

2023



SYMPHONY



SYMPHONY

新豐集團有限公司
SYMPHONY HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
Stock Code : 01223

INTERIM
REPORT



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Cheng Tun Nei (*Chairman & Chief Executive Officer*)

Mr. Chan Kar Lee Gary

Mr. Lee Cheung Ming

Independent Non-executive Directors

Mr. Shum Pui Kay

Mr. Wah Wang Kei Jackie

Mr. Chow Yu Chun Alexander

BOARD COMMITTEES

Audit Committee

Mr. Chow Yu Chun Alexander (*Chairman*)

Mr. Shum Pui Kay

Mr. Wah Wang Kei Jackie

Remuneration Committee

Mr. Wah Wang Kei Jackie (*Chairman*)

Mr. Shum Pui Kay

Mr. Chow Yu Chun Alexander

Nomination Committee

Mr. Cheng Tun Nei (*Chairman*)

Mr. Shum Pui Kay

Mr. Wah Wang Kei Jackie

COMPANY SECRETARY

Mr. Tam Sik Wai

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

17/F., Far East Finance Centre

16 Harcourt Road

Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited

The Bank of East Asia, Limited

First Commercial Bank Limited

Bank of China (Hong Kong) Limited

WEBSITE

www.symphonyholdings.com

STOCK CODE

1223

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Symphony Holdings Limited (the "**Company**"), I hereby present the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**" or "**Symphony Group**") for the six months ended 30 June 2023 (the "**Period**") together with comparative figures for the corresponding period in 2022 (the "**Corresponding Period**").

In the first half of 2023, as China fully lifted its travel restrictions, its economic activities gradually recovered. However, weak consumer confidence and inadequate demand posed significant challenges to the economic recovery. Nevertheless, Symphony Group responded to these challenges with a proactive and flexible approach, enhancing its business resilience.

Despite the challenging business environment, the Group's revenue for the first half of the year recorded a double-digit growth compared to the same period last year, mainly benefiting from the increase in the revenue of domestic retail business. The Group strategically operated "Park Outlets", its retail business, on the model of "Outlets + Community Malls" across China at its early stage. Located in Xiamen, Shenyang and Anyang, the retail outlets offer both international and local brand mixes, integrating shopping, entertainment and leisure activities into one. In the first half of this year, the overall brand mixes were fully upgraded and optimised, with some of the brands opting to open their first outlets in China at Park Outlets. In January, sales at Xiamen's Park Outlets hit a record high for a single month, showing an impressive performance. The results of online promotion and traffic attraction were significant, with a more than 50% year-on-year substantial increase in WeChat fan count and over 30% growth in membership compared to the same period of the previous year. During the period, the outlets made good use of resources to improve their infrastructure and carried out various equipment upgrade projects to create a more pleasant shopping environment. In terms of promotion, the outlets hosted various large-scale events, including stage plays, bazaars and brand collaborations, successfully attracting new visitors. The community malls, which are located in Tianjin and Chongqing municipalities with excellent geographical advantages, have catered to the day-to-day consumption needs and services for residents. In the first half of the year, the community malls introduced more educational merchants such as bookstores and sports centres to diversify the merchant mix. "Park Outlets" have been developed in the domestic retail market for over a decade with an unwavering commitment to optimising the shopping experience for merchants and visitors and consolidating its strengths to strive for business growth.

The Group acquired SKINS, the world's first compression sportswear brand, at its early stage, and formed a joint venture with ITOCHU Corporation ("**ITOCHU**"), one of the largest general trading companies in Japan, to jointly operate SKINS. Due to the intense competition in the compression wear market, combined with high operating costs, the brand's business environment has been challenging. In spite of the above, the Group has remained committed to optimising the business model, adapting to the market environment, and boosting business development.

The Group has operated the global footwear brand PONY for years, consistently striving for the maximum value for the brand. Last year, the Group successfully sold the trademark of PONY outside Asia Pacific to Iconix International Inc. ("**Iconix**"), a US-based brand operator, and set up a joint venture with Iconix to run PONY in the Asia Pacific region (except Mainland China and Taiwan). Over the past few years, the Group has brought satisfactory revenue to the business by selling trademarks in different regions, reflecting its operational effectiveness. This year, with the consent of both parties, the joint venture for PONY in Asia Pacific will be fully managed by Iconix in advance. The Group firmly believes that this move will further benefit the brand in accelerating its global development while allowing the Group to focus on the development of other businesses.

Chairman's Statement

The Group's financial business remained stable in the first half of the year. In the face of factors such as weak market transactions, interest rate hikes and a slowdown in the launch of IPOs, the capital market environment has grown increasingly intricate compared to the past. In response to these challenges, the Group has always been prepared for risk management and continuous operation enhancement in an effort to sustain healthy and positive business development.

On behalf of the Board, I hereby express my sincere gratitude to the shareholders, our staff, the banks, our clients and our business partners for their trust and support. The Group will strive to boost business development and keep excelling in order to create greater value for our stakeholders.

Cheng Tun Nei

Chairman

Hong Kong, 31 August 2023

Management Discussion and Analysis

FINANCIAL REVIEW

Overview of interim results

For the Period, the Group's overall revenue increased by 13.2% to approximately HKD153.2 million (Corresponding Period: approximately HKD135.4 million). The Group recorded an unaudited consolidated loss attributable to owners of the Company of approximately HKD87.6 million for the Period, representing a decrease of approximately 2,820.0% or approximately HKD84.6 million as compared with an unaudited consolidated loss attributable to owners of the Company of approximately HKD3.0 million for the Corresponding Period.

Segment information

Branding

The branding segment comprised of: (i) development and management of "SKINS" and "PONY" trademarks; (ii) sourcing, manufacturing and trading of healthcare products in Hong Kong; and (iii) distribution of "SUNSEEKER" swimwear.

Revenue for the Period amounted to approximately HKD27.2 million (Corresponding Period: approximately HKD21.9 million), representing an increase of approximately 24.2%. Reportable segment loss for the Period amounted to approximately HKD12.9 million (Corresponding Period: reportable segment profit of approximately HKD121.2 million). The decrease in reportable segment profit was mainly due to the absence of an one-off gain on disposal of "PONY" Business which was included in other income and gains for the Corresponding Period.

Retailing

The retailing segment comprised of: (i) management and operation of outlet malls located in Xiamen, Shenyang and Anyang of the PRC; and (ii) 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. The investment properties are held under either medium or long-term leases and for the purpose of either earning rental income or capital appreciation.

Revenue for the Period amounted to approximately HKD116.2 million (Corresponding Period: approximately HKD101.2 million), representing an increase of approximately 14.8%. Reportable segment loss for the Period amounted to approximately HKD29.7 million (Corresponding Period: reportable segment loss of approximately HKD26.4 million).

Financial services

The financial services segment continues to generate service income or interest income from the provision of securities brokerage, margin financing, money lending, underwriting and placing of listed securities and financial consultancy services in Hong Kong.

Revenue for the Period amounted to approximately HKD9.8 million (Corresponding Period: approximately HKD12.3 million), representing a decrease of approximately 20.3%. Reportable segment loss for the Period amounted to approximately HKD9.6 million (Corresponding Period: reportable segment profit of approximately HKD5.9 million). The decrease in reportable segment profit was mainly due to the loss in fair value during the Period.

Cost of sales, gross profit and gross profit margin

Cost of sales comprised of the cost of goods sold. The cost of sales decreased from approximately HKD11.0 million for the Corresponding Period to approximately HKD10.2 million for the Period, representing a decrease of approximately 7.3%.

Gross profit for the Period amounted to approximately HKD143.1 million, representing an increase of approximately HKD18.7 million or approximately 15.0% as compared with approximately HKD124.4 million for the Corresponding Period.

The Gross profit margin for the Period was approximately 93.4% (Corresponding Period: approximately 91.9%).

Management Discussion and Analysis

Other income and gains

Other income and gains mainly comprised of the reimbursement income of outlet malls. Other income and gains decreased from approximately HKD161.4 million for the Corresponding Period to approximately HKD15.3 million for the Period, representing a decrease of approximately 90.5%. The decrease was mainly due to the absence of a gain on disposal of intangible assets which was recorded in the Corresponding Period.

Distribution and selling expenses

Distribution and selling expenses mainly comprised of the advertising and promotion expenses and salaries costs. Distribution and selling expenses decreased from approximately HKD41.0 million for the Corresponding Period to approximately HKD38.0 million for the Period, representing a decrease of approximately 7.3%.

Administrative expenses

Administrative expenses mainly comprised of employees' costs, professional fees and utility expenses. Administrative expenses decreased from approximately HKD80.6 million for the Corresponding Period to approximately HKD75.0 million for the Period, representing a decrease of approximately 7.0%.

Finance costs

Finance costs mainly comprised of bank loan interest. Finance costs increased from approximately HKD34.1 million for the Corresponding Period to approximately HKD49.2 million for the Period, representing an increase of approximately 44.3%. The increase was primarily due to the increase of interest rate during the Period.

Fair value of investment properties

Decrease in fair value of investment properties for the Period amounted to approximately HKD25.9 million, representing an increase of approximately HKD23.8 million as compared with a decrease in fair value of investment properties amounted to approximately HKD2.1 million for the Corresponding Period.

Fair value loss 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 Period amounted to approximately HKD11.6 million, representing a decrease of approximately HKD73.2 million as compared with the fair value loss on financial assets at fair value through profit or loss amounted to approximately HKD84.8 million for the Corresponding Period. The decrease in loss was mainly due to more stable in stock market during the Period.

Income tax credit/(expense)

Income tax credit for the Period amounted to approximately HKD2.2 million, representing a decrease of approximately HKD4.7 million as compared with income tax expense for approximately HKD2.5 million for the Corresponding Period. The decrease was mainly due to the decrease in the provision of Hong Kong profits tax during the Period.

Loss for the period attributable to owners of the Company

The Group reported loss attributable to owners of the Company of approximately HKD87.6 million for the Period as compared with loss attributable to owners of the Company of approximately HKD3.0 million for the Corresponding Period. It was mainly due to the absence of an one-off gain on disposal of "PONY" Business which was recorded in the Corresponding Period.

MARKET INFORMATION

During the Period, revenue from the PRC, Hong Kong and other Asian countries comprised of approximately 94.4% (Corresponding Period: approximately 96.1%) of the total revenue and the remaining 5.6% (Corresponding Period: approximately 3.9%) shared between the United Kingdom, the United States and other countries.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2023, the Group had bank and cash amounted to approximately HKD69.9 million (31 December 2022: approximately HKD98.1 million). The Group was offered banking facilities amounted to approximately HKD1,395.4 million (31 December 2022: approximately HKD1,473.6 million).

As at 30 June 2023, the Group's bank borrowing amounted to approximately HKD1,395.4 million (31 December 2022: approximately HKD1,444.0 million). The Group had variable interest-rate bank borrowings carried at interest rates from approximately 1.84% to 7.88% (Corresponding Period: approximately 2.15% to 6.8%) per annum. The Group's gearing ratio, expressed as a percentage of the total liabilities to the total assets, was approximately 46.2% (31 December 2022: approximately 44.6%). Approximately HKD611.8 million (31 December 2022: approximately HKD549.8 million) must be repaid within one year, while the remaining balance must be repaid from two to nineteen years.

As at 30 June 2023, the Group's current assets and current liabilities were approximately HKD1,041.1 million (31 December 2022: approximately HKD1,084.6 million) and HKD973.8 million (31 December 2022: approximately HKD880.8 million) respectively. Accordingly, the Group's current ratio, expressed as the ratio of the current assets to current liabilities was approximately 1.07 as at 30 June 2023 (31 December 2022: approximately 1.23).

PLEDGE OF ASSETS

As at 30 June 2023, the Group had pledged certain of its leasehold land and buildings, outlet mall buildings, investment properties, right-of-use assets, asset classified as held for sale and restricted bank deposits, with the respective carrying amounts of approximately HKD257.0 million, HKD1,509.8 million, HKD1,266.0 million, HKD426.7 million, HKD242.0 million and HKD30.8 million (31 December 2022: approximately HKD277.2 million, HKD1,573.7 million, HKD825.5 million, HKD454.3 million, HKD261.5 million and HKD42.8 million); shares of certain of the Company's subsidiaries; corporate guarantees provided by the Company and certain of its subsidiaries and a related party; and personal guarantee provided by a director of the Group, to secure the banking facilities offered to the Group.

CAPITAL COMMITMENTS

As at 30 June 2023, the Group's capital commitment was approximately HKD46.8 million in respect of the construction costs of outlet mall buildings in northern zone located in Shenyang of the PRC and construction costs of brewery located in Japan (31 December 2022: approximately HKD39.4 million).

Save as disclosed above, the Group had no other material capital commitments as at 30 June 2023.

CAPITAL EXPENDITURES

Capital expenditures mainly including purchases of property, plant and equipment, construction costs of outlet malls located in Shenyang and Xiamen of the PRC and construction costs of brewery located in Japan were approximately HKD18.2 million for the Period (Corresponding Period: approximately HKD46.4 million).

CONTINGENT LIABILITIES

Details of potential tax liabilities in connection with the potential tax penalty arising from the late filing of the PRC tax returns for reporting the PRC Enterprise Income Tax to the PRC tax authority are disclosed in Note 9 to the Interim Condensed Consolidated Financial Statements.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2023, the Group's total number of employees was 301 (30 June 2022: 347). Employees' costs (excluding Directors' emoluments) amounted to approximately HKD34.0 million (Corresponding Period: approximately HKD36.1 million).

Management Discussion and Analysis

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

TREASURY POLICY

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

EVENTS AFTER THE REPORTING PERIOD

On 5 July 2023, the Company entered into a share sale and purchase agreement (the "**Agreement**") with Luxembourg Pony Holdings S.à r.l. ("**Luxembourg Pony**") (a company incorporated in Luxembourg with limited liability and is a wholly-owned subsidiary of Iconix International, Inc.) in relation to the 50% equity interest in Wisdom Class International Limited ("**Wisdom Class**") (a joint venture company incorporated in the British Virgin Islands with limited liability, and is owned as to 50% by the Company and 50% by Luxembourg Pony), pursuant to which the Company conditionally agreed to sell, and the Purchaser conditionally agreed to purchase the 50% equity interest in Wisdom Class. All conditions had been fulfilled and completion of the transfer of ownership of the 50% equity interest in Wisdom Class had taken place on 5 July 2023.

Save as disclosed in this report, there was no significant event affecting the Group that had occurred after 30 June 2023 and up to date of this report.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (Corresponding Period: Nil).

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

The Group had no material acquisitions, disposals, significant investments and future plans of material investment during the Period.

FUTURE PROSPECTS

Looking ahead, as the macro-economic environment is still subject to several uncertainties, such as the debt and financing issues of China's Real Estate industry, as well as the weakening Renminbi, consumers will remain conservative in their attitude. The Group firmly believes that the positive fundamentals of the market remain unchanged in the long run under the government's support. In the future, the Group will focus on improving operational efficiency while strengthening the core competitiveness of its retail and brand businesses. In terms of retail business, the Group will strengthen its collaborations with external partners to attract more young, emerging brands to join. In terms of branding, it will focus on key market development to deepen the market's understanding of compression wear. In the face of favourable conditions of the economic recovery, the Group will constantly consolidate its strengths, capture opportunities and pursue sustainable business growth.

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

As at 30 June 2023, the interests and short positions of the Directors and chief executives and their associates of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) (the "SFO") which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange were as follows:

Long positions in the ordinary shares of the Company:

Director	Capacity/ Nature of interest	Number of ordinary shares held	Total number of ordinary shares held	Approximate percentage of the issued share capital
Cheng Tun Nei ("Mr. Cheng")	Beneficial owner Interest in a controlled corporation	167,040,000 1,071,190,000	1,238,230,000 (Note 1)	41.63%
Chan Kar Lee Gary	Beneficial owner	9,000,000	9,000,000	0.30%
Lee Cheung Ming ("Mr. Lee")	Beneficial owner Interest of spouse	91,050,000 2,000,000	93,050,000 (Note 2)	3.13%
Shum Pui Kay	Beneficial owner	10,000,000	10,000,000	0.34%

Notes:

- Mr. Cheng owned the entire issued share capital of Goldsilk Capital Limited ("Goldsilk"). As at 30 June 2023, Goldsilk was directly interested in 1,071,190,000 shares of the Company. Together with his direct interest as beneficial owner of 167,040,000 shares of the Company, Mr. Cheng was deemed to be interested in 1,238,230,000 shares of the Company in total.
- As at 30 June 2023, Mr. Lee was directly interested in 91,050,000 shares of the Company and he was deemed to be interested in 2,000,000 shares of the Company held by his spouse. He was thus deemed to be interested in 93,050,000 shares of the Company in total.

Save as disclosed above, (1) none of the Directors or chief executives of the Company or their associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register which were required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code; and (2) none of the Directors of the Company or their spouses or children under the age of 18, had been granted any right to subscribe for the equity or debt securities of the Company or any of its associated corporations, or had exercised any such right during the six months ended 30 June 2023.

Other Information

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

As at 30 June 2023, the following persons had interests and short positions of 5% or more of the issued share capital and underlying shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in the ordinary shares of the Company:

Shareholder	Capacity/ Nature of interest	Number of ordinary shares held	Total number of ordinary shares held	Approximate percentage of the issued share capital
Mr. Cheng	Beneficial owner Interest in a controlled corporation	167,040,000 1,071,190,000	1,238,230,000 (Note 1)	41.63%
Li Wa Hei ("Madam Li")	Interest of spouse	1,238,230,000	1,238,230,000 (Note 1)	41.63%
Goldsilk	Beneficial owner	1,071,190,000	1,071,190,000 (Note 1)	36.02%
Or Ching Fai ("Mr. Or")	Beneficial owner Interest held jointly with another person	350,000,000 120,000,000	470,000,000 (Note 2)	15.80%
Wong Lai Ning ("Madam Wong")	Interest held jointly with another person Interest of spouse	120,000,000 350,000,000	470,000,000 (Note 2)	15.80%

Notes:

- As at 30 June 2023, Goldsilk was directly interested in 1,071,190,000 shares of the Company and Goldsilk is wholly owned by Mr. Cheng. Together with his direct interest as beneficial owner of 167,040,000 shares of the Company, Mr. Cheng was thus deemed to be interested in 1,238,230,000 shares of the Company. Madam Li is the spouse of Mr. Cheng and she was also deemed to be interested in 1,238,230,000 shares of the Company.
- As at 30 June 2023, Mr. Or was directly interested in 350,000,000 shares of the Company and he also held 120,000,000 shares of the Company jointly with his spouse, Madam Wong. Therefore, Mr. Or and Madam Wong were deemed to be interested in 470,000,000 shares of the Company.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 June 2023.

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

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

SHARE OPTION SCHEMES

A share option scheme (the “**2021 Scheme**”) was adopted by the Company on 25 June 2021 to provide incentives and/or rewards to the participants, by way of granting options. On 23 June 2023, the 2021 Scheme was terminated and a new share option scheme (the “**2023 Scheme**”) was adopted by the Company. The 2023 Scheme will remain in force for a period of 10 years commencing from the adoption date to give the participants with the opportunity to acquire proprietary interests in the Company and to encourage them to work towards enhancing the value of the Company and its shares for the benefit of the Company and the shareholders as a whole. Under the 2023 Scheme, the Directors may at their discretion grant options to eligible participants to subscribe for shares in the Company.

During the Period and the Corresponding Period, no share option was granted, exercised, cancelled, or lapsed, and there was no outstanding share option under the 2021 Scheme and the 2023 Scheme.

As at 1 January 2023, the number of share options available for grant under the scheme mandate limit of the 2021 Scheme was 297,422,523 and no service provider sublimit was set. Subsequent to the termination of the 2021 Scheme and adoption of the 2023 Scheme on 23 June 2023, as at 30 June 2023, the number of share options available for grant under the scheme mandate limit and the service provider sublimit of the 2023 Scheme were 297,422,523 and 29,742,252, respectively.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Part 2 of Appendix 14 to the Listing Rules throughout the Period except for the following deviation:

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

UPDATES ON DIRECTORS’ INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, updates on the information of Directors are set out below:

- Mr. Chow Yu Chun Alexander retired from the position of independent non-executive director of Playmates Toys Limited (HKSE: 869) with effect from 19 May 2023.
- Mr. Wah Wang Kei Jackie resigned from the positions of executive director and company secretary of CST Group Limited (HKSE: 985) with effect from 30 June 2023.

REVIEW OF INTERIM RESULTS

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

Report on Review of the Interim Condensed Consolidated Financial Statements



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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF SYMPHONY HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 13 to 52 which comprise of the condensed consolidated statement of financial position of Symphony Holdings Limited and its subsidiaries (collectively referred to as the “**Group**”) as at 30 June 2023 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the “**Interim condensed consolidated financial statements**”). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

BDO Limited

Certified Public Accountants

Lau Kin Tat, Terry

Practising Certificate no. P07676

Hong Kong, 31 August 2023

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 HKD'000 (Unaudited)	2022 HKD'000 (Unaudited)
Continuing operations			
Revenue	5	153,225	135,383
Cost of sales		(10,153)	(11,011)
Gross profit		143,072	124,372
Other income and gains	6	15,262	161,392
Distribution and selling expenses		(37,977)	(40,989)
Administrative expenses		(74,988)	(80,634)
Depreciation and amortisation expenses		(46,683)	(49,150)
Finance costs	7	(49,242)	(34,148)
Other expenses		(2,152)	(2,475)
Reversal of impairment loss on amount due from an associate	15	–	244
(Provision)/reversal of impairment loss on financial assets		(187)	964
Decrease in fair value of investment properties	12 & 19	(25,890)	(2,084)
Share of results of joint ventures		(2,807)	(3,230)
Share of results of associates		(83)	136
Fair value loss on financial assets at fair value through profit or loss	18	(11,584)	(84,839)
Loss before income tax expense	8	(93,259)	(10,441)
Income tax credit/(expense)	9	2,193	(2,501)
Loss for the period from continuing operations		(91,066)	(12,942)
Discontinued operation			
Profit for the period from discontinued operation	8(b)	–	3,757
Loss for the period		(91,066)	(9,185)

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 HKD'000 (Unaudited)	2022 HKD'000 (Unaudited)
(Loss)/profit for the period attributable to:			
Owners of the Company			
– From continuing operations		(87,573)	(7,159)
– From discontinued operation		–	4,114
		(87,573)	(3,045)
Non-controlling interests			
– From continuing operations		(3,493)	(5,783)
– From discontinued operation		–	(357)
		(3,493)	(6,140)
Loss for the period		(91,066)	(9,185)
Loss per share for loss from continuing and discontinued operations:			
Basic and diluted	11	HK(2.94 cents)	HK(0.10 cent)
Loss per share for loss from continuing operations:			
Basic and diluted	11	HK(2.94 cents)	HK(0.24 cent)
Earnings per share for profit from discontinued operation:			
Basic and diluted	11	N/A	HK0.14 cent

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 HKD'000 (Unaudited)	2022 HKD'000 (Unaudited)
Loss for the period		(91,066)	(9,185)
Other comprehensive income for the period, net of tax			
Items that will not be reclassified to profit or loss:			
Fair value changes arising on revaluation of properties	12	17,436	(556)
Deferred tax (charge)/credit arising on revaluation of properties	12	(5,595)	610
		11,841	54
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of joint ventures		(1,678)	(1,765)
Share of other comprehensive income of an associate		(11)	–
Exchange differences arising on translation of foreign operations		(114,969)	(141,040)
Release of translation reserve upon disposal of a subsidiary		–	(67)
		(116,658)	(142,872)
Other comprehensive income for the period, net of tax		(104,817)	(142,818)
Total comprehensive income for the period		(195,883)	(152,003)
Total comprehensive income for the period attributable to:			
– Owners of the Company		(191,756)	(144,664)
– Non-controlling interests		(4,127)	(7,339)
		(195,883)	(152,003)

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	30.06.2023 HKD'000 (Unaudited)	31.12.2022 HKD'000 (Audited)
Non-current assets			
Property, plant and equipment	12	1,842,755	1,945,912
Investment properties	12	1,191,569	1,241,285
Right-of-use assets	12	426,820	454,420
Intangible assets		112,594	113,597
Interests in joint ventures		70,601	75,086
Interests in associates		6,608	6,702
Goodwill		141,401	141,401
Deferred tax assets		16,356	17,166
Club debenture		1,876	1,876
Restricted bank deposits		43,782	55,816
Statutory deposits for financial services business		200	200
Total non-current assets		3,854,562	4,053,461
Current assets			
Inventories	13	47,389	48,694
Trade and other receivables	14	254,683	252,294
Amounts due from joint ventures		39,156	39,170
Amount due from an associate	15	432	–
Advances to customers in margin financing	16	164,372	177,161
Loans receivable	17	70,791	56,247
Financial assets at fair value through profit or loss	18	112,700	127,294
Restricted bank deposits		19,635	3,390
Bank balances and cash – held on behalf of customers		20,123	20,745
Bank balances and cash		69,876	98,131
		799,157	823,126
Asset classified as held for sale	19	242,000	261,500
Total current assets		1,041,157	1,084,626

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	30.06.2023 HKD'000 (Unaudited)	31.12.2022 HKD'000 (Audited)
Current liabilities			
Trade and other payables	20	265,258	266,772
Amount due to a joint venture		239	534
Amount due to a related party		108	113
Amount due to a director		34,597	21,989
Lease liabilities	21	17,551	11,484
Bank borrowings	22	611,758	549,790
Dividend payable		14,871	–
Tax payable		29,461	30,133
Total current liabilities		973,843	880,815
Net current assets		67,314	203,811
Total assets less current liabilities		3,921,876	4,257,272
Non-current liabilities			
Lease liabilities	21	170,067	178,666
Bank borrowings	22	783,618	894,255
Deferred tax liabilities		333,351	338,757
Total non-current liabilities		1,287,036	1,411,678
NET ASSETS		2,634,840	2,845,594
Equity			
Share capital	23	297,422	297,422
Reserves		2,321,013	2,527,640
Total equity attributable to owners of the Company		2,618,435	2,825,062
Non-controlling interests		16,405	20,532
TOTAL EQUITY		2,634,840	2,845,594

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the Company							Subtotal HKD'000	Non- controlling interests HKD'000	Total HKD'000
	Share capital HKD'000	Contributed surplus HKD'000	Share premium HKD'000	Properties revaluation reserve HKD'000	Translation reserve HKD'000	Other reserve HKD'000	Retained profits HKD'000			
Balance at 1 January 2022 (audited)	297,422	523,213	1,071,657	739,773	131,317	61,749	319,434	3,144,565	25,706	3,170,271
Loss for the period	-	-	-	-	-	-	(3,045)	(3,045)	(6,140)	(9,185)
Fair value change arising on revaluation of properties	-	-	-	(556)	-	-	-	(556)	-	(556)
Deferred tax credit arising on revaluation of properties	-	-	-	610	-	-	-	610	-	610
Share of other comprehensive income of joint ventures	-	-	-	-	(1,765)	-	-	(1,765)	-	(1,765)
Exchange differences arising on translation of foreign operations	-	-	-	-	(139,841)	-	-	(139,841)	(1,199)	(141,040)
Release of translation reserve upon disposal of a subsidiary	-	-	-	-	(67)	-	-	(67)	-	(67)
Other comprehensive income for the period, net of tax	-	-	-	54	(141,673)	-	-	(141,619)	(1,199)	(142,818)
Total comprehensive income for the period	-	-	-	54	(141,673)	-	(3,045)	(144,664)	(7,339)	(152,003)
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	16,067	16,067
Disposal of a subsidiary (Note 8(c))	-	-	-	-	-	-	-	-	(10,497)	(10,497)
Dividend declared (Note 10)	-	-	-	-	-	-	(14,871)	(14,871)	-	(14,871)
Balance at 30 June 2022 (unaudited)	297,422	523,213	1,071,657	739,827	(10,356)	61,749	301,518	2,985,030	23,937	3,008,967

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the Company							Subtotal HKD'000	Non- controlling interests HKD'000	Total HKD'000
	Share capital HKD'000	Contributed surplus HKD'000	Share premium HKD'000	Properties revaluation reserve HKD'000	Translation reserve HKD'000	Other reserve HKD'000	Retained profits HKD'000			
Balance at 1 January 2023 (audited)	297,422	523,213	1,071,657	766,795	(95,577)	38,267	223,285	2,825,062	20,532	2,845,594
Loss for the period	-	-	-	-	-	-	(87,573)	(87,573)	(3,493)	(91,066)
Fair value change arising on revaluation of properties	-	-	-	17,436	-	-	-	17,436	-	17,436
Deferred tax charged arising on revaluation of properties	-	-	-	(5,595)	-	-	-	(5,595)	-	(5,595)
Share of other comprehensive income of joint ventures	-	-	-	-	(1,678)	-	-	(1,678)	-	(1,678)
Share of other comprehensive income of an associate	-	-	-	-	(11)	-	-	(11)	-	(11)
Exchange differences arising on translation of foreign operations	-	-	-	-	(114,335)	-	-	(114,335)	(634)	(114,969)
Other comprehensive income for the period, net of tax	-	-	-	11,841	(116,024)	-	-	(104,183)	(634)	(104,817)
Total comprehensive income for the period	-	-	-	11,841	(116,024)	-	(87,573)	(191,756)	(4,127)	(195,883)
Dividend declared (Note 10)	-	-	-	-	-	-	(14,871)	(14,871)	-	(14,871)
Balance at 30 June 2023 (unaudited)	297,422	523,213	1,071,657	778,636	(211,601)	38,267	120,841	2,618,435	16,405	2,634,840

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 HKD'000 (Unaudited)	2022 HKD'000 (Unaudited)
Cash flows from operating activities		
(Loss)/profit before income tax expense		
– Continuing operations	(93,259)	(10,441)
– Discontinued operation	–	2,119
	(93,259)	(8,322)
Adjustments for:		
Interest income	(3,835)	(1,187)
Finance costs	49,242	34,155
Share of results of joint ventures	2,807	3,230
Share of results of associates	83	(136)
Loss on revaluation of property, plant and equipment	1,949	–
Gain on disposal of intangible assets	–	(145,055)
Loss on disposal of interests in joint ventures	–	1,907
Depreciation of property, plant and equipment	38,554	40,705
Depreciation of right-of-use assets	7,126	7,894
Amortisation of intangible assets	1,003	1,003
Write off of property, plant and equipment	105	2
Decrease in fair value of investment properties	25,890	2,084
Fair value loss on financial assets at fair value through profit or loss	11,584	84,839
Bad debts written off	–	235
Reversal of impairment loss on amount due from an associate	–	(244)
Provision/(reversal) of impairment loss on financial assets	187	(964)
Write off of obsolete inventories	–	850
Provision/(reversal) of allowance of inventories	1,773	(5,137)
Operating cash flows before movements in working capital	43,209	15,859
Increase in inventories	(819)	(17,243)
Decrease in trade and other receivables	3,127	22,761
Decrease in advances to customers in margin financing	12,789	8,561
(Increase)/decrease in loans receivable	(14,506)	28,779
Decrease in financial assets at fair value through profit or loss	3,346	53,695
Decrease in bank balances and cash – held on behalf of customers	622	46,028
Increase/(decrease) in trade and other payables	608	(33,286)
Cash generated from operations	48,376	125,154
Overseas tax (paid)/refund	(38)	1,294
Hong Kong Profits Tax paid	(1,720)	(1,750)
Net cash from operating activities	46,618	124,698

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 HKD'000 (Unaudited)	2022 HKD'000 (Unaudited)
Cash flows from investing activities		
Disposal of a subsidiary, net of cash disposed (<i>Note 8(c)</i>)	–	4,754
Acquisition of an associate	–	(6,549)
Repayments from joint ventures	1,319	48
Repayment from a joint ventures partner	419	428
Advance to an associate	(432)	–
Repayment from an associate	–	1,126
Purchases of property, plant and equipment	(2,626)	(579)
Proceeds from disposal of intangible assets	–	134,914
Additions to construction in progress and buildings	(15,612)	(45,789)
Increase in restricted bank deposits	(5,417)	(630)
Interest received	4,137	1,204
Net cash (used in)/from investing activities	(18,212)	88,927
Cash flows from financing activities		
Capital contribution from non-controlling shareholders	–	16,067
Repayment to a non-controlling shareholder	–	(3,511)
Proceeds from bank borrowings	51,564	73,443
Repayments of bank borrowings	(82,807)	(151,303)
Repayment to a joint venture	(295)	–
Advance from a director	13,620	–
Repayments of lease liabilities	(86)	(6,410)
Interest paid	(42,712)	(27,194)
Net cash used in financing activities	(60,716)	(98,908)
Net (decrease)/increase in cash and cash equivalents	(32,310)	114,717
Cash and cash equivalents at the beginning of the period	98,131	174,278
Effect of foreign exchange rate changes on cash and cash equivalents	4,055	(5,277)
Cash and cash equivalents at the end of the period	69,876	283,718

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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 HM 11, Bermuda and its principal place of business is 10th Floor, Island Place Tower, 510 King’s Road, North Point, Hong Kong.

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

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

2. BASIS OF PREPARATION

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

The interim condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements (the “**2022 Annual Financial Statements**”), except for those that relate to a new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) effective for the first time for the annual periods beginning on or after 1 January 2023 and expect to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in Note 3 to the interim condensed consolidated financial statements.

The preparation of the interim condensed consolidated financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgements and estimates have been made in preparing the interim condensed consolidated financial statements and the related effect are set out in Note 4 to the interim condensed consolidated financial statements.

The interim condensed consolidated financial statements are presented in Hong Kong Dollars (“**HKD**”), unless otherwise stated. The interim condensed consolidated financial statements contain the condensed consolidated statement of financial position as at 30 June 2023, and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and a summary of significant accounting policies and other cash flows for the six-month period then ended, and explanatory notes to the interim condensed consolidated financial statements. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 Annual Financial Statements. The interim condensed consolidated financial statements and notes thereon do not include all of the information required for a complete set of financial statements prepared in accordance with the HKFRSs and should be read in conjunction with the 2022 Annual Financial Statements.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

3. CHANGES IN ACCOUNTING POLICIES

(a) Adoption of a new and amendments to HKFRSs – effective 1 January 2023

The Group has adopted the following new and amendments to HKFRSs, which included Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the HKICPA relevant to the Group’s accounting policies and business operations adopted for the first time prepared and presented on the Group’s interim condensed consolidated financial statements for the annual periods beginning on or after 1 January 2023:

HKFRS 17	Insurance Contracts and the related Amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International tax reform – Pillar Two Model Rules

The application of the new and amendments to HKFRSs in the current period has no material impact on the Group’s performance and financial positions for the current and prior periods and/or on the disclosures set out in the interim condensed consolidated financial statements.

Amendments to HKAS 8 “Definition of Accounting Estimates”

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

These amendments has no impact on the interim condensed consolidated financial statements of the Group.

Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which companies recognise both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

These amendments has no impact on the interim condensed consolidated financial statements of the Group.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(a) Adoption of a new and amendments to HKFRSs – effective 1 January 2023 (Continued)

Amendments to HKAS 12 “International Tax Reform – Pillar Two Model Rules”

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD) (income tax arising from such tax laws is hereafter referred to as “**Pillar Two income taxes**”), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosures requirements about such tax, including the estimated exposure to Pillar Two income tax.

The recognition exception and disclosure about such exception are effective immediately upon issuance of the amendments. The other disclosure requirements are applicable to the annual periods beginning on or after 1 January 2023, but those disclosures are not required in interim reports for periods ending on or before 31 December 2023.

These amendments has no impact on the interim condensed consolidated financial statements of the Group.

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.

The new standard has no impact on the interim condensed consolidated financial statements of the Group.

(b) Amendments to HKFRSs that have been issued but are not yet effective

The following amendments to 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:

Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease liability in a Sale and Leaseback ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the “ 2020 Amendments ”) ^{1,3}
Amendments to HKAS 1	Non-current liabilities with Covenants (the “ 2022 Amendments ”) ¹

¹ Effective for the annual period beginning on or after 1 January 2024

² Effective for the annual period beginning on or after a date to be determined

³ As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion.

The Directors of the Company (the “**Directors**”) do not anticipate that the adoption of these amendments to HKFRSs that have been issued but not yet effective will have any material impact on the interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing the interim condensed consolidated financial statements, significant judgements made by the Group's management in applying the Group's accounting policies and key sources of estimation uncertainty, which have significant risks of causing material adjustments to the carrying amounts of assets and liabilities presented in the condensed consolidated statement of financial position, are the same as those that were applied and disclosed in the 2022 Annual Financial Statements.

5. SEGMENT INFORMATION

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

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

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

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

5. SEGMENT INFORMATION *(Continued)*

(A) Segment revenue and results (business segments)

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

For the six months ended 30 June 2023 (Unaudited)

	Continuing operations				
	Branding HKD'000	Retailing HKD'000	Financial services HKD'000	Inter- segment elimination HKD'000	Consolidated HKD'000
Revenue from external customers	27,183	116,198	9,844	–	153,225
Inter-segment revenue*	14	1,841	–	(1,855)	–
Reportable segment revenue	27,197	118,039	9,844	(1,855)	153,225
Reportable segment loss	(12,925)	(29,721)	(9,584)	–	(52,230)
Reconciliation:					
Interest income					3,835
Central administrative expenses					(41,974)
Share of results of joint ventures					(2,807)
Share of results of associates					(83)
Loss before income tax expense					(93,259)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

5. SEGMENT INFORMATION *(Continued)*

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

For the six months ended 30 June 2022 (Unaudited)

	Continuing operations				Consolidated HKD'000
	Branding HKD'000	Retailing HKD'000	Financial services HKD'000	Inter- segment elimination HKD'000	
Revenue from external customers	21,890	101,167	12,326	–	135,383
Inter-segment revenue*	6	2,271	–	(2,277)	–
Reportable segment revenue	21,896	103,438	12,326	(2,277)	135,383
Reportable segment profit/(loss)	121,192	(26,358)	5,928	–	100,762
Reconciliation:					
Interest income					1,173
Central administrative expenses					(24,106)
Fair value loss on financial assets at fair value through profit or loss					(85,420)
Share of results of joint ventures					(3,230)
Share of results of associates					136
Reversal of impairment loss on amount due from an associate					244
Loss before income tax expense					(10,441)

* 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.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

5. SEGMENT INFORMATION *(Continued)*

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

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

For the six months ended 30 June 2023 (Unaudited)

Revenue from contracts with customers within the scope of HKFRS 15

	Continuing operations			Consolidated HKD'000
	Branding HKD'000	Retailing HKD'000	Financial services HKD'000	
Primary geographical markets:				
The People's Republic of China (the "PRC")	3,788	85,086	–	88,874
Hong Kong (Place of domicile)	9,974	18	1,394	11,386
United Kingdom	2,391	–	–	2,391
United States of America	3,971	–	–	3,971
Other Asian countries <i>(Note)</i>	7,059	–	–	7,059
Total	27,183	85,104	1,394	113,681
Major products and services:				
Sales of goods	25,598	18	–	25,616
Commission income from concessionaire sales	–	84,841	–	84,841
Royalty income	1,577	–	–	1,577
Securities brokerage commission	–	–	598	598
Financial consultancy income	–	–	796	796
Other services income	8	245	–	253
Total	27,183	85,104	1,394	113,681
Timing of revenue recognition:				
At a point in time	25,598	18	598	26,214
Transferred over time	1,585	85,086	796	87,467
Total	27,183	85,104	1,394	113,681

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

5. SEGMENT INFORMATION *(Continued)*

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

For the six months ended 30 June 2023 (Unaudited) *(Continued)*

Revenue from other sources not within the scope of HKFRS 15

	Continuing operations			
	Branding HKD'000	Retailing HKD'000	Financial services HKD'000	Consolidated HKD'000
Primary geographical markets:				
The PRC	–	27,478	–	27,478
Hong Kong (Place of domicile)	–	3,616	8,450	12,066
Total	–	31,094	8,450	39,544
Major products and services:				
Rental income	–	31,094	–	31,094
Interest income	–	–	8,450	8,450
Total	–	31,094	8,450	39,544

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

5. SEGMENT INFORMATION *(Continued)*

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

For the six months ended 30 June 2022 (Unaudited)

Revenue from contracts with customers within the scope of HKFRS 15

	Continuing operations			Consolidated HKD'000
	Branding HKD'000	Retailing HKD'000	Financial services HKD'000	
Primary geographical markets:				
The PRC	4,016	65,829	–	69,845
Hong Kong (Place of domicile)	7,575	–	1,649	9,224
United States of America	1,540	–	–	1,540
Other Asian countries <i>(Note)</i>	5,080	–	–	5,080
Others <i>(Note)</i>	3,679	–	–	3,679
Total	21,890	65,829	1,649	89,368
Major products and services:				
Sales of goods	21,254	–	–	21,254
Commission income from concessionaire sales	–	65,829	–	65,829
Royalty income	613	–	–	613
Securities brokerage commission	–	–	1,142	1,142
Financial consultancy income	–	–	507	507
Other services income	23	–	–	23
Total	21,890	65,829	1,649	89,368
Timing of revenue recognition:				
At a point in time	21,254	–	1,142	22,396
Transferred over time	636	65,829	507	66,972
Total	21,890	65,829	1,649	89,368

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

5. SEGMENT INFORMATION (Continued)

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

For the six months ended 30 June 2022 (Unaudited) (Continued)

Revenue from other sources not within the scope of HKFRS 15

	Continuing operations			Consolidated HKD'000
	Branding HKD'000	Retailing HKD'000	Financial services HKD'000	
Primary geographical markets:				
The PRC	–	31,722	–	31,722
Hong Kong (Place of domicile)	–	3,616	10,677	14,293
Total	–	35,338	10,677	46,015
Major products and services:				
Rental income	–	35,338	–	35,338
Interest income	–	–	10,677	10,677
Total	–	35,338	10,677	46,015

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

(C) Segment assets

The following table provides an analysis of the reportable segment assets of different reportable segments recognised as at 30 June 2023 and 31 December 2022:

	30.06.2023 HKD'000 (Unaudited)	31.12.2022 HKD'000 (Audited)
Branding	284,910	276,120
Retailing	3,672,156	3,860,713
Financial services	428,330	442,417
Total reportable segment assets	4,385,396	4,579,250
Unallocated	268,323	297,337
Asset classified as held for sale	242,000	261,500
Consolidated total assets	4,895,719	5,138,087

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

5. SEGMENT INFORMATION (Continued)

(D) Segment liabilities

The following table provides an analysis of the reportable segment liabilities of different reportable segments recognised as at 30 June 2023 and 31 December 2022:

	30.06.2023 HKD'000 (Unaudited)	31.12.2022 HKD'000 (Audited)
Branding	42,543	37,693
Retailing	388,405	390,112
Financial services	21,913	29,103
Total reportable segment liabilities	452,861	456,908
Unallocated	1,808,018	1,835,585
Consolidated total liabilities	2,260,879	2,292,493

6. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2023 HKD'000 (Unaudited)	2022 HKD'000 (Unaudited)
Continuing operations		
Gain on disposal of intangible assets (Note)	–	145,055
Interest income	3,835	1,173
Government grants	3,101	6,463
Reimbursement income of operating outlet malls	6,412	6,666
Others	1,914	2,035
	15,262	161,392
Discontinued operation		
Interest income	–	14
Government grants	–	155
Others	–	39
	–	208

Note: On 6 May 2022, the Group sold the intangible assets held by the Group related to the "PONY" trademark. The total consideration for the disposal was HKD218,400,000 (equivalent to approximately USD28,000,000) and the gain of disposal of approximately HKD145,055,000 was recognised in profit or loss.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

7. FINANCE COSTS

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

	Six months ended 30 June	
	2023 HKD'000 (Unaudited)	2022 HKD'000 (Unaudited)
Continuing operations		
Interest expenses on bank borrowings	42,711	27,185
Interest expenses on bank overdrafts	1	2
Interest expenses on lease liabilities	6,530	6,961
	49,242	34,148
Discontinued operation		
Interest expenses on loan from non-controlling interests	–	7

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

8. LOSS BEFORE INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2023 HKD'000 (Unaudited)	2022 HKD'000 (Unaudited)
Continuing operations		
Depreciation of property, plant and equipment	38,554	40,253
Loss on revaluation of property, plant and equipment	1,949	–
Depreciation of right-of-use assets	7,126	7,894
Amortisation of intangible assets	1,003	1,003
Provision/(reversal) of allowance of inventories	1,773	(5,368)
Written off of property, plant and equipment	105	2
Cost of inventories recognised as expenses	10,153	11,011
Bad debts written off	–	235
Foreign exchange loss	2,634	1,028
Short-term leases expenses	1,655	2,648
Directors' emoluments	3,300	3,142
Employees' costs (excluding Directors' emoluments)	33,950	36,135
Interest income	(3,835)	(1,173)
Fair value loss on financial assets at fair value through profit or loss	11,584	84,839
Gain on disposal of intangible assets	–	(145,055)
Loss on disposal of interests in joint ventures	–	1,907
Reimbursement income of operating outlet malls	(6,412)	(6,666)
Discontinued operation		
Depreciation of property, plant and equipment	–	452
Provision of allowance of inventories	–	231
Write off of obsolete inventories	–	850
Cost of inventories recognised as expenses	–	31,165
Gain on disposal of a subsidiary	–	(380)
Short-term leases expenses	–	3,093
Employees' costs (excluding Directors' emoluments)	–	5,534
Interest income	–	(14)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

8. LOSS BEFORE INCOME TAX EXPENSE (Continued)

(b) Discontinued operation

On 7 January 2022, Tian Feng (Shanghai) Apparel and Accessory Trading Co., Ltd.* (添峯(上海)服飾貿易有限公司, a wholly owned subsidiary of the Company) (“**Tian Feng (Shanghai)**”), the Company, the Descente, Ltd (the “**Purchaser**”) and Shanghai Descente Commercial Co., Ltd entered into the share purchase agreement, pursuant to which Tian Feng (Shanghai) has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the entire 70% of the equity interests in the registered capital of Arena (Shanghai) Industrial Co., Limited (“**Arena Shanghai**”), which was principally engaged in branding, retailing and provisions of sourcing services for “arena” swimwear and accessories in the PRC.

The disposal was completed on 27 June 2022, the date on which the control of Arena Shanghai was passed to the acquirer.

Details of the above transaction were disclosed in the Company’s announcements and circular dated 7 January 2022, 27 January 2022, 24 February 2022, 28 April 2022 and 27 June 2022 respectively.

	Notes	From 1 January to 27 June 2022 HKD'000 (Audited)
Discontinued operation		
Revenue		58,784
Cost of sales		(31,165)
Gross profit		27,619
Other income and gains	6	208
Distribution and selling expenses		(23,155)
Administrative expenses		(2,094)
Depreciation expenses		(452)
Finance costs	7	(7)
Profit before income tax expense from discontinued operation	8	2,119
Income tax credit	9	1,258
Profit after tax		3,377
Gain on disposal of a subsidiary	8(c)	380
Profit for the period from discontinued operation		3,757
Profit for the period attributable to:		
Owners of the Company		4,114
Non-controlling interests		(357)
		3,757
Operating cash flows		2,749
Investing cash flows		(357)
Financing cash flows		(3,690)
		(1,298)

* For identification purpose only

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

8. LOSS BEFORE INCOME TAX EXPENSE (Continued)

(c) Gain on disposal of a subsidiary

The net assets of Arena Shanghai at the date of disposal were as followed:

	As at 27 June 2022 HKD'000 (Audited)
Property, plant and equipment	1,944
Inventories	67,990
Trade and other receivables	17,716
Amount due from a fellow subsidiary	76
Cash and bank balances	20,776
Trade and other payable	(72,788)
	35,714
Non-controlling interests	(10,497)
	25,217
Reclassification of cumulative exchange differences from foreign exchange reserve to profit or loss	(67)
Gain on disposal of a subsidiary, included in profit for the period from discontinued operation	380
Transaction cost	524
	26,054
Total consideration	26,054
Total consideration satisfied by:	
Cash	26,054
Less: Transaction cost	(524)
	25,530
Net consideration	25,530
Net cash inflow arising on disposal:	
Cash received	25,530
Cash and cash equivalents disposed of	(20,776)
	4,754

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

9. INCOME TAX (CREDIT)/EXPENSE

	Continuing operations		Discontinued operation		Total	
	2023 HKD'000 (Unaudited)	2022 HKD'000 (Unaudited)	2023 HKD'000 (Unaudited)	2022 HKD'000 (Unaudited)	2023 HKD'000 (Unaudited)	2022 HKD'000 (Unaudited)
Current tax:						
Hong Kong						
– Profits Tax						
– Provision for the period	679	39	–	–	679	39
– Under/(over) provision in respect of prior periods	50	(201)	–	–	50	(201)
	729	(162)	–	–	729	(162)
The PRC and other jurisdictions						
– PRC Enterprise Income Tax						
– Provision for the period	1,279	1,840	–	–	1,279	1,840
– Over provision in respect of prior periods	–	–	–	(1,258)	–	(1,258)
	1,279	1,840	–	(1,258)	1,279	582
Foreign tax:						
– Under provision in respect of prior periods	6	–	–	–	6	–
Deferred tax:						
Hong Kong and the PRC						
– Profits Tax and PRC Enterprise Income Tax						
– (Reversal)/provision for the period	(4,207)	823	–	–	(4,207)	823
Income tax (credit)/expense	(2,193)	2,501	–	(1,258)	(2,193)	1,243

Hong Kong Profits Tax

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

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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

PRC Enterprise Income Tax

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

Up to date of approval and authorisation for issuance of the interim condensed 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 period of 2016, a new clause has been added in the agreements to require the tenants to pay the PRC Enterprise Income Tax based on 10% of its gross rental income, net of value-added tax, earned in the PRC on behalf of the Group, based on the existing tax legislation, interpretation and practices in respect thereof. According to the management experience and the above measures adopted, the amount of such potential penalty, if any, will not be material to the interim condensed consolidated financial statements. In addition, pursuant to the signed sales and purchase agreement in respect of the acquisition of the above subsidiary in the second half of the financial year of 2014, both of the vendor and the guarantor have undertaken to indemnify the Group for any tax liability arising from the late filing of tax returns prior to the completion date of the acquisition.

Foreign tax

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

10. DIVIDENDS

For the six months ended 30 June 2023 and 2022, the board of directors does not recommend the payment of an interim dividend to the shareholders of the Company (the "**Shareholders**").

The final dividend of HKD0.005 (six months ended 30 June 2022: HKD0.005) per ordinary share of the Company in respect of the financial year ended 31 December 2022 (six months ended 30 June 2022: 31 December 2021), in total of approximately HKD14,871,000 (six months ended 30 June 2022: HKD14,871,000), was declared and approved by the Shareholders at the annual general meeting of the Company held on 23 June 2023 (six months ended 30 June 2022: 24 June 2022) and was subsequently paid in July 2023 (six months ended 30 June 2022: July 2022).

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

11. (LOSS)/EARNINGS PER SHARE

From continuing and discontinued operations

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

	Six months ended 30 June	
	2023 HKD'000 (Unaudited)	2022 HKD'000 (Unaudited)
Loss:		
Loss for the period attributable to owners of the Company	(87,573)	(3,045)

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating the basic and diluted loss per share ('000)	2,974,225	2,974,225
	HK cents	HK cent
Loss per share:		
Basic and diluted	(2.94)	(0.10)

The Company did not have any dilutive potential ordinary shares for the six months ended 30 June 2023 and 2022. Accordingly, the diluted (loss)/earnings per share from continuing and discontinued operations are the same as the basic (loss)/earnings per share from continuing and discontinued operations.

From continuing operations

	Six months ended 30 June	
	2023 HKD'000 (Unaudited)	2022 HKD'000 (Unaudited)
Loss:		
Loss for the period attributable to owners of the Company	(87,573)	(7,159)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

11. (LOSS)/EARNINGS PER SHARE (Continued) From continuing operations (Continued)

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Number of shares: Weighted average number of ordinary shares for the purpose of calculating the basic and diluted loss per share ('000)	2,974,225	2,974,225
	HK cents	HK cent
Loss per share: Basic and diluted	(2.94)	(0.24)

From discontinued operation

	Six months ended 30 June	
	2023 HKD'000 (Unaudited)	2022 HKD'000 (Unaudited)
Profit: Profit for the period attributable to owners of the Company	–	4,114

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Number of shares: Weighted average number of ordinary shares for the purpose of calculating the basic and diluted earnings per share ('000)	2,974,225	2,974,225
	HK cent	HK cent
Earnings per share: Basic and diluted	N/A	0.14

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

12. PROPERTY, PLANT AND EQUIPMENT/INVESTMENT PROPERTIES/RIGHT-OF-USE ASSETS Property, plant and equipment

For the six months ended 30 June 2023, the Group incurred renovation cost for the outlet mall buildings located in Shenyang, the PRC and construction work for brewery located in Japan, with a total cost of approximately HKD7,998,000 and approximately HKD7,614,000, respectively (six months ended 30 June 2022: HKD45,789,000 and HKDnil, respectively).

Except for the above additions, the Group acquired other property, plant and equipment during the period, with a total cost of approximately HKD2,626,000 (six months ended 30 June 2022: HKD579,000).

The property, plant and equipment, with a net book value of approximately HKD105,000 (six months ended 30 June 2022: HKD2,000), was written off during the period.

The leasehold land and buildings and outlet mall buildings measured at fair value as at 30 June 2023 were performed by independent qualified professional valuers. The valuers used the same valuation techniques as those carried out for 31 December 2022. As a result of the valuation, a net increase in fair value of the leasehold land and buildings and outlet mall buildings of approximately HKD15,487,000 (six months ended 30 June 2022: a decrease in fair value of HKD556,000), of which an increase in fair value of HKD17,436,000 have been recognised in other comprehensive income and a decrease in fair value of HKD1,949,000 have been recognised in profit or loss during the period. Deferred tax charge thereon, of approximately HKD5,595,000 (six months ended 30 June 2022: deferred tax credit of HKD610,000) have been recognised in other comprehensive income during the period.

For the six months ended 30 June 2023, the net book value for approximately HKD13,610,000 was transferred from investment properties.

As at 30 June 2023, certain of the properties located in Hong Kong and the PRC, with carrying amounts of approximately HKD1,766,767,000 (31 December 2022: HKD1,850,908,000), are pledged to banks to secure banking facilities granted to the Group.

Investment properties

The investment properties measured at fair value as at 30 June 2023 were performed by independent qualified professional valuers. The valuers used the same valuation techniques as those carried out for 31 December 2022. As a result of the valuation, a decrease in fair value of the investment properties, net of tax, of approximately HKD6,390,000 (six months ended 30 June 2022: HKD2,084,000), and deferred tax charge thereon, of approximately HKD1,141,000 (six months ended 30 June 2022: HKD162,000), have been recognised in profit or loss during the period.

For the six months ended 30 June 2023, the net book value for approximately HKD27,285,000 was transferred from property, plant and equipment.

As at 30 June 2023, certain of the properties (including investment properties classified as held for sale) located in Hong Kong and the PRC, with carrying amounts of approximately HKD1,266,017,000 (31 December 2022: HKD825,538,000), are pledged to banks to secure banking facilities granted to the Group.

Right-of-use assets

For the six months ended 30 June 2023, no significant tenancy agreement was entered, modified or cancelled by the Group. The depreciation of right-of-use assets recognised during the period was approximately HKD7,126,000 (six months ended 30 June 2022: HKD7,894,000).

As at 30 June 2023, certain of the right-of-use assets, with carrying amounts of approximately HKD426,694,000 (31 December 2022: HKD454,292,000), are pledged to banks to secure banking facilities granted to the Group.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

13. INVENTORIES

For the six months ended 30 June 2023, a net provision of allowance of inventories of approximately HKD1,773,000 (six months ended 30 June 2022: a reversal of allowance of HKD5,137,000) was recognised in profit or loss during the period while no obsolete inventories (six months ended 30 June 2022: HKD850,000) were directly written off to profit or loss during the period.

14. TRADE AND OTHER RECEIVABLES

	30.06.2023 HKD'000 (Unaudited)	31.12.2022 HKD'000 (Audited)
Trade receivables arising from:		
– Other than financial services segment	29,652	32,036
– Financial services segment	8,728	8,708
Total gross carrying amount	38,380	40,744
Less: Loss allowance	(894)	(1,034)
Total net carrying amount after loss allowance	37,486	39,710
Prepayments, deposits and other receivables:		
Total gross carrying amount	221,942	217,325
Less: Loss allowance	(4,745)	(4,741)
Total net carrying amount after loss allowance	217,197	212,584
Total trade and other receivables	254,683	252,294

Note: As at 30 June 2023, the other receivables consist of the consideration receivables of approximately HKD89,458,000 (31 December 2022: HKD89,001,000) in relation to the disposal of intangible assets.

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

	30.06.2023 HKD'000 (Unaudited)	31.12.2022 HKD'000 (Audited)
0 to 30 days	15,090	19,583
31 to 60 days	4,724	3,254
61 to 90 days	2,634	1,579
Over 90 days	15,038	15,294
	37,486	39,710

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

15. AMOUNT DUE FROM AN ASSOCIATE

As at 30 June 2023, the carrying amount of amount due from an associate was unsecured, non-interest bearing and repayable on demand. For the six months ended 30 June 2023, no provision of loss allowance was recognised (six months ended 30 June 2022: reversal of loss allowance HKD244,000 was recognised).

16. ADVANCES TO CUSTOMERS IN MARGIN FINANCING

	30.06.2023 HKD'000 (Unaudited)	31.12.2022 HKD'000 (Audited)
Directors and their associates	27,078	25,946
Other margin clients	137,294	151,215
	164,372	177,161

As at 30 June 2023 and 31 December 2022, the carrying amount of advances to customers in margin financing arising from the margin financing business in Hong Kong was secured by listed equity securities, carried at average interest rates from Hong Kong Dollar Prime Rate ("**Prime Rate**") to Prime Rate plus 3% per annum and repayable on demand.

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

As at 30 June 2023, the total undiscounted market value of listed equity securities pledged in respect of the margin lending to the margin clients was approximately HKD500,659,000 (31 December 2022: HKD518,162,000). 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 expected credit loss ("**ECL**") calculation, with reference to the discounted market value of listed equity securities, no provision of loss allowance was recognised for both current and prior periods given that no significant default events of failure to repay the margin calls from any margin clients and the discounted market value of listed equity securities pledged were sufficiently covered the outstanding loan balances as at 30 June 2023 and 31 December 2022.

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

17. LOANS RECEIVABLE

	30.06.2023 HKD'000 (Unaudited)	31.12.2022 HKD'000 (Audited)
Secured:		
Total gross carrying amount	72,830	58,324
Less: Loss allowance	(2,039)	(2,077)
	70,791	56,247

As at 30 June 2023 and 31 December 2022, 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 5% to 18% (31 December 2022: 12% to 18%) per annum and repayable within one year from the dates of advances to the borrowers or on demand.

Loans receivable with aggregate gross carrying amount of approximately HKD27,728,000 (31 December 2022: HKD13,211,000) was classified as stage 1 due to limited exposure of credit risk and there is no significant increase in credit risk since initial recognition and not credit-impaired at the end of reporting period. Therefore, the reversal of loss allowance was limited to 12-month ECL calculation of approximately HKD38,000 (six months ended 30 June 2022: HKD38,000) was recognised in profit or loss for the period.

Loans receivable with aggregate gross carrying amount of approximately HKD45,102,000 (31 December 2022: HKD45,113,000) was classified as stage 3 due to significant increase in credit risk since initial recognition and credit-impaired at the end of reporting period. The loss allowance that subject to the lifetime ECL calculation was considered to be immaterial to be recognised for both current and prior periods.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial assets at fair value through profit or loss represent investments in listed equity securities in Hong Kong classified as held for trading and an unlisted investment. Details of the fair value measurements of these assets are set out in Note 28 to the interim condensed consolidated financial statements.

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

	Six months ended 30 June	
	2023 HKD'000 (Unaudited)	2022 HKD'000 (Unaudited)
At the beginning of the period	127,294	262,158
Fair value loss	(11,584)	(84,839)
Disposal	(3,346)	(66,301)
Additions	–	12,606
Exchange realignment	336	391
At the end of the period	112,700	124,015

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

19. ASSET HELD FOR SALE

As at 31 December 2022, the Group had committed a plan of disposal its investment property. As at 30 June 2023, the carrying value of the investment property was HKD242,000,000 (31 December 2022: HKD261,500,000). The sales of the property was not yet completed and as a result, it is presented as asset classified as held for sale on the interim condensed consolidated financial statements. As a result of the valuation, a decrease in fair value of the investment properties, net of tax, of approximately HKD19,500,000, and deferred tax charge thereon, of approximately HKD3,218,000, have been recognised in profit or loss and included in "decrease in fair value of investment properties" during the period.

	30.06.2023 HKD'000 (Unaudited)	31.12.2022 HKD'000 (Audited)
Investment property	242,000	261,500

20. TRADE AND OTHER PAYABLES

	30.06.2023 HKD'000 (Unaudited)	31.12.2022 HKD'000 (Audited)
Trade payables arising from:		
– Other than financial services segment	126,034	118,540
– Financial services segment	20,360	27,682
Total trade payables	146,394	146,222
Accruals, receipts in advance, temporary receipts and other payables	118,864	120,550
Total trade and other payables	265,258	266,772

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

	30.06.2023 HKD'000 (Unaudited)	31.12.2022 HKD'000 (Audited)
0 to 30 days	94,832	74,016
31 to 60 days	6,879	35,496
61 to 90 days	881	4,233
Over 90 days	23,442	4,795
	126,034	118,540

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.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

21. LEASE LIABILITIES

For the six months ended 30 June 2023, the total cash outflows for leases was approximately HKD1,741,000 (six months ended 30 June 2022: HKD12,151,000), comprising the payments of principal and interest elements of lease liabilities of approximately HKD86,000 (six months ended 30 June 2022: HKD6,410,000) and the payments of short-term leases of approximately HKD1,655,000 (six months ended 30 June 2022: HKD5,741,000).

For the six months ended 30 June 2023, interest expenses on lease liabilities was approximately HKD6,530,000 (six months ended 30 June 2022: HKD6,961,000).

22. BANK BORROWINGS

	30.06.2023 HKD'000 (Unaudited)	31.12.2022 HKD'000 (Audited)
Current portion:		
Secured with variable interest-rate bank borrowings that are repayable:		
– within one year	611,758	549,790
Non-current portion:		
Secured with variable interest-rate bank borrowings that are repayable:		
– over one year but within two years	767,362	710,535
– over two years but within five years	16,256	183,720
	783,618	894,255
Total	1,395,376	1,444,045

As at 30 June 2023, the Group had secured variable interest-rate bank borrowings, carried interest rates from approximately 1.84% to 7.88% (six months ended 30 June 2022: 2.15% to 6.8%) per annum. The weighted average effective interest rate charged during the period was approximately 6.26% (six months ended 30 June 2022: 3.87%) per annum.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

23. SHARE CAPITAL

	Number of shares '000	Nominal value HKD'000
Authorised:		
Ordinary shares of HKD0.10 (31 December 2022: HKD0.10) each:		
At 1 January 2022 (audited) and 31 December 2022 (audited), and		
1 January 2023 (audited) and 30 June 2023 (unaudited)	20,000,000	2,000,000
Issued and fully paid:		
Ordinary shares of HKD0.10 (31 December 2022: HKD0.10) each:		
At 1 January 2022 (audited) and 31 December 2022 (audited), and		
1 January 2023 (audited) and 30 June 2023 (unaudited)	2,974,225	297,422

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

24. SHARE OPTION SCHEME

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

The main terms and conditions of the Reversed Scheme was substantially the same as those disclosed in the 2022 Annual Financial Statements. For the six months ended 30 June 2023, no share option was granted, exercised, lapsed or cancelled for the eligible participants under the Revised Scheme (six months ended 30 June 2022: nil). No share option may be granted to the eligible participants under the Revised Scheme after the tenth anniversary of the adoption date of the Revised Scheme or after the Revised Scheme is terminated in accordance with the provisions hereof or after the eligible participants for whom the Revised Scheme is made has ceased to be one of the eligible participants before the acceptance of the Revised Scheme (six months ended 30 June 2022: nil).

No share options were outstanding as at 30 June 2023 and 31 December 2022.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

25. CAPITAL COMMITMENTS

As at 30 June 2023 and 31 December 2022, the Group had the following material contractual capital commitments not provided for in the interim condensed consolidated financial statements:

	30.06.2023 HKD'000 (Unaudited)	31.12.2022 HKD'000 (Audited)
Contracted but not provided:		
– Construction costs of outlet mall buildings located in Shenyang, the PRC	10,645	15,828
– Construction costs of brewery located in Japan	36,176	23,552
	46,821	39,380

26. RELATED PARTY DISCLOSURES

(A) Related party transactions

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

(a) Mr. Cheng Tun Nei and his associates

	Six months ended 30 June	
	2023 HKD'000 (Unaudited)	2022 HKD'000 (Unaudited)
Commission income from securities brokerage	–	1
Interest income from margin financing	689	636
Management fee expenses	105	103
Motor vehicle expenses	39	39
Total amount of margin financing facilities granted	17,000	17,000
Maximum outstanding balance of margin loans issued	16,628	16,242

(b) Mr. Lee Cheung Ming

	Six months ended 30 June	
	2023 HKD'000 (Unaudited)	2022 HKD'000 (Unaudited)
Interest income from margin financing	441	391
Total amount of margin financing facilities granted	15,000	15,000
Maximum outstanding balance of margin loans issued	10,649	9,936

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

26. RELATED PARTY DISCLOSURES (Continued)

(A) Related party transactions (Continued)

(c) Other related parties

	Six months ended 30 June	
	2023 HKD'000 (Unaudited)	2022 HKD'000 (Unaudited)
Interest income from a non-controlling shareholder	475	577
Interest expenses of loan from non-controlling interests	–	7
Service fee expenses charged by a non-controlling shareholder	260	10
Sales of goods to a non-controlling shareholder	–	3,897
Purchase of goods from an associate	(687)	–
Provision of services in sourcing, engaging and managing manufacturers to manufacture "SKINS" products and purchase a variety of products from ITOCHU Textile Prominent (Asia) Ltd.	2,296	9,096

(B) Key management personnel's emoluments

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

	Six months ended 30 June	
	2023 HKD'000 (Unaudited)	2022 HKD'000 (Unaudited)
Salaries, welfare and other expenses	5,790	5,119
Contributions to defined contribution retirement plans	76	63
	5,866	5,182

27. 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 interim condensed consolidated financial statements, the Group had no other contingent assets or liabilities required to be recognised or disclosed in the interim condensed consolidated financial statements as at 30 June 2023 and 31 December 2022.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

28. FINANCIAL INSTRUMENTS

(A) Categories of financial instruments

The following table shows the carrying amounts and fair values of the financial instruments, comprised of the financial assets and financial liabilities, as at 30 June 2023 and 31 December 2022:

	30.06.2023 (Unaudited)		31.12.2022 (Audited)	
	Carrying amount HKD'000	Fair value HKD'000	Carrying amount HKD'000	Fair value HKD'000
Financial assets:				
At fair value through profit or loss:				
– Listed equity securities in Hong Kong	38,342	38,342	54,455	54,455
– Unlisted investments	74,358	74,358	72,839	72,839
At amortised cost:				
– Trade and other receivables	204,917	(Note)	206,987	(Note)
– Amounts due from joint ventures	39,156	(Note)	39,170	(Note)
– Amount due from an associate	432	(Note)	–	(Note)
– Advances to customers in margin financing	164,372	(Note)	177,161	(Note)
– Loans receivable	70,791	(Note)	56,247	(Note)
– Restricted bank deposits	63,417	(Note)	59,206	(Note)
– Bank balances and cash	89,999	(Note)	118,876	(Note)
Financial liabilities:				
At amortised cost:				
– Trade and other payables	260,820	(Note)	262,798	(Note)
– Amount due to a joint venture	239	(Note)	534	(Note)
– Amount due to a related party	108	(Note)	113	(Note)
– Amount due to a director	34,597	(Note)	21,989	(Note)
– Dividend payable	14,871	(Note)	–	(Note)
– Bank borrowings	1,395,376	(Note)	1,444,045	(Note)
Financial instrument:				
– Lease liabilities	187,618	(Note)	190,150	(Note)

Note: The Directors consider the carrying amounts of the financial instruments measured at amortised cost were approximate to their fair values on the grounds that either of their maturity periods are short or their effective interest rates for interest-bearing financial instruments were approximate to the relevant discount rates used to reflect the credit risk of the borrowers or the Group as at 30 June 2023 and 31 December 2022.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

28. FINANCIAL INSTRUMENTS *(Continued)*

(B) Fair value measurements

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

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

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

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

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

	30.06.2023 HKD'000 (Unaudited)	31.12.2022 HKD'000 (Audited)
Level 1:		
– Listed equity securities in Hong Kong	38,342	54,455
Level 3:		
– Unlisted investment	74,358	72,839

For the six months ended 30 June 2023 and 2022, there was no significant change in the valuation technique, and no transfer between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise such change in valuation technique and transfer between levels of fair value hierarchy when it occurs.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

28. FINANCIAL INSTRUMENTS (Continued)

(B) Fair value measurements (Continued)

Information about Level 1 fair value measurements

For the listed equity securities in Hong Kong classified as Level 1, the Group's management uses the closing market prices of the identical securities as at 30 June 2023 and 31 December 2022 to perform the fair value measurement.

Information about Level 3 fair value measurements

In April 2018, the Group entered into an agreement with a third party investor for the purpose of forming two special purpose acquisition companies (the "SPAC 1" and "SPAC 2") by raising sizeable capital to acquire potential business targets through listing on NASDAQ. Up to date of approval and authorisation for issuance of the interim condensed consolidated financial statements, the SPAC 2 has not yet launched.

The fair value of the investment was previously determined by adjusting the closing market price with certain significant unobservable inputs, including risk-free rate and discount of lack of marketability ("DLOM") before the completion of the lock-up period. The fair value was negatively correlated to both risk-free rate and DLOM. After the lock-up period, the risk-free rate and DLOM inputs no longer exist. As at 30 June 2023 and 2022, the probability of default of this investment is considered to be minimal. The Group's management is estimated that with other variables held constant, an increase in probability of default in 5% would have decreased the fair value of investment by approximately HKD3,718,000 for the period ended 30 June 2023 (30 June 2022: decrease in fair value of approximately HKD4,058,000).

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

	Six months ended 30 June	
	2023 HKD'000 (Unaudited)	2022 HKD'000 (Unaudited)
Unlisted investment:		
At the beginning of the period	72,839	76,942
Fair value gain	1,183	3,818
Exchange realignment	336	391
At the end of the period	74,358	81,151

29. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

On 5 July 2023, the Company entered into share sale and purchase agreement (the "Agreement") with Luxembourg Pony Holdings S.à r.l. ("Luxembourg Pony") (a company incorporated in Luxembourg with limited liability and is a wholly-owned subsidiary of Iconix International, Inc.) in relation to the entire 50% equity interest in Wisdom Class International Limited ("Wisdom Class") (a joint venture company incorporated in the British Virgin Islands with limited liability, and is owned as to 50% by the Company and 50% by Luxembourg Pony), pursuant to which the Company conditionally agreed to sell, and the purchaser conditionally agreed to purchase the entire 50% equity interest in Wisdom Class. All conditions had been fulfilled and completion of the transfer of ownership of the 50% equity interest in Wisdom Class had taken place on 5 July 2023.

30. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 31 August 2023.