of customers was approximately HKD21,173,000 (2019: HKD13,415,000).

(c) Bank balances and cash

At 31 December 2020, the bank balances and cash comprised of time deposits with banks of approximately HKD9,303,000 (2019: HKD19,483,000), which carried at fixed interest rates from 0.01% to 2.86% (2019: 0.33% to 3%) per annum, and will be withdrawn upon their respective dates of maturities. The remaining balance of bank balances of approximately HKD225,274,000 (2019: HKD110,308,000), which carried at market interest rates from 0.02% to 0.53% (2019: 0.01% to 0.85%) per annum.

At 31 December 2020, the bank balances and cash and restricted bank deposits held in the bank accounts located in the PRC and denominated in RMB were approximately HKD81,473,000 (2019: HKD71,211,000). RMB is not freely convertible into any of the foreign currencies in the PRC. Under the "Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations" governed by the State Administration of Foreign Exchange in the PRC, the Group is permitted to exchange RMB into foreign currencies through the respective bank authorisation to conduct the foreign exchange businesses.

27. TRADE AND OTHER PAYABLES

	2020 HKD'000	2019 HKD'000
Trade payables arising from:		
– Other than financial services segment	**100,018**	87,871
– Financial services segment	**21,592**	13,731
Total trade payables	**121,610**	101,602
Accruals, receipts in advance, temporary receipts and other payables	**161,387**	207,452
Total trade and other payables	**282,997**	309,054

Trade payables arising from other than financial services segment

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:

	2020 HKD'000	2019 HKD'000
0 to 30 days	**85,822**	41,203
31 to 60 days	**5,093**	46,589
61 to 90 days	**1,836**	7
Over 90 days	**7,267**	72
	100,018	87,871

The average credit period granted by the suppliers or service providers arising from other than financial services segment is approximately 90 days (2019: 90 days).

27. TRADE AND OTHER PAYABLES *(Continued)*

Trade payables arising from financial services segment

	2020 HKD'000	2019 HKD'000
Trade payables arising from the ordinary course of business of dealing in securities:		
– Cash clients	**20,093**	11,973
– Margin clients	**1,499**	1,758
	21,592	13,731

The balances of trade payables arising from financial services segment represented the outstanding balance due to cash and margin clients in respect of the bank balances temporarily received in the trust and segregated account held on behalf of cash and margin clients arising from the regulated activities governed under the SFC (refer to Note 26(b) to the consolidated financial statements). At 31 December 2020, the balance of the trust and segregated account was approximately HKD21,173,000 (2019: HKD13,415,000).

The settlement terms of trade payables arising from the ordinary course of business of dealing in securities are either one or two trading days after the trade date depending on the categories of the underlying securities transactions are executed. 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.

28. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, deferred tax assets and liabilities are offset when there is a legally enforceable right to offset under the same tax authorities. The following table is the analysis of the deferred tax balances for financial reporting purpose at 31 December 2020 and 2019:

	2020 HKD'000	2019 HKD'000
Deferred tax assets	**(23,477)**	(21,691)
Deferred tax liabilities	**301,824**	287,112
	278,347	265,421

28. DEFERRED TAXATION *(Continued)*

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the related movements during the year were as follows:

	Revaluation of leasehold land and buildings HKD'000	Revaluation of investment properties HKD'000	Accelerated tax depreciation HKD'000	Undistributed profits of the PRC subsidiaries HKD'000	Tax loss HKD'000	Fair value adjustment on intangible assets HKD'000	Total HKD'000
At 1 January 2019	91,557	71,462	9,553	73	(28,446)	15,673	159,872
Charged/(credited) to profit or loss	–	6,081	–	–	(11,088)	–	(5,007)
Charged to other comprehensive income	111,346	–	–	–	–	–	111,346
Exchange realignment	(607)	(135)	(48)	–	–	–	(790)
At 31 December 2019	202,296	77,408	9,505	73	(39,534)	15,673	265,421
Charged/(credited) to profit or loss	–	461	4	–	(989)	–	(524)
Charged to other comprehensive income	11,510	–	–	–	–	–	11,510
Exchange realignment	3,321	(535)	(44)	–	(802)	–	1,940
At 31 December 2020	217,127	77,334	9,465	73	(41,325)	15,673	278,347

At 31 December 2020, a total amount of unused tax losses of approximately HKD959,502,000 (2019: HKD797,389,000) arising from different group entities is available to be offset against the future taxable profits available in the relevant tax jurisdictions. To the extent of approximately HKD408,132,000 (2019: HKD443,125,000) in respect of the unused tax losses was recognised as deferred tax assets at 31 December 2020 due to the future taxable profits and tax planning opportunities can be foreseen. During the year, the Group had recognised deferred tax assets arising from the unused tax losses of approximately HKD989,000 (2019: HKD11,088,000) and did not write off or impaired any of the deferred tax assets for both current and prior years.

Deferred tax assets not recognised

In accordance with the Group's accounting policy as set out in Note 4(n) to the consolidated statements, the Group has not recognised deferred tax assets in respect of the remaining unused tax losses of approximately HKD551,371,000 (2019: HKD354,264,000) due to the unpredictability of future taxable profits against the unused tax losses that can be utilised in the relevant tax jurisdictions. All of the unused tax losses can be carried forward indefinitely under the tax regulations, except for those arising from the PRC subsidiaries of approximately HKD352,125,000 (2019: HKD335,022,000), which can be carried forward only for five years from the recognition date of unused tax losses.

29. BANK BORROWINGS AND BANK OVERDRAFTS

	2020 HKD'000	2019 HKD'000
Current portion:		
Secured with variable interest-rate bank borrowings that are repayable:		
– within one year	**600,966**	198,822
Unsecured with variable interest-rate bank overdrafts that are repayable:		
– within one year	**–**	7,804
	600,966	206,626
Non-current portion:		
Secured with variable interest-rate bank borrowings that are repayable:		
– over one year but within two years	**193,855**	1,108,669
– over two years but within five years	**810,252**	103,410
	1,004,107	1,212,079
Total bank borrowings and bank overdrafts	**1,605,073**	1,418,705

At 31 December 2020, the Group had secured with variable interest-rate bank borrowings, carried at interest rates from approximately 1.79% to 6.03% (2019: 4.10% to 6.03%) per annum. The weighted average effective interest rate charged during the year was approximately 3.5% (2019: 4.7%) per annum.

At 31 December 2020, all of the bank borrowings was secured by: (i) mortgages over the leasehold land and buildings, outlet mall buildings, investment properties, right-of-use assets and restricted bank deposits, with the respective carrying amounts of approximately HKD282,000,000, HKD1,436,900,000, HKD1,383,558,000, HKD278,975,000 and HKD41,802,000 (2019: HKD282,000,000, HKD nil, HKD1,314,428,000, HKD269,063,000 and HKD37,174,000); (ii) shares of certain of the Company's subsidiaries; and (iii) corporate guarantees provided by the Company and certain of its subsidiaries.

At 31 December 2020 and 2019, all of the bank borrowings are repayable in accordance with the agreed repayment schedules subject to the fulfilment of covenants. If the Group breach any of the covenants, the associated bank borrowings will become repayable on demand. Further details of the liquidity risk management is set out in Note 38(b)(iv) to the consolidated financial statements. At 31 December 2020 and 2019, none of the covenants had been breached.

At 31 December 2020 and 2019, the Group had unsecured with variable interest-rate bank overdrafts, carried at interest rate of 4.75% per annum and repayable on demand.

29. BANK BORROWINGS AND BANK OVERDRAFTS *(Continued)*

At 31 December 2020, the Group was offered a total amount of banking facilities of approximately HKD1,605,073,000 (2019: HKD1,416,004,000) and HKD10,000,000 (2019: HKD10,000,000) for the usage of bank borrowings and bank overdrafts available to the Group. At 31 December 2020, the Group had utilised of approximately HKD1,605,073,000 (2019: HKD1,410,901,000) and HKD nil (2019: HKD7,804,000) as bank borrowings and bank overdrafts respectively.

30. LEASE LIABILITIES

The following table shows the remaining future minimum lease payments under non-cancellable tenancy agreements recognised as lease liabilities at 31 December 2020 and 2019, which were fall due as follows:

	2020		2019	
	Present value of minimum lease payments HKD'000	**Total minimum lease payments HKD'000**	Present value of minimum lease payments HKD'000	Total minimum lease payments HKD'000
Within one year	**11,195**	**11,854**	11,692	12,493
Over one year but within two years	**10,896**	**12,430**	9,419	10,755
Over two years but within five years	**33,244**	**43,428**	33,018	46,002
Over five years	**142,414**	**307,958**	130,770	299,996
	186,554	**363,816**	173,207	356,753
	197,749	**375,670**	184,899	369,246
Less: Total future interest expenses		**(177,921)**		(184,347)
Present value of lease liabilities		**197,749**		184,899

30. LEASE LIABILITIES *(Continued)*

The analysis of the carrying amount of lease liabilities at 31 December 2020 and 2019 was as follows:

	Properties leased for own use HKD'000	**Motor vehicles** HKD'000	**Total** HKD'000
At 1 January 2019	184,817	651	185,468
Additions	1,614	–	1,614
Interest expenses	12,733	29	12,762
Repayments	(11,367)	(149)	(11,516)
Exchange realignment	(3,429)	–	(3,429)
At 31 December 2019	184,368	531	184,899
Additions	1,080	–	1,080
Interest expenses	12,690	23	12,713
Repayments	(11,189)	(149)	(11,338)
COVID-19-related rent concessions	(1,767)	–	(1,767)
Exchange realignment	12,162	–	12,162
At 31 December 2020	197,344	405	197,749

The present value of the remaining future minimum lease payments under non-cancellable tenancy agreements is analysed as follows:

	2020 **HKD'000**	2019 HKD'000
Current liabilities	**11,195**	11,692
Non-current liabilities	**186,554**	173,207
	197,749	184,899

31. AMOUNT DUE TO A RELATED PARTY

	2020 **HKD'000**	2019 HKD'000
Amount due to a related party	**119**	112

The related party is an entity commonly controlled by Mr. Cheng Tun Nei, who acts as Chairman, Chief Executive Officer and a substantial shareholder of the Company. At 31 December 2020 and 2019, the balance of amount due to a related party was unsecured, interest-free and repayable on demand.

32. AMOUNT DUE TO A DIRECTOR

	2020 HKD'000	2019 HKD'000
Amount due to a director	**15,495**	–

At 31 December 2020, the balance of amount due to a director was unsecured, interest-free and repayable on demand.

33. SHARE CAPITAL

	Number of shares ('000)	Nominal value HKD'000
Authorised:		
Ordinary shares of HKD0.10 (2019: HKD0.10) each		
At 1 January 2019 and 2020, 31 December 2019 and 2020	20,000,000	2,000,000
Issued and fully paid:		
Ordinary shares of HKD0.10 (2019: HKD0.10) each		
At 1 January 2019	2,974,034	297,403
Exercise of warrants *(Note i)*	192	19
At 31 December 2019 and 2020	2,974,226	297,422

Notes:

(i) In the prior year of 2019, the qualifying shareholders had exercised their subscription rights attached with the bonus warrants to subscribe shares, at a subscription price of HKD1.00 per warrant share, and therefore of approximately 192,000 units of ordinary shares were issued by the Company and approximately HKD19,000 and HKD173,000 were credited to share capital and share premium account respectively.

(ii) 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 not entitled to any distribution of dividend.

34. SHARE OPTION SCHEME

On 10 June 2011, the shareholders of the Company have approved and adopted a share option scheme (the "**Scheme**") for the purpose of providing eligible participants with the opportunity to acquire the proprietary interests of the Company. The Scheme aims to encourage the eligible participants to work towards to enhance the value of shares of the Company for the benefit 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 of directors, have contributed to the Group, are eligible to participate the Scheme.

Pursuant to the Scheme, the total number of shares of the Company which may be issued upon the exercise of all share options to be granted under the Scheme and any other share option scheme adopted by the Company must not in aggregate exceed 10% of the aggregate shares of the Company for issue on the date of adoption of the Scheme. Share options lapsed in accordance with the terms of the Scheme and any other share option scheme adopted by the Company will not be counted for the purpose of calculating the 10% limit.

With the approval of the shareholders of the Company in general meeting, the Company may renew the 10% limit at any time provided that the total number of shares of the Company which may be issued upon the exercise of all of the share options to be granted under the Scheme and any other share option scheme adopted by the Company shall not exceed 10% of shares of the Company for issue on the date of approval of the renewed limit. For the share options previously granted under the Scheme and any other share option scheme adopted by the Company will not be counted for the purpose of calculating the renewed limit.

The board of directors may, with the approval of the shareholders of the Company, grant the share options in excess of the 10% limit to the eligible participants. In such situation, the Company is required to issue a circular to the shareholders containing a generic description of the eligible participants who may be granted such share options, the number and terms of such share options to be granted and the purpose of granting such share options to the eligible participants with an explanation of how the terms of the share options will serve the purpose. The total number of shares of the Company which may be issued upon the exercise of all outstanding share options granted and yet to be exercised under the Scheme or any other share option scheme adopted by the Company shall not exceed 30% of the shares of the Company for the issue from time to time. No share options may be granted under the Scheme or any other share option scheme adopted by the Company if it will result the limit to be exceeded.

Unless approved by the shareholders of the Company in a general meeting with the issue of a circular to the shareholders specifying the identity of the eligible participants, the number and terms of the share options to be granted or previously granted to the eligible participants, the board of directors shall not grant any share options to any eligible participants which, if exercised, would result the eligible participants becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares of the Company already issued or to be issued upon the exercise of the share options granted to the eligible participants (including those exercised or unexercised share options) under the Scheme or any other share option scheme adopted by the Company in any 12-month period shall not exceed 1% of the shares of the Company for issue on the date of approval.

The period within the share options must be exercised will be specified by the Company when the share options was granted. This period must be expired no later than 10 years from the date of grant of the share options. When the share options granted, the Company may specify a minimum period for which share options must be held before it can be exercised. The offer of share options to be granted may be accepted within 14 days from the date when the letter containing the offer is delivered to the eligible participant and the notional amount payable on such acceptance of share options to be granted is HKD1.00.

34. SHARE OPTION SCHEME *(Continued)*

The subscription price of the shares of the Company to be issued upon the exercise of share options shall be no less than the higher of: (i) the closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediate preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant. The subscription price of the shares of the Company will be approved by the board of directors at the time when the share options is offered to the eligible participants.

No share options was granted, exercised, lapsed or cancelled by the eligible participants in accordance with the Scheme for both current and prior years. No share options may be granted under the Scheme after the date of the tenth year of anniversary since the adoption of the Scheme.

At 31 December 2020 and 2019, the total number of shares of the Company available for issue under the Scheme was approximately 892,268,000 shares without any share option that has been granted but not yet exercised, lapsed or cancelled, which represented 30% of the outstanding issued share capital of the Company.

35. BONUS WARRANTS

On 18 March 2016, the board of directors resolved to propose the issue of bonus warrants to the qualifying shareholders on the basis of one warrant for every five existing issued shares held on the record date, i.e. 17 June 2016.

On 6 July 2016, the Company had issued a total of approximately 539,733,000 units of warrants. Each warrant carries a subscription right entitled the qualifying shareholders to subscribe in cash for one warrant share, at an initial subscription price of HKD1.00 per warrant share to be issued, of approximately HKD539,733,000 units of warrant shares, by the Company upon the exercise of the subscription right in full attached with the issue of warrants. The warrants were exercisable at any time during the period of three years from the date of the first issue of the warrants, i.e. 6 July 2016 to 5 July 2019. Details of the issue of bonus warrants was disclosed in the Company’s circular dated on 29 April 2016.

In the prior year of 2019, the qualifying shareholders had exercised a total number of approximately 192,000 units of warrants, at an exercise price of HKD1.00 per warrant, and therefore of approximately 192,000 units of ordinary shares were issued by the Company. As a result, a total amount of approximately HKD19,000 and HKD173,000 were credited to share capital and share premium account respectively.

On 5 July 2019, the three-years exercise period of the bonus warrants were lapsed, and no outstanding bonus warrants was recorded at 31 December 2020 and 2019.

36. RESERVES

The Company level	Share premium HKD'000	Contributed surplus HKD'000	Retained profits/ (accumulated loss) HKD'000	Total HKD'000
At 1 January 2019	1,071,484	586,774	93,133	1,751,391
Exercise of warrants *(Note 35)*	173	–	–	173
Profit for the year	–	–	3,294	3,294
Dividend paid *(Note 12)*	–	–	(35,690)	(35,690)
At 31 December 2019	1,071,657	586,774	60,737	1,719,168
Loss for the year	–	–	(41,011)	(41,011)
Dividend paid *(Note 12)*	–	–	(23,794)	(23,794)
At 31 December 2020	1,071,657	586,774	(4,068)	1,654,363

The following describes the nature and purpose of each reserve within the equity attributable to owners of the Company:

Name of reserve	Nature and purpose of reserve
Contributed surplus	Contributed surplus of approximately HKD63,561,000 represents the excess of fair value of shares of the subsidiaries acquired and the nominal value of the shares of the Company issued for the acquisition at the time of the group reorganisation on 9 February 1995. The remaining balance of approximately HKD523,213,000 represents the implementation of capital reduction in the prior year of 2012 in connection with the par value of each existing share as if HKD0.50 each in the issued capital of the Company was reduced by HKD0.40 each.
Share premium	A premium amount subscribed for the shares of the Company in excess of the nominal value of the shares of the Company and any excess of consideration shares of the Company issued over the carrying amount of the acquired non-controlling interests, less the amount of expenses incurred in connection with the issue.
Properties revaluation reserve	Surplus/(deficit) arising on revaluation of properties (other than investment properties) and the accumulated balance is not distributable.
Translation reserve	Foreign exchange gains/(losses) arising from translation of net assets of foreign operations into the presentation currency of the Company at the end of reporting period.
Retained profits	Accumulated net gains/(losses) recognised in profit or loss.

The above reserves cannot be used for any purpose other than those for which they are created. Details of the movements of the Group's reserves are disclosed in the consolidated statement of changes in equity.

37. CAPITAL RISK MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for its shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders' return that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure to reduce cost of capital and risks associated with each class of capital, including the amount of dividend paid to shareholders, return capital to shareholders, issue new shares, raising new debts or sell assets to reduce debts in light of changes in economic conditions. The Group's overall strategy and capital structure remained similar against the prior year of 2019.

The Group monitors its capital structure on the basis of an adjusted net debt-to-equity ratio. For this purpose, the adjusted net debt is defined as total debt (which includes trade and other payables, amounts due to a related party and a director, lease liabilities, bank borrowings, bank overdrafts and loan from non-controlling interests), less bank balances and cash and restricted bank deposits. The total equity attributable to owners of the Company comprised of share capital and reserves.

The adjusted net debt-to-equity ratio at 31 December 2020 and 2019 were as follows:

	2020 **HKD'000**	2019 HKD'000
Trade and other payables	**282,997**	309,054
Amount due to a related party	**119**	112
Amount due to a director	**15,495**	–
Lease liabilities	**197,749**	184,899
Bank borrowings	**1,605,073**	1,410,901
Bank overdrafts	**–**	7,804
Loan from non-controlling interests	**3,576**	2,114
Total debt	**2,105,009**	1,914,884
Less:		
– Bank balances and cash	**(234,577)**	(129,791)
– Restricted bank deposits	**(45,378)**	(40,530)
Net debt	**1,825,054**	1,744,563
Total equity attributable to owners of the Company	**2,885,715**	2,917,487
Net debt-to-equity ratio	**63%**	60%

One of the Company's subsidiaries is registered with the SFC to conduct regulated activities governed under the SFC. The subsidiary is required to comply with the minimum liquid capital requirement under the Securities and Futures (Financial Resources) Rules (the "**SF(FR)R**") of the SFO. Under the SF(FR)R, the subsidiary must maintain at a certain level of liquid capital, being calculated by the assets and liabilities adjusted as determined by the SF(FR)R, in excess of the statutory floor requirement of HKD3,000,000 or 5% of the total adjusted liabilities, whichever is higher, and also maintain a 20% buffer of the required liquid capital. The directors monitor, on a daily basis, the required liquid capital of the subsidiary to ensure that it satisfies the minimum liquid capital requirement for both current and prior years.

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table provides the carrying amounts and fair values of the financial instruments, comprised of financial assets and financial liabilities, at 31 December 2020 and 2019:

	2020		2019	
	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	**15,257**	**15,257**	66,012	66,012
– Unlisted equity investment outside Hong Kong	**98,665**	**98,665**	174,941	174,941
At amortised cost:				
– Trade and other receivables	**124,529**	***(Note)***	136,821	*(Note)*
– Amounts due from joint ventures	**8,344**	***(Note)***	10,048	*(Note)*
– Amount due from an associate	**6,959**	***(Note)***	18,081	*(Note)*
– Advances to customers in margin financing	**107,676**	***(Note)***	122,648	*(Note)*
– Loans receivable	**127,731**	***(Note)***	167,193	*(Note)*
– Restricted bank deposits	**45,378**	***(Note)***	40,530	*(Note)*
– Bank balances and cash	**255,750**	***(Note)***	143,206	*(Note)*
Financial liabilities:				
At amortised cost:				
– Trade and other payables	**275,013**	***(Note)***	298,710	*(Note)*
– Amount due to a related party	**119**	***(Note)***	112	*(Note)*
– Amount due to a director	**15,495**	***(Note)***	–	–
– Lease liabilities	**197,749**	***(Note)***	184,899	*(Note)*
– Bank borrowings	**1,605,073**	***(Note)***	1,410,901	*(Note)*
– Bank overdrafts	**–**	***(Note)***	7,804	*(Note)*
– Loan from non-controlling interests	**3,576**	***(Note)***	2,114	*(Note)*

Note: The directors consider the carrying amounts of 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 as disclosed in Note 38(b)(ii) to the consolidated financial statements were approximate to the relevant discount rates used to reflect the credit risks of the borrowers or the Group at 31 December 2020 and 2019.

38. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's financial instruments as defined in Note 4(q) to the consolidated financial statements included financial assets at FVTPL, trade and other receivables, amounts due from joint ventures and an associate, advances to customers in margin financing, loans receivable, restricted bank deposits, bank balances and cash, trade and other payables, amounts due to a related party and a director, lease liabilities, bank borrowings, bank overdrafts and loan from non-controlling interests.

Details of these financial instruments are disclosed in the respective notes to the consolidated financial statements. The risks associated with these financial instruments mainly include foreign currency risk, interest rate risk, credit risk, liquidity risk and equity price risk. The policies on how to mitigate these risks are further disclosed as below. The management regularly reviews these exposures to ensure appropriate policies are implemented on a timely and effective manner to minimise the potential adverse impact on the financial position and financial performance of the Group.

(i) Foreign currency risk

At 31 December 2020 and 2019, there were subsidiaries of the Company exposed to foreign currency risk primarily through sales and purchases which give rise to monetary assets and liabilities that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily those monetary assets and liabilities denominated in RMB and USD.

The Group did not enter into any financial derivatives to hedge against its foreign currency risk, as in the view of the directors, the associated foreign currency risk is not significant to the Group based on the result of the sensitivity analysis for both current and prior years.

For the foreign currency risk exposure arising from the possible movement of exchange rate between HKD and USD on those monetary assets and liabilities denominated in USD was insignificant since HKD is pegged to USD for both current and prior years.

At 31 December 2020 and 2019, the carrying amounts of monetary assets and liabilities that were denominated in RMB mainly exposed the Group to foreign currency risk were as follows:

	Liabilities		Assets	
	2020 HKD'000	2019 HKD'000	**2020 HKD'000**	2019 HKD'000
RMB	**30,330**	10,504	**25,387**	11,672

38. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(i) Foreign currency risk *(Continued)*

Sensitivity analysis

The following table details the sensitivity analysis of RMB/HKD. 5% is the sensitivity rate used when reporting the foreign currency risk internally to key management personnel and represents the management best estimate of the possible change of RMB/HKD in the foreseeable future. The sensitivity analysis includes only the monetary assets and liabilities that are denominated in RMB exposed the Group to foreign currency risk, with the adjustments arising from the translation of RMB/HKD at the end of each reporting period for a 5% change determined in the possible change of RMB/HKD. A negative (2019: positive) number below indicates an increase in loss (2019: an increase in profit) for the year, net of tax, and a decrease (2019: an increase) in retained profits when RMB strengthens 5% against HKD at the end of reporting period. For a 5% weakening of RMB against HKD, there would be an equal and opposite impact against net loss (2019: net profit) for the year, net of tax, and retained profits, and the balances below would be positive (2019: negative).

For the purpose of presentation, the amount of foreign currency risk exposure are shown in HKD, being translated by using the spot rate of RMB/HKD at the end of reporting period.

	2020 **HKD'000**	2019 HKD'000
Increase in loss for the year, net of tax	**(247)**	–
Increase in profit for the year, net of tax	**–**	49

The above sensitivity analysis was determined by assuming that the possible change of RMB/HKD had been occurred at the end of reporting period and applied to those subsidiaries with foreign currency risk exposure in existence, and all other risk variables, in particular the market interest rate remained constant for both current and prior years.

The stated changes represent the best estimate by the management on the possible change of RMB/HKD over the period until the next annual reporting date. In this respect, it is assumed that the pegged USD/HKD would be materially unaffected by any changes in movement of RMB/HKD. The sensitivity analysis represents an aggregation of the effect on the affected subsidiaries during the year, being translated into HKD from RMB at the prevailing exchange rate at the end of reporting period for the purpose of presentation.

The key assumptions used in the sensitivity analysis is performed on the same basis for the prior year of 2019.

38. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will be fluctuated under the changes in market interest rate.

The Group is exposed to fair value interest rate risk mainly arises from fixed interest-rate bank deposits and loans receivable. The directors consider that the associated fair value interest rate risk is insignificant due to the bank deposits and loans receivable are within short maturity periods for both current and prior years.

The Group is also exposed to cash flow interest rate risk mainly arises from variable interest-rate bank deposits, bank overdrafts, advances to customers in margin financing, cash clients including in trade receivables, bank borrowings and lease liabilities. It is the Group's policy to keep certain of the bank deposits at floating interest rates in order to minimise the associated fair value interest rate risk for both current and prior years.

The Group's cash flow interest rate risk is mainly concentrated on the possible change of Hong Kong Interbank Offered Rate ("**HIBOR**"), London Interbank Offered Rate ("**LIBOR**"), Loan Prime Rate and the PBOC benchmark interest rate arising from the bank overdrafts and bank borrowings denominated in HKD, USD and RMB.

The Group did not enter into any financial derivatives to hedge against its exposure to interest rate risk. The management monitors the interest rate risk exposure on an ongoing basis.

Sensitivity analysis

The following details the sensitivity analysis for the possible change in net loss (2019: net profit) for the year, net of tax, and retained profits that would arise by assuming that the possible changes in the interest rates had been occurred at the end of reporting period and applied to remeasure the interest-bearing financial instruments held by the Group which expose to fair value interest rate risk at the end of reporting period. In respect of the cash flow interest rate risk arising from variable interest-rate financial instruments held by the Group, the impact on net loss (2019: net profit) for the year, net of tax, and retained profits is estimated as an annualised impact on interest expenses or income of such a change of interest rates.

The key assumptions used in the sensitivity analysis is performed on the same basis for the prior year of 2019.

A 50 basis point increase or decrease used when reporting the interest rate risk internally to key management personnel and represents the management best estimate of the possible change of interest rates in the foreseeable future.

If the interest rates on bank deposits, bank overdrafts, advances to customers in margin financing and cash clients including in trade receivables were 50 basis points (2019: 50 basis points) higher/lower, with all other variables held constant, the net loss (2019: net profit) for the year, net of tax, and retained profits would decrease/increase (2019: increase/decrease) by approximately HKD1,107,000 (2019: HKD859,000) attributable to the cash flow interest rate risk exposure on variable interest-rate bank deposits, bank overdrafts, advances to customers in margin financing and cash clients including in trade receivables.

38. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(ii) Interest rate risk *(Continued)*

Sensitivity analysis (Continued)

In addition, if the interest rates on bank borrowings and lease liabilities were 50 basis points (2019: 50 basis points) higher/lower, with all other variables held constant, the net loss (2019: net profit) for the year, net of tax, and retained profits would increase/decrease (2019: decrease/increase) by approximately HKD7,527,000 (2019: HKD6,662,000) attributable to the cash flow interest rate risk exposure on variable interest-rate bank borrowings and lease liabilities.

The stated changes represent the best estimate by the management on the possible changes of interest rates over the period until the next annual reporting date.

(iii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

The Group's credit risk is primarily attributable to trade and other receivables, advances to customers in margin financing and loans receivable. The Group does not provide any financial guarantee which would expose the Group to credit risk for both current and prior years. The management has an appropriate credit policy and monitors the credit risk exposure on an ongoing basis.

In order to minimise the credit risk, the management has delegated a team who is responsible for determination of credit limits, credit approvals and other monitoring procedures on trade debtors who required individual credit evaluation to ensure that follow-up actions are taken immediately to recover overdue trade debts. To be specific, the evaluation focuses on the trade debtors' past history of making repayments when due and current ability to pay, market value of pledged securities, and taken into account of information specific to the trade debtors as well as pertaining to the macroeconomic environment where the trade debtors located. Ongoing credit evaluation is performed on the financial condition of trade debtors. Trade debtors with balances that are more than a reasonable period of past due are requested to settle all outstanding balances before any further credit is granted. In response to the COVID-19 pandemic, the management has also been performing more frequent review of credit limits for trade debtors in the certain market or geographic locations that are severely impacted, if applicable. Any of the extension of credit period of trade debtors under the adverse impact of COVID-19 pandemic are after careful consideration over the creditworthiness of trade debtors, if applicable.

Except for the balance of advances to customers in margin financing and loans receivable, the Group does not obtain any securities collateral from trade debtors. However, the Group regularly reviews the recoverable amount of each individual trade debts at the end of each reporting period to ensure that adequate loss allowance are made for irrecoverable amounts. In this regard, the directors consider that the credit risk is significantly reduced.

38. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(iii) Credit risk *(Continued)*

Concentration of credit risk

(a) Other than financial services segment

The Group had a concentration of credit risk in relation to trade receivables arising from the trade debtors located in other than financial services segment was approximately 8% (2019: 8%) and 31% (2019: 38%) of total trade receivables of these segments were due from the largest customer and top five customers respectively. These trade receivables were mainly for those trade debtors with sounded credit standing or with whom the Group had no default repayment history. The credit risk of trade debtors was limited because they are with good repayment history and the default risk arising from the market and geographical location where the trade debtors located has an influence on the credit risk but to a lesser extent.

(b) Financial services segment

Financial services segment has put in place a well-established credit policy governing the credit limits granted to customers. Customers were generally required to deposit listed equity securities, properties or other appropriate assets with the Group for securing their borrowings. The credit risks arising from these customers are regularly monitored by the management with reference to the realisable values of the securities collateral and individual credit risk assessments. For the default risk of the market and geographic location where the customers located also has an influence on the credit risk but to a lesser extent. For the trade receivables arising from the clearing house is at a high credit standing and the management does not expect the clearing house will fail to meet any of its obligations. In response to COVID-19 pandemic, the management has performed a more frequent review of the credit risk assessment for those customers and will make further adjustment if applicable.

The Group had a concentration of credit risk in relation to advances to customers in margin financing and loans receivable was 29% (2019: 29%) and 62% (2019: 57%) of total receivables of this segment were due from the largest customer and top five customers respectively. These trade receivables were mainly for those customers with sounded credit standing or with whom the Group possessed the ownership over their securities collateral. Details of the credit quality and the maximum exposure to credit risk in terms of the advances to customers in margin financing and loans receivable are set out in Notes 23 and 24 to the consolidated financial statements, respectively.

38. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(iii) Credit risk *(Continued)*

Loss allowance calculation of trade receivables

The Group adopted the simplified approach to provide for ECLs prescribed by HKFRS 9, which permits the use of the lifetime ECLs for all of the trade receivables balances. At 31 December 2020, the loss allowance of trade receivables was determined in the following provision matrix on the basis of the ageing analysis as disclosed in Note 22 to the consolidated financial statements. The ECLs below also incorporated forward-looking information and groupings of various customers' segments with similar loss patterns in the ECLs calculations, which reflected the probability-weighted outcome, time value of money and reasonable and supportable information that is available at the reporting date. The management taken into account of the impact of COVID-19 pandemic on the grouping of customers and will make adjustment on the ECLs calculations as if the impact is material.

	Weighted average expected loss rate %	Gross carrying amount HKD'000	Loss allowance HKD'000
Gross carrying amount of trade debtors subject to provision matrix:			
0 to 30 days	0.3	26,995	81
31 to 60 days	1.9	4,856	93
61 to 90 days	2.6	822	21
91 to 180 days	8.4	1,346	113
More than 180 days	39.4	18,819	7,420
At 31 December 2020		52,838	7,728

38. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(iii) Credit risk *(Continued)*

Loss allowance calculation of trade receivables (Continued)

	Weighted average expected loss rate %	Gross carrying amount HKD'000	Loss allowance HKD'000
Gross carrying amount of trade debtors subject to specific provisions:			
At 1 January 2019	100	23,664	23,664
Write off of loss allowance	100	(23,664)	(23,664)
At 31 December 2019		–	–
Gross carrying amount of trade debtors subject to provision matrix:			
0 to 30 days	0.2	19,929	40
31 to 60 days	0.4	8,766	35
61 to 90 days	1.9	2,482	47
91 to 180 days	7.8	1,429	112
More than 180 days	31.8	19,970	6,341
At 31 December 2019		52,576	6,575

Loss allowance calculation of other financial assets at amortised cost

Except for the loss allowance recognised on the amount due from an associate and loans receivable that were calculated under the lifetime ECL calculations being classified as stage 3 as set out in Notes 19 and 24 to the consolidated financial statements, the loss allowance of other receivables, advances to customers in margin financing and amounts due from joint ventures was immaterial under 12-months ECL calculations being classified as stage 1. The credit risks on restricted bank deposits and bank balances and cash are limited because they are placed with reputable banks.

38. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting of its obligations associated with its financial liabilities that are settled by delivering cash or other financial asset. Liquidity risk arises from mismatches in the timing and amounts of cash flows, which is inherent to the business operations and investments.

In the management of the liquidity risk, the management regularly monitors and maintains an optimal level of cash and cash equivalents and undrawn borrowing facilities deemed adequate by the management to finance the Group's business operations for meeting its liquidity requirement and mitigate the effects of fluctuations in cash flows at all times. The management will be more cautious to take appropriate actions to mitigate the adverse impact attributable from the COVID-19 pandemic.

In addition, there is a minimum liquid capital requirement under the SF(FR)R and a constant need of funding for the financial services segment. The management aims to maintain flexibility in funding for the settlement of securities transactions, margin financing and loans to customers.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities based on their agreed repayment terms. The table illustrated below is based on the undiscounted cash flows of financial liabilities according to the earliest date on which the Group can be required to pay. The table includes both principals and interests cash flows:

	Weighted average interest rate %	On demand or less than 1 month HKD'000	1–3 months HKD'000	3–12 months HKD'000	More than 1 year HKD'000	Total undiscounted cash flows HKD'000	Carrying amount at 31.12.2020 HKD'000
2020							
Non-derivative financial liabilities:							
Trade and other payables	–	275,013	–	–	–	275,013	275,013
Amount due to a related party	–	119	–	–	–	119	119
Amount due to a director	–	15,495	–	–	–	15,495	15,495
Bank borrowings	3.5	12,900	35,785	598,855	1,064,710	1,712,250	1,605,073
Loan from non-controlling interests	2.5	–	–	–	3,665	3,665	3,576
Lease liabilities	6.9	988	1,976	8,890	363,816	375,670	197,749
		304,515	37,761	607,745	1,432,191	2,382,212	2,097,025

38. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(iv) Liquidity risk *(Continued)*

	Weighted average interest rate %	On demand or less than 1 month HKD'000	1–3 months HKD'000	3–12 months HKD'000	More than 1 year HKD'000	Total undiscounted cash flows HKD'000	Carrying amount at 31.12.2019 HKD'000
2019							
Non-derivative financial liabilities:							
Trade and other payables	–	298,710	–	–	–	298,710	298,710
Amount due to a related party	–	112	–	–	–	112	112
Bank overdrafts	4.8	8,175	–	–	–	8,175	7,804
Bank borrowings	4.7	5,332	10,458	42,609	1,441,117	1,499,516	1,410,901
Loan from non-controlling interests	2.3	–	–	–	2,163	2,163	2,114
Lease liabilities	6.9	1,041	2,082	9,370	356,753	369,246	184,899
		313,370	12,540	51,979	1,800,033	2,177,922	1,904,540

(v) Equity price risk

Equity price risk is the risk that the fair values of financial assets at FVTPL decrease as a result of the adverse changes of market prices.

The Group's listed equity securities in Hong Kong are listed in the Stock Exchange. Decisions to buy or sell the securities are based on daily monitoring of their performance compared to that of the Hang Seng Index, other market factors and the liquidity needs of the Group.

The Group's unlisted equity investment outside Hong Kong are held for long-term strategic purposes. Their performance are assessed regularly against the performance of comparable listed entities in the foreign stock exchange market.

The following table demonstrates the sensitivity analysis to every 5% change in the fair values of which the directors expect the possible changes of financial assets at FVTPL, with all other variables held constant and before tax, based on their carrying amounts at the end of reporting period.

38. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(v) Equity price risk *(Continued)*

	Increase/ (decrease) in fair value %	Increase/ (decrease) in loss before income tax expense HKD'000	Increase/ (decrease) in retained profits HKD'000
2020			
Listed equity securities in Hong Kong	**5**	**763**	**–**
Unlisted equity investment outside Hong Kong	**5**	**4,933**	**–**

	Increase/ (decrease) in fair value %	Increase/ (decrease) in profit before income tax expense HKD'000	Increase/ (decrease) in retained profits HKD'000
2019			
Listed equity securities in Hong Kong	5	3,301	–
Unlisted equity investment outside Hong Kong	5	8,747	–

38. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(vi) Offsetting financial assets and financial liabilities

The following tables represent details of the Group's financial assets and liabilities subject to offsetting, restricted by the enforceable master netting arrangements or similar agreements between the Group and Hong Kong Securities Clearing Company Limited ("**HKSCC**") at 31 December 2020 and 2019.

	Financial assets subject to offsetting					
				Related amounts not offset in the consolidated statement of financial position		
	Gross amount of recognised financial assets	Gross amount of recognised financial liabilities offset in the consolidated statement of financial position	Net amount of financial assets presented in the consolidated statement of financial position	Financial instruments other than cash collateral	Cash collateral received	Net amount
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
At 31 December 2020						
Trade receivable from HKSCC	**64,972**	**(64,347)**	**625**	**–**	**–**	**625**
At 31 December 2019						
Trade receivable from HKSCC	18,092	(17,560)	532	–	–	532

	Financial liabilities subject to offsetting					
				Related amounts not offset in the consolidated statement of financial position		
	Gross amount of recognised financial liabilities	Gross amount of recognised financial assets offset in the consolidated statement of financial position	Net amount of financial liabilities presented in the consolidated statement of financial position	Financial instruments other than cash collateral	Cash collateral received	Net amount
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
At 31 December 2020						
Trade payable from HKSCC	**64,347**	**(64,347)**	**–**	**–**	**–**	**–**
At 31 December 2019						
Trade payable from HKSCC	17,560	(17,560)	–	–	–	–

38. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(vi) Offsetting financial assets and financial liabilities *(Continued)*

The tables below reconcile the amounts of trade and other receivables, and trade and other payables as presented in the consolidated statement of financial position as at 31 December 2020 and 2019:

	2020 HKD'000	2019 HKD'000
Trade and other receivables		
Net amount of trade receivable from HKSCC	**625**	532
Trade and other receivables not within the scope of offsetting disclosure	**207,771**	189,837
Trade and other receivables as disclosed in the consolidated statement of financial position	**208,396**	190,369

	2020 HKD'000	2019 HKD'000
Trade and other payables		
Net amount of trade payable from HKSCC	**–**	–
Trade and other payables not within the scope of offsetting disclosure	**282,997**	309,054
Trade and other payables as disclosed in the consolidated statement of financial position	**282,997**	309,054

(c) 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 is 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.

38. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value measurements *(Continued)*

The directors consider that the carrying amounts of financial instruments measured at amortised cost at 31 December 2020 and 2019 were approximate to their fair values on the grounds that either of their maturity periods are short or their effective interest rates were approximate to the relevant discount rates.

There was no change in the valuation techniques and transfers between Level 1 and Level 2, or transfers into or out of Level 3 fair value hierarchy for both current and prior years. The Group's accounting policy is to recognise transfers between levels of fair value hierarchy at the end of reporting period in which they occur.

The following table provides an analysis of financial instruments measured at fair value. The listed equity securities in Hong Kong is classified as Level 1 and the unlisted equity investments outside Hong Kong is classified as Level 3. The classification is based on the degree to which the key inputs used in the fair value measurements are observable and the significance of adjustments to the key inputs used in the fair value measurements.

	2020 HKD'000	2019 HKD'000
Level 1		
– Listed equity securities in Hong Kong	**15,257**	66,012
Level 3		
– Unlisted equity investment outside Hong Kong	**98,665**	174,941

Reconciliations of the opening and closing balance of financial instruments classified as level 3 fair value hierarchy are provided as follows:

	2020 HKD'000	2019 HKD'000
Unlisted equity investment outside Hong Kong		
At 1 January	**174,941**	65,777
Additions	**–**	
(Decrease)/increase in fair value	**(76,276)**	109,164
At 31 December	**98,665**	174,941

The fair value measurement of unlisted equity investments outside Hong Kong was determined by using both observable and unobservable key inputs. The significant key inputs included risk-free rate, discount of lack of marketability and expected recoverable rate of investment are 0.08%, 6.46% and 100% (2019: 1.58%, 37.79% and 90%) respectively.

The fair value loss of the unlisted equity investments of approximately HKD76,276,000 (2019: fair value gain of approximately HKD109,164,000) was mainly attributable to a reduction of market price of the investment.

39. 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 consolidated financial statements, the Group had no other contingent assets or contingent liabilities required to be recognised or disclosed in the consolidated financial statements at 31 December 2020 and 2019.

40. OPERATING LEASES COMMITMENTS

As a lessee

During the year, the Group incurred minimum and contingent lease payments in respect of its office premises, staff quarters, warehouses and retail shops under non-cancellable tenancy agreements for those qualified under the recognition exemptions of HKFRS 16, which were recognised as short-term leases expenses in profit or loss disclosed as follows:

	2020 **HKD'000**	2019 HKD'000
Operating lease expenses comprised of:		
Minimum lease payments		
– Office premises	**1,207**	1,197
– Staff quarters	**412**	518
– Warehouses	**1,028**	–
– Retail shops	**482**	106
	3,129	1,821
Contingent lease payments	**9,418**	21,670
	12,547	23,491

Among the contingent lease payments, the Group leased a number of retail shops which contain contingent lease payment terms that are calculated based on the relevant shops' revenue generated and minimum lease payment terms that are fixed for both current and prior years. The amount of such contingent lease payments to be incurred in the future cannot be readily estimated in advance and is excluded in the calculation of lease commitment as disclosed below.

40. OPERATING LEASES COMMITMENTS *(Continued)*

As a lessor

Rental income generated by leasing the investment properties held by the Group during the year was approximately HKD57,676,000 (2019: HKD65,342,000). Tenants who located in those investment properties were committed with the Group for leasing the properties for the next one to nineteen years (2019: one to nineteen years). Included in the rental income, the rental income arising from the sub-leasing of retail shops for the community located in Tianjin, the PRC, generated during the year was approximately HKD7,791,000 (2019: HKD8,800,000).

The Group had the following future minimum lease receivables under non-cancellable tenancy agreements, which were entitled to be received at 31 December 2020 and 2019:

	2020 **HKD'000**	2019 HKD'000
Within one year	**53,221**	83,106
In the second to fifth year, inclusive	**90,314**	85,731
Over five year	**67,459**	74,022
	210,944	242,859

41. CAPITAL COMMITMENTS

At 31 December 2020 and 2019, the Group had the following material contractual capital commitments not provided for in the consolidated financial statements:

	2020 **HKD'000**	2019 HKD'000
Contracted for but not provided		
– Capital contribution of the unlisted equity investment outside Hong Kong	**–**	51,415
– Construction costs of outlet mall buildings located in Shenyang, the PRC	**57,227**	–

42. RETIREMENT BENEFITS SCHEME

The Group operates a defined contribution retirement plan under the Mandatory Provident Fund Scheme (the "**MPF Scheme**") applied for all of its qualifying employees in Hong Kong, who are eligible to participate. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group under the control of the independent trustees. Under the rules of the MPF Scheme, both employer and its employees are required to contribute for the MPF Scheme on a specific percentage of the qualifying employees' basic salaries. The only obligation of the Group with respect to the MPF Scheme, which is to contribute 5% of the employees' basic salaries or HKD1,500 per month in maximum under the MPF Scheme and charged to profit or loss.

The Company's subsidiaries operate in the PRC are the members of the state-managed retirement benefits scheme, namely the Central Provident Fund operated by the relevant PRC tax authorities. The related contributions are determined based on a certain percentage of the monthly salaries of the relevant subsidiaries' employees, and charged to profit or loss once the amount of contributions become payable by these subsidiaries with the rules specified in the scheme. The Group has no other obligations under the scheme other than the contributions to the Central Provident Fund for both current and prior years.

In addition, the Group also participates in defined contribution retirement schemes organised by the relevant local government authorities in other jurisdictions where the Group operates. Certain employees of the Group are eligible for participating in the retirement benefits schemes are entitled to the retirement benefits from the relevant schemes. As a result, the Group is required to contribute to the retirement schemes upon the retirement of the eligible employees, excluding those employees who resigned before their respective retirements, at a percentage that is specified by the local governments.

43. RELATED PARTY DISCLOSURES

(a) Related party transactions

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

	2020 HKD'000	2019 HKD'000
Mr. Cheng Tun Nei and his associates:		
Commission income from securities brokerage	**59**	6
Interest income from margin financing	**468**	692
Short-term leases expenses	**202**	96
Motor vehicle expenses	**78**	75
Total amount of margin financing facilities granted *(Note (i))*	**10,000**	10,000
Maximum outstanding balance of margin loans issued	**8,343**	8,945
Mr. Lee Cheung Ming:		
Interest income from margin financing	**4,235**	267
Total amount of margin financing facilities granted *(Note (i))*	**10,000**	10,000
Maximum outstanding balance of margin loans issued	**9,451**	9,878
Other related parties:		
Interest income from a non-controlling shareholder	**741**	721
Interest expenses of loan from non-controlling interests	**155**	161
Minimum purchase for the sales and distribution of "Arena" branded swimwear and other sportswear, shoes and related accessories *(Note (ii))*	**103,256**	60,691

Notes:

(i) On 30 October 2019, Mr. Lee Cheung Ming ("**Mr. Lee**") who is the Executive Director of the Company entered into a margin financing agreement with the Group, with a facility amount of HKD10,000,000 granted to Mr. Lee for securities trading transaction. The balance of margin financing granted to Mr. Lee was secured by a cash deposit of HKD10,000,000 or assets of equivalent value in his securities account maintained with the Group, interest-bearing at Prime Rate plus 3% per annum.

Margin financing agreement granted to Mr. Cheng Tun Nei ("**Mr. Cheng**") and a company wholly-owned by Mr. Cheng, which is secured by a cash deposit of HKD10,000,000 or assets of equivalent value in their securities accounts in aggregate maintained with the Group, interest-bearing at Prime Rate plus 3% (2019: Prime Rate plus 3%) per annum.

(ii) After conducting an annual review of the 2018 business performance, an amendment to the original "Arena" Joint Venture and China-exclusive Distribution Agreement was entered into on 7 May 2019 under which the price and minimum level of purchase for "Arena" branded swimwear and other sportswear, shoes and related accessories have been adjusted.

The related party transactions disclosed in Note (i) and (ii) above are constituted as continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the section headed "Continuing Connected Transactions" of the Directors' Report for both current and prior years.

43. RELATED PARTY DISCLOSURES *(Continued)*

(b) Key management personnel's emoluments

Regarding to Note 11 to the consolidated financial statements, the emoluments of the directors and the senior management are defined as the key management personnel during the year were as follows:

	2020 **HKD'000**	2019 HKD'000
Salaries, welfare and other expenses	**10,411**	12,040
Contributions to defined contribution retirement plans	**128**	144
	10,539	12,184

The emoluments of the directors and the senior management was reviewed and approved by the remuneration committee of the Company after taken into account of their relevant experience, qualifications, business performance, market practices and competitive market conditions as further disclosed in the Directors' Report and the Corporate Governance Report.

44. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2020 HKD'000	2019 HKD'000
Non-current assets			
Investments in subsidiaries	45	**14,940**	988
Intangible assets		**45,613**	45,613
Amounts due from subsidiaries		**2,640,174**	2,669,997
Total non-current assets		**2,700,727**	2,716,598
Current assets			
Other receivables		**837**	851
Restricted bank deposit		**20,000**	20,000
Bank balances and cash		**101,761**	59,722
Total current assets		**122,598**	80,573
Current liabilities			
Other payables		**5,815**	8,726
Bank borrowings		**338,935**	137,265
Total current liabilities		**344,750**	145,991
Net current liabilities		**(222,152)**	(65,418)
Total assets less current liabilities		**2,478,575**	2,651,180
Non-current liabilities			
Bank borrowings		**526,790**	634,590
NET ASSETS		**1,951,785**	2,016,590
Equity			
Share capital	33	**297,422**	297,422
Reserves	36	**1,654,363**	1,719,168
TOTAL EQUITY		**1,951,785**	2,016,590

Approved and authorised for issue by the board of directors and were signed on its behalf by:

Cheng Tun Nei
Director

Chan Kar Lee Gary
Director

45. INVESTMENTS IN SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2020 and 2019 were as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Particulars of issued and paid up/registered share capital	Effective interest in issued and paid up/registered share capital held by the Company				Principal activities
			2020		2019		
			Directly	Indirectly	Directly	Indirectly	
Cosmo Group Holdings Limited	The British Virgin Islands	Ordinary paid-up shares of USD10,000	100%	–	100%	–	Investment holding
Tak Jin Management Services Limited	Hong Kong	Ordinary paid-up share of HKD1	–	100%	–	100%	Provision of accountancy, secretarial and management services
Kwan Tai Resources Limited	Hong Kong	Ordinary paid-up shares of HKD10	–	100%	–	100%	Property investment
Yue Hing Holdings Limited	Hong Kong	Ordinary paid-up shares of HKD2	–	100%	–	100%	Property investment
新羚步（上海）國際貿易有限公司	The PRC (wholly-owned foreign enterprise)	Registered paid-up capital of USD3,000,000	–	100%	–	100%	Property investment
Worldwide Properties Limited	Hong Kong	Ordinary paid-up shares of HKD10,000	–	100%	–	100%	Property investment
SYM Development Limited	Hong Kong	Ordinary paid-up shares of HKD2	–	100%	–	100%	Property investment
Chung Wah Elite Company Limited	Hong Kong	Ordinary paid-up shares of HKD100	–	100%	–	100%	Investment holding
Premier Ever Group Limited	The British Virgin Islands	Ordinary paid-up shares of USD63,068,127	–	100%	–	100%	Investment holding
Frontlead Holdings Limited	The British Virgin Islands	Ordinary paid-up share of USD1	–	100%	–	100%	Investment holding
Rivergold International Limited	The British Virgin Islands	Ordinary paid-up shares of USD78,364,080	–	100%	–	100%	Investment holding
Orton Holdings Limited	Hong Kong	Ordinary paid-up share of HKD1	–	100%	–	100%	Investment holding
Good Developments Limited	Hong Kong	Ordinary paid-up shares of HKD2	–	100%	–	100%	Investment holding
瀋陽奧特萊斯房地產開發有限公司	The PRC (wholly-owned foreign enterprise)	Registered paid-up capital of USD70,766,000	–	100%	–	100%	Property investment

45. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration and operation	Particulars of issued and paid up/registered share capital	Effective interest in issued and paid up/registered share capital held by the Company				Principal activities
			2020		2019		
			Directly	Indirectly	Directly	Indirectly	
瀋陽尚柏百貨有限公司	The PRC (wholly-owned foreign enterprise)	Registered paid-up capital of USD12,000,000 (2019: USD9,800,000)	–	100%	–	100%	Operation and management of outlet malls
China Rise Finance Group Company Limited	Hong Kong	Ordinary paid-up shares of HKD10,000	–	100%	–	100%	Investment holding
China Rise Securities Asset Management Company Limited	Hong Kong	Ordinary paid-up shares of HKD100,000,000	–	100%	–	100%	Provisions of securities brokerage, underwriting and placing of listed securities, margin financing and financial consultancy services
China Rise Finance Co., Limited	Hong Kong	Ordinary paid-up shares of HKD10,000	–	100%	–	100%	Provision of money lending service
Giant Fortune International Limited	The British Virgin Islands	Ordinary paid-up share of USD1	–	100%	–	100%	Investment in unlisted equity securities in the United States
China Rise Capital Co., Limited	Hong Kong	Ordinary paid-up share of HKD1	–	100%	–	100%	Investment holding
JFT Holdings Limited	Hong Kong	Ordinary paid-up shares of HKD316,000,000	–	100%	–	100%	Provision of information technology, corporate services and portfolio management and investment of listed equity securities
Profit Guaranteed Assets Limited	Hong Kong	Ordinary paid-up shares of HKD2	–	100%	–	100%	Provisions of accountancy, legal, secretarial and cruiser services
JFT China Limited	The PRC (wholly-owned foreign enterprise)	Registered paid-up capital of RMB23,611,365	–	100%	–	100%	Trading, retailing and distribution of swimming apparel and accessories
Arena (Shanghai) Industrial Co., Limited	The PRC (wholly-owned foreign enterprise)	Registered paid-up capital of RMB30,000,000	–	70%	–	70%	Trading, retailing and distribution of swimming apparel and accessories

45. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration and operation	Particulars of issued and paid up/registered share capital	Effective interest in issued and paid up/registered share capital held by the Company				Principal activities
			2020		2019		
			Directly	Indirectly	Directly	Indirectly	
上海尚柏體育發展有限公司	The PRC (wholly-owned foreign enterprise)	Registered paid-up capital of RMB1,000,000	–	100%	–	100%	Trading, retailing and distribution of swimming apparel and accessories
杭州朗旌網絡科技有限公司	The PRC (wholly-owned foreign enterprise)	Registered paid-up capital of RMB2,000,000	–	100%	–	100%	Trading, retailing and distribution of swimming apparel and accessories
杭州朗步網絡科技有限公司	The PRC (wholly-owned foreign enterprise)	Registered paid-up capital of RMB2,000,000	–	55%	–	55%	Provision of online trading platform support service
Yifeng (Xiamen) Trading Limited	The PRC (wholly-owned foreign enterprise)	Registered paid-up capital of USD1,000,000	–	100%	–	100%	Operation and management of fashion stores
Pony International Limited	Hong Kong	Ordinary paid-up shares of HKD2	–	100%	–	100%	Sublicensing of trademark rights, trading and wholesales of sportswear
Super Jumbo Holdings Limited	The British Virgin Islands	Ordinary paid-up share of USD1	–	100%	–	100%	Development and management of "PONY" trademarks
Pony Inc.	The United States	Ordinary paid-up share of USD1	–	100%	–	100%	Sublicensing of trademark rights
Pony Asia Holdings Pte. Ltd.	Singapore	Ordinary paid-up shares of SGD100	–	100%	–	100%	Sublicensing of trademark rights
Aggressive Resources Limited	The British Virgin Islands	Ordinary paid-up shares of USD50,000	–	100%	–	100%	Investment holding
Supremium Bio-Technology Limited	Hong Kong	Ordinary paid-up shares of HKD10,000	–	100%	–	100%	Manufacturing, developing and retailing of healthcare products
Kingxin International Investment Limited	The British Virgin Islands	Ordinary paid-up shares of USD50,000	–	100%	–	100%	Investment holding
HK Asia Gain International Investment Limited	Hong Kong	Ordinary paid-up shares of HKD28,000,000	–	100%	–	100%	Investment holding

45. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration and operation	Particulars of issued and paid up/registered share capital	Effective interest in issued and paid up/registered share capital held by the Company				Principal activities
			2020		2019		
			Directly	Indirectly	Directly	Indirectly	
重慶雲太美每家商業運營管理有限公司	The PRC (wholly-owned foreign enterprise)	Registered paid-up shares of RMB260,000,000	–	100%	–	100%	Property investment
Majestic City Group Limited	The British Virgin Islands	Ordinary paid-up share of USD1	–	100%	–	100%	Investment holding
Majestic City (Hong Kong) Limited	Hong Kong	Ordinary paid-up share of HKD1	–	100%	–	100%	Investment holding
Xiamen Park Outlets Property Co., Ltd.	The PRC (wholly-owned foreign enterprise)	Registered paid-up shares of USD51,000,000	–	100%	–	100%	Property investment
廈門尚柏奧萊商業管理有限公司	The PRC (wholly-owned foreign enterprise)	Registered paid-up shares of RMB50,000,000	–	100%	–	100%	Operation and management of outlet malls
Grand Galatica Limited	The British Virgin Islands	Ordinary paid-up shares of USD100	–	100%	–	100%	Holding of club debenture
State Glory (Hong Kong) Trading Limited	Hong Kong	Ordinary paid-up share of HKD1	–	100%	–	100%	Trading and wholesales of "SKINS" products
SYM ITO Sales & Distribution Company Limited	Hong Kong	Ordinary paid-up shares of USD1,800,000 (2019: USD1)	100%	–	100%	–	Trading and wholesales of "SKINS" products

Notes:

(i) None of the Company's principal subsidiaries listed above issued or had any debt securities outstanding at the end of reporting period.

(ii) The Company's principal subsidiaries listed above of which, in the opinion of the directors, principally affected either the Group's financial position or financial performance for the year. In addition, in order to give details of other subsidiaries of the Company will be, in the opinion of the directors, resulted in excessive length of particulars to be shown after an extensive level of efforts exerted.

46. NON-CONTROLLING INTERESTS

At 31 December 2020 and 2019, the Group had material non-controlling interests ("**NCIs**") arising from 70% equity interests in Arena (Shanghai) Industrial Co., Limited ("**Arena Shanghai**"). In the prior year of 2019, the Group completed the acquisition of the remaining 20% equity interests in Kingxin International Investment Limited ("**Kingxin**").

The NCIs of other subsidiaries that not 100% owned by the Group are considered as immaterial and their financial information is not disclosed as follows.

Summarised financial information in relation to the material NCIs before intra-group eliminations was presented as follows:

Summarised statement of financial position of Arena Shanghai and Kingxin as at 31 December

	Arena Shanghai		Kingxin	
	2020 HKD'000	2019 HKD'000	**2020 HKD'000**	2019 HKD'000
Current				
Assets	**75,501**	65,961	**N/A**	N/A
Liabilities	**(33,359)**	(29,371)	**N/A**	N/A
	42,142	36,590	**N/A**	N/A
Non-current				
Assets	**1,191**	3,885	**N/A**	N/A
Liabilities	**(3,575)**	–	**N/A**	N/A
	(2,384)	3,885	**N/A**	N/A
Net assets	**39,758**	40,475	**N/A**	N/A
Accumulated non-controlling interests	**11,553**	11,595	**N/A**	N/A

46. NON-CONTROLLING INTERESTS *(Continued)*

Summarised statement of profit or loss and statement of comprehensive income of Arena Shanghai and Kingxin for the year ended 31 December

	Arena Shanghai		Kingxin	
	2020	2019	**2020**	2019
	HKD'000	HKD'000	**HKD'000**	HKD'000 *(Note)*
Revenue	**108,384**	170,434	**N/A**	14,546
(Loss)/profit before income tax expense	**(1,578)**	5,465	**N/A**	44,223
Income tax expense	**(1,537)**	–	**N/A**	(1,167)
(Loss)/profit for the year/period	**(3,115)**	5,465	**N/A**	43,056
Other comprehensive income	**2,140**	(900)	**N/A**	(16,263)
Total comprehensive income for the year/period	**(975)**	4,565	**N/A**	26,793
Total comprehensive income for the year/period attributable to non-controlling interests	**42**	1,369	**N/A**	5,359

Note: The total comprehensive income of Kingxin shared by the non-controlling interests was for the period from 1 January 2019 to 18 October 2019, i.e. the date when it became an indirect wholly-owned subsidiary of the Company.

46. NON-CONTROLLING INTERESTS *(Continued)*

Summarised statement of cash flows of Arena Shanghai and Kingxin for the year ended 31 December

	Arena Shanghai		Kingxin	
	2020 **HKD'000**	2019 HKD'000	**2020** **HKD'000**	2019 HKD'000
Cash flows from operating activities				
Net cash from/(used in) operating activities	**7,197**	7,981	**N/A**	(19,404)
Cash flows from investing activities				
Net cash (used in)/from investing activities	**(5,402)**	(1,192)	**N/A**	(138)
Cash flows from financing activities				
Net cash from/(used in) financing activities	**1,394**	(6,535)	**N/A**	15,321
Net increase/(decrease) in cash and cash equivalents	**3,189**	254	**N/A**	(4,221)
Cash and cash equivalents at the beginning of the year/period	**7,025**	5,423	**N/A**	1,710
Effect of foreign exchange rate changes on cash and cash equivalents	**68**	1,348	**N/A**	7,270
Cash and cash equivalents at the end of the year/period	**10,282**	7,025	**N/A**	4,759

Note: The information of cash flows of Kingxin was for the period from 1 January 2019 to 18 October 2019, i.e. the date when it became an indirect wholly-owned subsidiary of the Company.

Loan from non-controlling interests

At 31 December 2020, the balance of loan from non-controlling interest of approximately HKD3,576,000 (2019: HKD2,114,000) was unsecured, interest-bearing at 2.5% (2019: 2.5%) per annum and with no fixed term of repayment.

The non-controlling shareholder of the loan has agreed not to demand the repayment of the loan within the next twelve months from the end of reporting period. Accordingly, the directors believe that the Group has an unconditional right to defer the settlement of the loan for at least twelve months after the end of reporting period, and therefore classified the loan as a non-current liability presented in the consolidated statement of financial position.

47. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash and cash equivalent comprised of:

	2020 HKD'000	2019 HKD'000
Bank balances and cash available on demand	**143,801**	56,696
Bank balances and cash restricted in the PRC	**81,473**	53,612
Time deposits	**9,303**	19,483
Bank overdrafts	**–**	(7,804)
	234,577	121,987
Significant non-cash transactions arising from:		
Investing activities		
Additions of right-of-use assets arising from entering into new tenancy agreements	**1,080**	1,614

47. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings HKD'000 *(Note 29)*	Loan from non-controlling interests HKD'000 *(Note 46)*	Amount due to a related party HKD'000 *(Note 31)*	Amount due to a director HKD'000 *(Note 32)*	Lease liabilities HKD'000 *(Note 30)*	Total HKD'000
At 1 January 2020	1,410,901	2,114	112	–	184,899	1,598,026
Changes from financing cash flows:						
Proceeds from bank borrowings	271,323	–	–	–	–	271,323
Repayments of bank borrowings	(104,601)	–	–	–	–	(104,601)
Advance from a director	–	–	–	15,495	–	15,495
Advance from a non-controlling shareholder	–	1,323	–	–	–	1,323
Repayments of lease liabilities	–	–	–	–	(11,338)	(11,338)
Total changes from financing cash flows	166,722	1,323	–	15,495	(11,338)	172,202
Other changes:						
Exchange realignment	27,450	139	7	–	12,162	39,758
Increase in lease liabilities from entering into new tenancy agreements	–	–	–	–	1,080	1,080
COVID-19-related rent concessions	–	–	–	–	(1,767)	(1,767)
Interest expenses	–	–	–	–	12,713	12,713
Total other changes	27,450	139	7	–	24,188	51,784
At 31 December 2020	1,605,073	3,576	119	15,495	197,749	1,822,012

47. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Reconciliation of liabilities arising from financing activities: *(Continued)*

	Bank borrowings HKD'000 *(Note 29)*	Loan from non-controlling interests HKD'000 *(Note 46)*	Finance lease payables HKD'000	Amount due to a related party HKD'000 *(Note 31)*	Lease liabilities HKD'000 *(Note 30)*	Total HKD'000
At 31 December 2018	1,281,054	9,249	651	10,541	–	1,301,495
Initial adoption of HKFRS 16	–	–	(651)	–	185,468	184,817
At 1 January 2019	1,281,054	9,249	–	10,541	185,468	1,486,312
Changes from financing cash flows:						
Proceeds from bank borrowings	299,947	–	–	–	–	299,947
Repayments of bank borrowings	(163,584)	–	–	–	–	(163,584)
Repayment to a related party	–	–	–	(10,369)	–	(10,369)
Repayment to a non-controlling shareholder	–	(6,485)	–	–	–	(6,485)
Acquisition of non-controlling interests	–	(600)	–	–	–	(600)
Repayments of lease liabilities	–	–	–	–	(11,516)	(11,516)
Total changes from financing cash flows	136,363	(7,085)	–	(10,369)	(11,516)	107,393
Other changes:						
Exchange realignment	(6,516)	(50)	–	(60)	(3,429)	(10,055)
Increase in lease liabilities from entering into new tenancy agreements	–	–	–	–	1,614	1,614
Interest expenses	–	–	–	–	12,762	12,762
Total other changes	(6,516)	(50)	–	(60)	10,947	4,321
At 31 December 2019	1,410,901	2,114	–	112	184,899	1,598,026

47. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) Total cash outflows for leases:

Included in the consolidated statement of cash flows, the total cash outflows for leases comprised the following activities:

	2020 HKD'000	2019 HKD'000
Within cash flows used in operating activities	**12,547**	23,491
Within cash flows used in financing activities	**11,338**	11,516
Total net cash outflows for leases	**23,885**	35,007

The total cash outflows for leases also related to the following items:

	2020 HKD'000	2019 HKD'000
Operating lease expenses paid	**23,865**	35,007

48. COMPARATIVE FIGURES

There are certain comparative figures disclosed in the consolidated financial statements have been adjusted or reclassified to conform to the current year's presentation.

As detailed in Note 6 to the consolidated financial statements, the composition of reportable segments has been changed from six to three reportable segments during the year. As a result, the previous classification of reportable segments for the year ended 31 December 2019 has been represented to be comparable with the revised reportable segments as required by HKFRS 8.

49. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 26 March 2021.

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out below:

	For the year ended 31 December				
	2020	2019	2018	2017	2016
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
OPERATING RESULTS					
Revenue	**352,159**	388,944	381,848	348,919	363,856
(Loss)/profit before income tax expense	**(214,206)**	80,657	162,706	116,700	30,190
Income tax (expense)/credit	**(2,880)**	1,248	(50,034)	(58,951)	(16,145)
(Loss)/profit for the year	**(217,086)**	81,905	112,672	57,749	14,045
(Loss)/profit for the year attributable to:					
– Owners of the Company	**(216,328)**	71,705	118,213	41,018	27,746
– Non-controlling interests	**(758)**	10,200	(5,541)	16,731	(13,701)
	(217,086)	81,905	112,672	57,749	14,045

	As at 31 December				
	2020	2019	2018	2017	2016
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
ASSETS AND LIABILITIES					
Total assets	**5,318,508**	5,160,413	4,353,474	4,234,441	3,395,176
Total liabilities	**(2,421,679)**	(2,232,088)	(1,739,607)	(1,637,078)	(1,227,866)
Net assets	**2,896,829**	2,928,325	2,613,867	2,597,363	2,167,310
Total equity attributable to owners of the Company	**2,885,715**	2,917,487	2,570,828	2,543,867	2,177,817
Non-controlling interests	**11,114**	10,838	43,039	53,496	(10,507)
Total equity	**2,896,829**	2,928,325	2,613,867	2,597,363	2,167,310

(A) PROPERTIES HELD AS PROPERTY, PLANT AND EQUIPMENT/RIGHT-OR-USE ASSETS

Location	Lease term	Area (sq.m.)	Site area (sq.m.)	Use	Effective % held by the Group
Units 1 to 10 on 10th Floor, Island Place Tower, No. 510 King's Road, North Point, Hong Kong	Medium	1,283 (saleable)	N/A	Commercial	100
Nos. 98-1, 98-2 and 98-3, Puhe Road, Shenbei New District, Shenyang, Liaoning Province, PRC	Medium	N/A	100,146	Commercial	100
No. 99, Pufeng Road, Shenbei New District, Shenyang, Liaoning Province, PRC	Medium	N/A	45,166	Industrial	100
Units 1 and 2 on 6th Floor, Jiuge Business Centre, No. 2301 Yi Shan Lu, Minhang District, Shanghai, PRC	Long	748 (gross floor)	N/A	Commercial	100
North crossroad of Haixiang Avenue and Tianshui Road, Jimei District, Xiamen, Fujian Province, PRC	Medium	104,400 (gross floor)	60,273	Wholesale and retail (commercial)	100

Particulars of Major Properties and Property Interests

(B) PROPERTIES HELD AS INVESTMENT PROPERTIES

Location	Lease term	Area (sq.m.)	Site area (sq.m.)	Use	Effective % held by the Group
Units 1 to 10 on 3rd Floor, Island Place Tower, No. 510 King's Road, North Point, Hong Kong	Medium	1,283 (saleable)	N/A	Commercial	100
Unit C on 2nd Floor, Hop Ming Factory Building, No. 8 On Yip Street, Chai Wan, Hong Kong	Long	381 (saleable)	N/A	Industrial	100
12th, 14th, 16th and 18th Floors, Central Tower, Beijing Junefield Plaza, 10th Building, Nos. 6, 8, 10, 12, 16, 18 Xuan Wu Men Outer Street, Xi Cheng District, Beijing, PRC	Medium	10,472 (gross floor)	N/A	Commercial	100
Unit 2 on 7th Floor, Jiuge Business Centre, No.2301 Yi Shan Lu, Minhang District, Shanghai, PRC	Long	374 (gross floor)	N/A	Commercial	100
Various retail units, car parking spaces and ancillary facilities of "Meiyue Xingdao", No. 70 Shancha Road, Yubei District, Chongqing City, PRC	Medium	39,548 (gross floor)	N/A	Commercial	100

Glossary

"Annual General Meeting"	the annual general meeting of the Company to be held on Friday, 25 June 2021 at 10:30 a.m. or any adjournment thereof
"Annual Report"	the annual report of the Company for the Year
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors of the Company
"Bye-laws"	the bye-laws of the Company
"CG Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	the chairman of the Board
"Chief Executive Officer"	the chief executive officer of the Company
"Chief Operating Officer"	the chief operating officer of the Company
"Company"	Symphony Holdings Limited, a company incorporated in Bermuda on 24 November 1993 as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its shares have been listed on the Main Board of the Stock Exchange (Stock code: 1223)
"Comparable Year"	the financial year ended 31 December 2019
"Director(s)"	the director(s) of the Company
"ESG Report"	the environmental, social and governance report of the Company
"Executive Director(s)"	the executive Director(s)
"Group"	the Company and its subsidiaries
"HKD" or "HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Non-executive Director(s)"	the independent non-executive Director(s)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

Glossary

"Nomination Committee"	the nomination committee of the Company
"PRC"	The People's Republic of China excluding Hong Kong, Macau Special Administrative Region and Taiwan
"Remuneration Committee"	the remuneration committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SFC"	Securities and Futures Commission
"SFO"	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HKD0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$" or "US Dollars"	United States Dollars, the lawful currency of the United States of America
"Year"	the financial year ended 31 December 2020
"%"	per cent