德誠金融 DSG FINANCE

2019
INTERIM REPORT

S.Culture
INTERNATIONAL HOLDINGS LIMITED

S. CULTURE INTERNATIONAL HOLDINGS LIMITED
港 大 零 售 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1255

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Yang Jun *(Chairman)*
Mr. Zhu Fangming

Non-executive Directors

Mr. Lin Zheming
Mr. Law Fei Shing
Mr. Lin Jun
Mr. Chu Chun Ho, Dominic

Independent Non-executive Directors

Mr. Xie Rongxing
Mr. Chen Huigang
Mr. Lum Pak Sum

Audit Committee

Mr. Lum Pak Sum *(Chairman)*
Mr. Xie Rongxing
Mr. Chen Huigang

Remuneration Committee

Mr. Chen Huigang *(Chairman)*
Mr. Xie Rongxing
Mr. Yang Jun

Nomination Committee

Mr. Yang Jun *(Chairman)*
Mr. Xie Rongxing
Mr. Chen Huigang

Authorized Representatives

Mr. Zhu Fangming
Mr. Wong Tin Yu

Company Secretary

Mr. Wong Tin Yu

Registered Office

Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

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Block 2, Kwai Tak Industrial Centre
15–33 Kwai Tak Street
Kwai Chung
New Territories
Hong Kong

Stock Code

1255

Website

www.s-culture.com

Legal Adviser

CFN Lawyers
27/F, Neich Tower
128 Gloucester Road
Wanchai, Hong Kong

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

Cayman Share Registrar

Estera Trust (Cayman) Limited
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

Bangkok Bank Public Company Limited
Hang Seng Bank Limited
National Australia Bank Limited

FINANCIAL HIGHLIGHTS

		For the six months ended 30 June	
		2019	2018
Revenue	HK$'000	**191,670**	176,528
Gross profit	HK$'000	**114,472**	103,125
Loss before taxation	HK$'000	**(2,434)**	(354)
Loss attributable to owners of the Company	HK$'000	**(3,155)**	(418)
Gross profit margin	%	**59.7**	58.4
Loss margin attributable to owners of the Company	%	**(1.6)**	(0.2)
Loss per share — basic	HK$	**(0.015)**	(0.002)

	As at	
	30 June 2019	31 December 2018
Current ratio	**2.2 times**	2.4 times
Gearing ratio (total debt to total equity)	**14.3%**	20.0%
Average trade receivables turnover period	**22.0 days**	34.9 days
Average trade payables turnover period	**16.1 days**	20.1 days
Average inventory turnover period	**322.3 days**	389.2 days

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of board of directors (the "Board") of S. Culture International Holdings Limited. ("S. Culture" or the "Company", together with its subsidiaries, the "Group"), I hereby present the Group's interim results for the six months ended 30 June 2019 (the "Reporting Period").

Currently, the Group principally focuses on the business of trading of footwear products and healthcare products and the provision of financial services.

According to the data from the Hong Kong authorities, visitors to Hong Kong during the Reporting Period represented a year-on-year increase of 13.9%. However, the retail sales in Hong Kong for the Reporting Period fell slightly as compared with the even period of 2018. Accordingly, the revenue from our footwear business for the Reporting Period was approximately HK$153.4 million, representing a 13.1% decrease as compared with the even period of 2018.

Meanwhile, the Group continuously expanded its investment in the healthcare business with the addition of new e-commerce platforms and the partnership with mainstream healthcare product brands in Australia. With further investment, we will generate higher gross profit and progressively build a comprehensive marketing channel and industry chain for appealing natural healthcare products. Along with the rapid development of the industry, the healthcare business segment is playing its role as one of the key businesses of the Group to bring in new driver for profit growth. The revenue from our healthcare business for the Reporting Period was approximately HK$28.7 million.

With regard to our financial services business, the Group took advantage of opportunities arising from market fluctuation in the first half of 2019, and endeavoured to expand into a more diverse financial services area. Our financial services business recorded a revenue of approximately HK$9.6 million for the Reporting Period.

As highlighted above, the Group's business segments have been operating within expectations for the Reporting Period. The Group will continue to integrate the businesses of footwear, financial services and healthcare to rationalize our structure of business segments, and will continue to look for strategic partnerships in the healthcare business to build up a healthy business ecosystem and generate substantial value to our shareholders.

By Order of the Board
S. Culture International Holdings Limited
Yang Jun
Chairman

28 August 2019

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review

Footwear Business

Revenue of the Group's footwear business for the Reporting Period was approximately HK$153.4 million, representing a 13.1% decrease from approximately HK$176.5 million for the even period of 2018. We had recorded a same store sales decline of approximately 2.3% during the Reporting Period (30 June 2018: 7.5%). Despite the decrease in revenue of the Group's footwear business, we had managed to record a segment profit of approximately HK$0.6 million during the Reporting Period. This was mainly due to (i) our continued progressing gross profit margin derived from our controlled discounts and promotional initiatives; (ii) our meticulous execution of both retail outlet mix rationalisation and cost reduction strategies in the past year; and (iii) the downsizing of our investment and operational exposure in Taiwan which had been in a loss-making position in the previous years.

Healthcare Business

On 21 November 2018, the PRC State Council decided to continue and improve the existing Policy of Cross-Border E-Commerce Retail Imports. With effect from 1 January 2019, the application scope of the policy has been extended to 22 newly approved cities in the China Cross-Border E-Commerce Comprehensive Pilot Zones. Up to 63 tax commodities have been newly added and each transaction limit has been brought up from RMB2,000 to RMB5,000, while the annual transaction limit of each person has been increased from RMB20,000 to RMB26,000. The stability of such cross-border policy brings material positive impact to the confidence of overseas nutrition healthcare product companies to penetrate into the Chinese market.

The Group continuously expanded its investment in the healthcare business with the addition of new e-commerce platforms and the partnership with mainstream healthcare product brands in Australia. With further investment, we will generate higher gross profit and progressively build a comprehensive marketing channel and industry chain for appealing natural healthcare products. Along with the rapid development of the industry, the healthcare business segment is playing its role as one of the key businesses of the Group to bring in new driver for profit growth.

Revenue of the Group's healthcare business for the Reporting Period was approximately HK$28.7 million (30 June 2018: Nil as the Group commenced its healthcare business since October 2018), while the segment profit for the Reporting Period was approximately HK$0.2 million. Although the operation period of the healthcare business is short, the effective market expansion strategy and rigorous cost control system enable this segment to bring in profits to the Group quickly.

Financial Services Business

The Hang Seng Index and MSCI China Index increased by 10.4% and 11.3% in the first half of 2019, respectively, as compared to the growth rate of the global emerging market of 9.2%. However, their performance was far behind that of A-Share and the United States ("U.S.") stock market. As the U.S. announced its upward tariff adjustments towards the Chinese commodities of US$200 billion at the beginning of May 2019, the trade negotiation between the parties appeared to be stagnant which have raised concerns of the Hong Kong stock market towards the prospects of the global economy, leading to a continuous drop. In early June 2019, despite the decline in the macro data of China and the impact on the market from the uncertainties of the Sino-U.S. trade negotiation, the Hong Kong stock market showed signs of recovery as it was expected that the interest rate of the U.S. Federal Reserve would decline and the deadlock would be resolved along the meeting between the presidents of China and the U.S. in the G20 Summit held in Osaka in late June 2019. The Group took advantage of opportunities arising from market fluctuation in the first half of 2019 and endeavoured to expand into a more diverse financial services area.

The revenue of the financial services business is mainly attributable to (i) the securities consultancy services; (ii) the investment management services; and (iii) the corporate finance consultancy services. DSG Finance Holdings (Hong Kong) Limited and DSG Asset Management (Cayman) Company Limited (together, the "DSG Group") recorded revenue and segment profit of approximately HK$9.6 million and approximately HK$0.2 million during the Reporting Period, respectively, which was substantially contributed from its investment management services.

Prospects

According to the data from the Hong Kong Tourism Board, visitors to Hong Kong in the first half of 2019 amounted to approximately 35 million, representing a year-on-year increase of 13.9%. However, as revealed in the Report on Monthly Survey of Retail Sales issued by the Census and Statistics Department of Hong Kong, the retail sales in Hong Kong for the Reporting Period fell by 2.1% as compared with the even period of 2018, in which the sales of clothing, footwear and allied products declined by 3.4%. Currently, considering the Sino-U.S. Trade War and uncertain situation of Hong Kong retail market, the Group's footwear business is expected to be under pressure.

In the second half of the year, it is expected that Chinese enterprises will have strong demand on investment management services. The DSG Group will focus on developing such services to include cross-border financing consultancy and asset management to take advantage of this opportunity.


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FILM COATED TABLETS

With the support of the favourable policies in the PRC, the Group recognised the tremendous potential in the healthcare business market and has increased its investments in this regard. The Group incorporated a joint venture company (the "JV Company"), which was principally engaged in hospital management, health management consulting, medical technology and internet technology in the PRC, in May 2019, and through this JV Company, acquired the entire equity interests in Shangying Internet Medical (Shanghai) Co. Limited (商贏互聯網醫療(上海)有限公司) ("Shangying Medical"), a company which obtained the internet hospital license in Shanghai, in August 2019. Shangying Medical will continue to focus on building a one-stop internet healthcare platform driven by big data in the healthcare industry that can deliver an integrated suite of services.

While optimising the advantages held within the healthcare business in Australia and the hospital network, proactively expanding the healthcare products and its products distribution business, and endeavouring to explore other markets, the Group continues to develop the healthcare business to penetrate into the industry and to create higher return.

The Group will continue to integrate the businesses of footwear, financial services and healthcare to rationalize our structure of business segments, and will continue to look for strategic partnerships in the healthcare business to build up a healthy business ecosystem and generate substantial value to our shareholders.

Financial Review

Revenue

Revenue of the Group's business for the Reporting Period was approximately HK$191.7 million, representing a 8.6% increase from approximately HK$176.5 million of the even period of 2018.

Revenue from the Footwear Business

Revenue of the Group's footwear business for the Reporting Period was approximately HK$153.4 million, representing a 13.1% decrease from approximately HK$176.5 million for the even period of 2018. With regard to the sales of footwear products of the major brands under distribution agreements for the Reporting Period as compared with the even period of 2018, sales of "Clarks" footwear products had decreased by approximately 10.2%, sales of "Josef Seibel" footwear products had decreased by approximately 9.0%, sales of "The Flexx" footwear products had decreased by approximately 39.9% and sales of "Petite Jolie" had decreased by approximately 94.5%, respectively.

As at 30 June 2019, the Group operated 41 retail outlets in Hong Kong and 2 retail outlets in Macau as compared to the operation of 51 retail outlets in Hong Kong and 2 retail outlets in Macau as at 30 June 2018.

Revenue from the Financial Services Business

Revenue of the Group's financial services business for the Reporting Period was approximately HK$9.6 million (30 June 2018: Nil), which was mainly contributed from its investment management services.

Revenue from the Healthcare Business

Revenue of the Group's healthcare business for the Reporting Period amounted to approximately HK$28.7 million (30 June 2018: Nil as the Group commenced its healthcare business since October 2018). With regard to the sales of the major brands under distribution agreements for the Reporting Period, sales of "AXS" supplement products, "Bio Lands" supplement products and other brands supplement products represented approximately 14.65%, 27.44%, and 57.91% of revenue from the healthcare business, respectively.

Cost of Goods Sold

Our cost of goods sold amounted to approximately HK$77.2 million for the Reporting Period, representing 40.3% of revenue (30 June 2018: approximately HK$73.4 million, representing 41.6% of revenue). The increase in cost of goods sold was mainly due to the increase in sales activities of the Group.

Gross Profit

Gross profit (gross profit equals to revenue minus cost of goods sold) of the Group for the Reporting Period was approximately HK$114.5 million, representing an increase of 11.1% from approximately HK$103.1 million of the even period of 2018. Gross profit margin of the Group for the Reporting Period was 59.7% (30 June 2018: 58.4%). Such increase in gross profit margin was predominantly attributable to our controlled discounts and promotional activities.

Staff Costs

Staff costs for the Reporting Period were approximately HK$48.8 million, representing 25.5% of revenue (30 June 2018: approximately HK$43.0 million, representing 24.4% of revenue). The increase in staff costs was mainly due to the increase in the number of senior management team with higher remuneration as compared to the even period of 2018.

Depreciation

Depreciation accounted for 7.5% of revenue for the Reporting Period (30 June 2018: 1.0% of revenue). The Group adopted HKFRS 16 "Lease" and recognised right-of-use assets with the amount of approximately HK$38.9 million as at 1 January 2019. Consequently, the Group recognised depreciation arising from right-of-use assets with the amount of approximately HK$12.4 million (30 June 2018: Nil) for the Reporting Period. Therefore, the depreciation for the Reporting Period increased significantly as compared to the even period of 2018.

Short-term Lease Payments/Retail Outlet Rentals and Related Expenses

During the Reporting Period, the Group adopted HKFRS 16 "Lease" and applied short-term lease recognition exemption to leases of buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. The Group also applied the recognition exemption for leases of low-value assets. Therefore, lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term. The aforesaid expenses from short-term leases and leases of low-value assets were disclosed as short-term lease payments and recognised in the condensed consolidated statement of profit and loss. Except from short-term leases and leases of low-value assets, the Group recognised right-of-use assets at the commencement date of lease. The right-of-use assets were depreciated on a straight-line basis over the shorter of its estimated useful life and lease term and recognised as depreciation expenses.

Upon adoption of HKFRS 16 "Lease", the Group modified the disclosure of lease rental for the Reporting Period. The short-term lease payments for the Reporting Period were approximately HK$31.4 million, representing 16.4% of revenue (30 June 2018: Nil).

For the six months ended 30 June 2018, our retail outlet rentals and related expenses were approximately HK$46.8 million, representing 26.5% of revenue, in which our concession fees were approximately HK$16.0 million (30 June 2019: Nil).

Finance Costs

Our finance costs for the Reporting Period amounted to approximately HK$1.2 million (30 June 2018: approximately HK$1.0 million). The finance costs mainly consist of interest expenses incurred on the trade related financing facilities with banks and lease liabilities. The effective interest rates on the Group's borrowings during the Reporting Period ranged from 3.1% to 4.0% (30 June 2018: 1.5% to 4.0%).

The increase of finance costs was mainly due to the recognition of interest expenses arising from lease liabilities upon adoption of HKFRS 16 "Lease". The aforesaid interest expenses from lease liabilities were approximately HK$0.6 million for the Reporting Period (30 June 2018: Nil).

Loss Before Taxation

As a result of the foregoing, our loss before taxation for the Reporting Period was approximately HK$2.43 million, representing an increase of 594.3% from loss of HK$0.35 million of the corresponding period of 2018.

Liquidity and Financial Resources

The Group finances its working capital with internally generated cash flows and bank borrowings. As at 30 June 2019, the Group had bank deposits and cash amounting to approximately HK$20.9 million (31 December 2018: approximately HK$28.8 million), representing a decrease of 27.4% from 31 December 2018. Most bank deposits and cash were denominated in Hong Kong Dollars. As at 30 June 2019, the Group had short-term bank borrowings amounting to approximately HK$33.6 million (31 December 2018: approximately HK$47.4 million), representing a decrease of 29.1% from 31 December 2018. As at 30 June 2019, the Group did not have any outstanding long-term bank borrowings.

Gearing Ratio

As at 30 June 2019, the Group's gearing ratio (total debt to total equity) was 14.3% (31 December 2018: 20.0%). The lower gearing ratio was mainly attributable to lower bank borrowings due to repayment.

Pledge of Assets

As at 30 June 2019 and 2018, land and buildings, investment properties classified as held for sale and deposit and prepayment for a life insurance policy were pledged to secure the bank borrowings and banking facilities granted to the Group.

Assets Classified as Held for Sale

The fair value of the Group's investment properties classified as held for sale as at 30 June 2019 was approximately HK$31.4 million. The fair value as at 30 June 2019 had been arrived at based on a valuation carried out on that date by ROMA Appraisals Limited, an independent valuer not connected with the Group and a member of Hong Kong Institute of Surveyors.

Future Plans for Material Investments or Capital Assets

As disclosed in the paragraph headed "Prospects" above, the Group plans to strengthen its operation and investments in its new line of business, i.e. the healthcare business. Further, in order to broaden the revenue streams and generate better shareholders' return, the Company will commence the hospital business (including online and offline services) as an additional business activity of the Group. The Company will seek investment and development opportunities in health-related markets to better utilise the existing resources of the Group, which in turn would maximise shareholders' return, broaden revenue streams and improve the financial position of the Group.

Treasury Policy

The Group adopts a treasury policy that aims to better control its treasury operations and lowers its borrowing cost. As such, the Group endeavors to maintain an adequate level of cash and cash equivalents to address short-term funding needs. The Board also considers various funding sources depending on the Group's needs so as to ensure the financial resources have been used in the most cost-effective and efficient way to meet the Group's financial obligations. The Board reviews and evaluates the Group's treasury policy from time to time to ensure its adequacy and effectiveness.

Material Acquisitions or Disposals of Subsidiaries, Associates and Joint Ventures

There were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Lapse of Placing of Convertible Bonds

On 3 June 2019, the Company and a placing agent entered into a placing agreement (as supplemented by an agreement dated 27 June 2019) in relation to the placing and issue of 6% 3-year convertible bonds in the aggregate principal amount of HK$200 million (the "Placing") at the initial conversion price of HK$15.00 per conversion share (the "Convertible Bonds"). The estimated gross proceeds and net proceeds (after deducting placing commission and related expenses and legal fees) from the Placing would amount to approximately HK$200 million and approximately HK$193 million, respectively, resulting in the estimated net price of approximately HK$14.48 for each conversion share. The market price of the shares on the date when the terms of Placing were determined (i.e. 3 June 2019) was HK$9.00. Upon full conversion of the Convertible Bonds, a total of 13,333,333 conversion shares would be allotted and issued. The Company intended that the net proceeds of the Placing would be used as to (i) approximately HK$77.2 million for the development of its internet hospital business as an additional business activity of the Group; (ii) approximately HK$67.55 million for the development of its healthcare business; (iii) approximately HK$28.95 million for the development of its financial services business; and (iv) the remaining proceeds for the purpose of general working capital. The Placing did not become unconditional on 31 July 2019 (being the extended long stop date) and lapsed accordingly.

For details of the Placing, please refer to the Company's announcements dated 3 June 2019, 27 June 2019 and 30 July 2019, respectively.

Foreign Currency Risks

The Group's sales and purchases for the Reporting Period were mostly denominated in Hong Kong Dollars, Renminbi, Australian Dollars, Macau Pataca, New Taiwan Dollars, Euros and U.S. Dollars. The Renminbi is not a freely convertible currency. The currency market for Macau Pataca is relatively small and undeveloped. Therefore, our ability to convert large amounts of Macau Pataca into Hong Kong Dollars over a relatively short period of time may be limited. The exchange of New Taiwan Dollars is restricted and governed by various government rules regarding the application of outward remittance. In view of the above, future exchange rates of the above currencies could vary significantly from the current or historical exchange rates as a result of the controls that could be imposed by the respective governments and the depth and breadth of the respective markets of currency exchange. The respective exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the respective currencies. The appreciation or devaluation of the respective currencies against Hong Kong Dollars may impact the Group's results.

The Group manages its foreign currency risk by closely monitoring the movements of foreign currency exchange rates. The Group did not enter into any foreign currency forward contracts to hedge against foreign currency risk as at 30 June 2019.

Human Resources

As at 30 June 2019, the Group employed approximately 223 employees (31 December 2018: 227). Remuneration packages are generally structured with reference to prevailing market terms and individual qualifications and experience. During the Reporting Period, various training activities, such as training of product and service knowledge, management skills as well as local consumer laws, had been conducted to improve the performance of our staff members.

Dividends

The Board has resolved not to declare an interim dividend for the Reporting Period (30 June 2018: Nil).

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF S. CULTURE INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of S. Culture International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 15 to 37, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing 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 of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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 these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	NOTES	Six months ended **30.6.2019** **HK$'000** **(unaudited)**	30.6.2018 HK$'000 (unaudited)
Revenue	3	**191,670**	176,528
Cost of sales		**(77,198)**	(73,403)
Gross profit		**114,472**	103,125
Other income		**438**	677
Other gains and losses	5	**1,767**	8,125
Selling and distribution costs		**(72,813)**	(77,404)
Administrative expenses		**(45,050)**	(33,928)
Finance costs		**(1,248)**	(949)
Loss before taxation	6	**(2,434)**	(354)
Taxation	7	**(652)**	(64)
Loss for the period		**(3,086)**	(418)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**110**	316
Total comprehensive expense for the period		**(2,976)**	(102)
(Loss) profit for the period attributable to:			
Owners of the Company		**(3,155)**	(418)
Non-controlling interests		**69**	—
		(3,086)	(418)
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(3,045)**	(102)
Non-controlling interests		**69**	—
		(2,976)	(102)
Loss per share — basic (HK$)	9	**(0.015)**	(0.002)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	NOTES	At 30.6.2019 HK$'000 (unaudited)	At 31.12.2018 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	10	**44,808**	13,861
Goodwill		**31,027**	31,027
Intangible assets		**22,224**	22,224
Interest in an associate		**—**	—
Loan to an associate		**547**	568
Deferred tax assets		**10,063**	10,063
Deposit and prepayment for a life insurance policy		**1,903**	1,900
Rental deposits		**3,312**	5,949
		113,884	85,592
Current assets			
Inventories		**132,712**	139,940
Trade and other receivables	11	**49,386**	63,289
Taxation recoverable		**1,489**	408
Bank balances and cash		**20,942**	28,835
		204,529	232,472
Assets classified as held for sale	12	**31,400**	29,700
		235,929	262,172
Current liabilities			
Trade and other payables	13	**29,059**	46,507
Amount due to immediate holding company		**9,244**	12,610
Amount due to an associate	14	**8,402**	—
Taxation payable		**1,871**	630
Bank borrowings — due within one year		**33,561**	47,434
Lease liabilities		**22,836**	—
		104,973	107,181
Net current assets		**130,956**	154,991
Total assets less current liabilities		**244,840**	240,583

At 30 June 2019

	NOTE	**At 30.6.2019 HK$'000 (unaudited)**	At 31.12.2018 HK$'000 (audited)
Non-current liabilities			
Deferred tax liabilities		**3,667**	3,667
Lease liabilities		**7,119**	—
		10,786	3,667
Net assets		**234,054**	236,916
Capital and reserves			
Share capital	15	**2,140**	2,140
Reserves		**214,621**	217,552
Equity attributable to owners of the Company		**216,761**	219,692
Non-controlling interests		**17,293**	17,224
Total equity		**234,054**	236,916

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Special reserve	Legal reserve	Share-based compensation of a subsidiary	Translation reserve	Accumulated profits	Total		
	HK$'000	HK$'000	HK$'000 (Note (a))	HK$'000 (Note (b))	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2019 (audited)	2,140	147,131	15,800	12	138	257	54,214	219,692	17,224	236,916
(Loss) profit for the period	—	—	—	—	—	—	(3,155)	(3,155)	69	(3,086)
Exchange differences arising on translation of foreign operations and other comprehensive income for the period	—	—	—	—	—	110	—	110	—	110
Total comprehensive income (expense) for the period	—	—	—	—	—	110	(3,155)	(3,045)	69	(2,976)
Recognition of equity-settled share-based payments	—	—	—	—	114	—	—	114	—	114
At 30 June 2019 (unaudited)	2,140	147,131	15,800	12	252	367	51,059	216,761	17,293	234,054
At 1 January 2018 (audited)	2,000	92,911	15,800	12	—	(459)	55,963	166,227	—	166,227
Loss for the period	—	—	—	—	—	—	(418)	(418)	—	(418)
Exchange differences arising on translation of foreign operations and other comprehensive income for the period	—	—	—	—	—	316	—	316	—	316
Total comprehensive income (expense) for the period	—	—	—	—	—	316	(418)	(102)	—	(102)
Placing of shares	140	54,220	—	—	—	—	—	54,360	—	54,360
At 30 June 2018 (unaudited)	2,140	147,131	15,800	12	—	(143)	55,545	220,485	—	220,485

Notes:

(a) The special reserve of the Group represents the difference between the nominal amount of the share capital and share premium of Kong Tai Sundry Goods Company Limited ("Kong Tai Sundry Goods") and Grand Asian Limited, subsidiaries of the Company, and the nominal amount of share capital of the Company pursuant to a group reorganisation.

(b) As stipulated by the relevant laws and regulations in the Macau Special Administrative Region of the People's Republic of China ("Macau"), a subsidiary of the Company is required to set aside 25% of its profit for the period to a legal reserve until the legal reserve has reached 50% of its registered capital.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended	
	30.6.2019	30.6.2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash from operating activities	**29,408**	50,582
Net cash (used in) from investing activities		
Interest received	**5**	3
Purchase of property, plant and equipment	**(2,351)**	(848)
Advance to a director of a subsidiary	**(2,200)**	—
Net proceeds from disposal of property, plant and equipment	**—**	33,034
Deposit paid for acquisition of subsidiaries	**—**	(10,000)
	(4,546)	22,189
Net cash used in financing activities		
New bank borrowings raised	**45,269**	34,041
Advance from an associate	**8,402**	—
Repayment of bank borrowings	**(59,142)**	(128,152)
Repayment of principal on lease liabilities	**(12,733)**	—
Repayment to a director of a subsidiary	**(9,912)**	—
Repayment to immediate holding company	**(3,366)**	—
Repayment of interest on lease liabilities	**(638)**	—
Interest paid	**(610)**	(949)
Net proceeds from the issue of shares	**—**	54,360
Advance from a director	**—**	1,000
Repayment to a director	**—**	(4,800)
	(32,730)	(44,500)
Net (decrease) increase in cash and cash equivalents	**(7,868)**	28,271
Cash and cash equivalents at beginning of the period	**28,835**	24,287
Effect of foreign exchange rate changes	**(25)**	(37)
Cash and cash equivalents at end of the period, representing bank balances and cash	**20,942**	52,521

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the functional currency of the Company.

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain investment properties classified as held for sale, which are measured at fair values.

Other than changes in accounting policies resulting from the application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance and for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. Principal Accounting Policies (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low-value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

2. Principal Accounting Policies (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Right-of-use assets (Continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in "property, plant and equipment", the same line item as that within which the corresponding underlying assets would be presented if they were owned.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

2. Principal Accounting Policies (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Lease liabilities (Continued)

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

2. Principal Accounting Policies (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) — Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

2. Principal Accounting Policies (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

(ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition.

2. Principal Accounting Policies (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 3.72%.

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	73,691
Less: Recognition exemption — short-term leases	(34,090)
	39,601
Lease liabilities discounted at relevant incremental borrowing rate relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	38,543
Analysed as	
Current	23,476
Non-current	15,067
	38,543

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	38,543
Adjustments on rental deposits at 1 January 2019 (note)	350
	38,893
By class:	
Land and buildings	38,893

2. Principal Accounting Policies (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. The adjustment has insignificant impact on the Group's condensed consolidated statement of financial position at 1 January 2019.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amount previously reported at 31 December 2018	**Adjustments**	**Carrying amounts under HKFRS 16 at 1 January 2019**
	HK$'000	HK$'000	HK$'000
Non-current assets			
Property, plant and equipment	13,861	38,893	52,754
Rental deposits (note)	5,949	(350)	5,599
Current liabilities			
Lease liabilities	—	(23,476)	(23,476)
Non-current liabilities			
Lease liabilities	—	(15,067)	(15,067)

For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

Note: Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK$350,000 was adjusted to refundable rental deposits paid and right-of-use assets.

For the six months ended 30 June 2019

3. Revenue

Revenue from contracts with customers and recognised at a point in time:

	Six months ended	
	30.6.2019	30.6.2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Sales of goods		
Footwear products	**153,433**	176,528
Healthcare products	**28,661**	—
Financial services	**9,576**	—
	191,670	176,528

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information for the six months ended 30 June 2019.

	Segment revenue	**Eliminations**	**Consolidated**
	HK$'000	HK$'000	HK$'000
	(unaudited)	(unaudited)	(unaudited)
Footwear products	153,433	—	153,433
Healthcare products	28,661	—	28,661
Financial services	10,080	(504)	9,576
	192,174	(504)	191,670

4. Operating Segment

Information reported to the executive directors of the Company, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. During the year ended 31 December 2018, the Group commenced the business in the trading of healthcare products and provision of financial services along with the acquisition of subsidiaries, and they are considered as new operating and reportable segments by the CODM.

During the year ended 31 December 2018, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments. Retail sales and wholesale have been combined as trading of footwear products. Prior year segment disclosures have been represented to conform with the current period's presentation.

Specifically, the Group's reportable segments under HKFRS 8 "Operating Segments" are as follows:

1. Trading of footwear products
2. Trading of healthcare products
3. Financial services

No operating segments have been aggregated in arriving at the reportable segments of the Group.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the six months ended 30 June 2019 (unaudited)

	Trading of footwear products HK$'000	Trading of healthcare products HK$'000	Financial services HK$'000	Segment total HK$'000	Eliminations HK$'000	Total HK$'000
Revenue						
External sales	153,433	28,661	9,576	191,670	—	191,670
Inter-segment sales	—	—	504	504	(504)	—
	153,433	28,661	10,080	192,174	(504)	191,670
Segment results	645	194	163	1,002	—	1,002
Unallocated income						1,900
Unallocated expenses						(5,336)
Loss before taxation						(2,434)

4. Operating Segment (Continued)

Segment revenue and results (Continued)

For the six months ended 30 June 2018 (unaudited and restated)

	Trading of footwear products HK$'000	Total HK$'000
Revenue	176,528	176,528
Segment results	3,714	3,714
Unallocated income		1,058
Unallocated expenses		(5,126)
Loss before taxation		(354)

Inter-segment sales are charged at prevailing market rates.

Geographical information

Information about the Group's revenue from external customers is presented based on the location of the respective group entities' operations:

	Six months ended	
	30.6.2019 HK$'000 (unaudited)	30.6.2018 HK$'000 (unaudited)
Hong Kong	**155,692**	161,298
Taiwan	**—**	9,621
Macau	**7,317**	5,609
Australia	**28,661**	—
	191,670	176,528

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit earned from each segment without allocation of central administration costs, change in fair value of investment properties classified as held for sale and rental income. This is the measure reported to the CODM of the Company for the purpose of resource allocation and performance assessment.

4. Operating Segment (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	At 30.6.2019 HK$'000 (unaudited)	At 31.12.2018 HK$'000 (audited)
Segment assets		
Trading of footwear products	**218,085**	209,846
Trading of healthcare products	**11,265**	19,283
Financial services	**72,164**	71,137
Total reportable segment assets	**301,514**	300,266
Unallocated assets	**48,299**	47,498
Consolidated assets	**349,813**	347,764
Segment liabilities		
Trading of footwear products	**82,156**	75,215
Trading of healthcare products	**11,539**	10,018
Financial services	**1,244**	1,903
Total reportable segment liabilities	**94,939**	87,136
Unallocated liabilities	**20,820**	23,712
Consolidated liabilities	**115,759**	110,848

5. Other Gains and Losses

	Six months ended	
	30.6.2019 HK$'000 (unaudited)	30.6.2018 HK$'000 (unaudited)
Gain on disposal of property, plant and equipment	**—**	7,568
Change in fair value of investment properties classified as held for sale	**1,700**	600
Net exchange gain (loss)	**67**	(43)
	1,767	8,125

For the six months ended 30 June 2019

6. Loss Before Taxation

	Six months ended	
	30.6.2019	30.6.2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Loss before taxation has been arrived at after charging (crediting):		
Operating lease rentals in respect of		
— rented premises (minimum lease payments)	**N/A**	1,700
— retail stores (including in selling and distribution costs)		
— minimum lease payments	**N/A**	27,370
— contingent rent (note)	**N/A**	1,727
	N/A	29,097
— department store counters (including concessionaire commission) (included in selling and distribution costs)		
— minimum lease payments	**N/A**	14,870
— contingent rent (note)	**N/A**	1,091
	N/A	15,961
	N/A	46,758
Short-term lease payments	**31,414**	N/A
Depreciation of property, plant and equipment	**14,444**	1,725
Premium charges on a life insurance policy	**13**	13
Staff costs, including directors' emoluments	**48,834**	43,033
Rental income	**(200)**	(458)
Interest income	**(5)**	(3)
Imputed interest income on rental deposits	**(106)**	N/A
Imputed interest income from deposits and prepayment for a life insurance policy	**(16)**	(16)

Note: The contingent rent referred to the operating lease rentals based on pre-determined percentages to realised sales less basic rentals of the respective leases.

7. Taxation

	Six months ended	
	30.6.2019	30.6.2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax		
Hong Kong Profits Tax	**525**	—
Macau Complementary Tax	**127**	64
	652	64

The Company, which was incorporated in the Cayman Islands, together with those group entities incorporated in the British Virgin Islands, have no assessable profits for both periods.

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits rates regime, the first HK$2 million of assessable profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. Accordingly, starting from the year ended 31 December 2018, the Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits for the qualifying group entity and at 16.5% on the estimated assessable profits above HK$2 million.

No provision for Hong Kong Profits Tax was made in the condensed consolidated financial statements for the six months ended 30 June 2018 as the subsidiaries operating in Hong Kong had no assessable profits for the period.

Macau Complementary Tax is calculated at progressive rates ranging from 9% to 12% (six months ended 30 June 2018: 9% to 12%) on the estimated assessable profit for the period.

Under the applicable corporate tax law in Australia, income tax is charged at 30% of the estimated assessable profit. No provision for Australian income tax has been made in the condensed consolidated financial statements as the subsidiary operating in Australia has no assessable profits for the six months ended 30 June 2019.

Under the Law of the People's Republic of China ("PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% (six months ended 30 June 2018: 25%). No provision for PRC Enterprise Income Tax has been made in the condensed consolidated financial statements as the subsidiaries operating in the PRC have no assessable profits for both periods.

For the six months ended 30 June 2019

8. Dividends

No dividend was paid, declared or proposed during the interim period (six months ended 30 June 2018: nil). The directors of the Company have determined that no dividend will be paid in respect of the interim period.

9. Loss Per Share

The calculation of the basic loss per share for the six months ended 30 June 2019 is based on the loss for the period attributable to owners of the Company and the weighted average number of 214,000,000 (six months ended 30 June 2018: 209,436,464) ordinary shares in issue during the period.

No diluted loss per share is presented as there are no potential ordinary shares in issue during both periods.

10. Property, Plant and Equipment

During the six months ended 30 June 2019, the Group spent HK$2,351,000 (six months ended 30 June 2018: HK$848,000) on purchase of property, plant and equipment.

During the six months ended 30 June 2019, the Group entered into a new lease agreements for the use of retail shop and office for 2 years. The Group is required to make fixed monthly payments during the contract period. On lease commencement during the current interim period, the Group recognised HK$4,176,000 of right-of-use assets and HK$4,145,000 of lease liabilities.

During the six months ended 30 June 2018, the Group also disposed of certain property, plant and equipment with carrying amount of HK$25,563,000 (six months ended 30 June 2019: nil) at net consideration of HK$33,131,000 (six months ended 30 June 2019: nil) resulting in a gain on disposal of HK$7,568,000 (six months ended 30 June 2019: nil).

11. Trade and Other Receivables

Retail sales of footwear products are made at retail shops and concession counters in department stores. The department stores collect payments from the ultimate customers and then repay the balance after deducting the concessionaire commission to the Group. The credit period granted to department stores range from 30 to 60 days. Sales made at retail shops are settled by cash or credit cards. For wholesale of footwear products, trading of healthcare products and provision of financial services, the Group allows a credit period ranging from 30 to 90 days to its trade customers. The following is an aging analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	At 30.6.2019 HK$'000 (unaudited)	At 31.12.2018 HK$'000 (audited)
Within 30 days	**19,227**	16,167
31 to 60 days	**3,231**	1,456
61 to 90 days	**1,379**	1,501
Over 90 days	**1,404**	1,751
	25,241	20,875

12. Assets Classified as Held for Sale

On 30 November 2018, an indirect wholly owned subsidiary of the Company entered into sale and purchase agreements with independent third parties to dispose of the Group's investment properties. The fair values of investment properties are measured at their fair values using direct comparison method. The directors of the Company assessed whether the held-for-sale criteria set out in HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are met. Taking into account (a) the fact that the subject properties are immediately available for sale, and (b) the conditions to be met to complete the disposal as set out in the terms of the relevant agreements, the directors of the Company believe that the disposals will be completed on or before 1 September 2019 and accordingly the relevant investment properties were classified as held for sale at 30 June 2019 and 31 December 2018.

The fair value of the Group's investment properties classified as held for sale as at 30 June 2019 and 31 December 2018 has been arrived at on the basis of a valuation carried out on the respective dates by ROMA Appraisals Limited, an independent firm of professional valuers not connected to the Group and being a member of Hong Kong Institute of Surveyors.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The fair value was determined based on direct comparison method assuming sales of each of the property interests in their existing states and making references to comparable market observable transactions of similar properties in similar locations and conditions as available in the relevant market. Those comparable properties are analysed and carefully weighed against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value.

The resulting increase in fair value of investment properties classified as held for sale of HK$1,700,000 (six months ended 30 June 2018: HK$600,000) has been recognised directly in profit or loss for the six months ended 30 June 2019.

13. Trade and Other Payables

The following is an aging analysis of trade payables based on invoice date at the end of the reporting period:

	At 30.6.2019 HK$'000 (unaudited)	At 31.12.2018 HK$'000 (audited)
Within 30 days	**1,311**	1,545
31 to 60 days	**802**	9,610
61 to 90 days	**204**	—
Over 90 days	**15**	151
	2,332	11,306

The average credit period of trade payables is 30 days.

For the six months ended 30 June 2019

14. Amount due to an Associate

The amount is unsecured, interest-free and repayable on demand.

15. Share Capital

The movement in share capital of the Company are as follows:

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2018, 30 June 2018, 1 January 2019 and 30 June 2019	500,000,000	5,000
Issued and fully paid:		
At 1 January 2018	200,000,000	2,000
Placing of shares (note)	14,000,000	140
As at 30 June 2018, 1 January 2019 and 30 June 2019	214,000,000	2,140

Note: On 1 March 2018, the Company issued 14,000,000 ordinary shares of HK$0.01 at HK$3.98 per shares by way of placing mainly to finance the acquisition of subsidiaries and future investment or new business development. All shares issued rank pari passu in all respects with the then existing shares.

16. Fair Value of Measurements of Financial Instruments

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

17. Related Party Transactions

In addition to the transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group had entered into the following related party transactions:

		Six months ended	
Name of related companies	**Nature of transactions**	**30.6.2019 HK$'000 (unaudited)**	30.6.2018 HK$'000 (unaudited)
Pharma Science Australia Pty. Ltd. (note)	Purchase of goods	**2,281**	—
	Management fee	**865**	—
Dermace Pty. Ltd. (note)	Purchase of goods	**499**	—

Note: These companies are subsidiaries of the Group's associate.

Compensation of key management personnel

The remuneration of key management of the Group during the period was as follows:

	Six months ended	
	30.6.2019 HK$'000 (unaudited)	30.6.2018 HK$'000 (unaudited)
Fees, salaries and allowance	**2,978**	2,297
Retirement benefit schemes contributions	**54**	53
	3,032	2,350

Key management personnel are deemed to be members of the Board of Directors of the Company which has the responsibility for planning, directing and controlling the activities of the Group.

18. Event after the Reporting Period

On 3 June 2019, an indirect wholly-owned subsidiary of the Company entered into an equity transfer agreement with connected persons of the Company to acquire entire equity interests in Shangying Internet Medical (Shanghai) Co. Limited at a cash consideration of RMB100,000. The acquisition was completed on 19 August 2019. Details of the acquisition was disclosed in the announcement of the Company dated 3 June 2019.

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2019, the interests of the directors of the Company in the shares, underlying shares or debentures of the Company and/or its associated corporations, which were required, pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as contained in Appendix 10 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), to be notified to the Company and the Stock Exchange, were as follows:

(A) Long position in the shares of the Company

Name of director	Nature of interests	Note	Number of the Company's shares interested	Percentage of the Company's issued share capital+
Mr. Yang Jun	Interest held by controlled corporations	1	149,993,617	70.09%
Mr. Chu Chun Ho, Dominic	Person having a security interest in shares	2	30,000,000	14.02%

Notes:

(1) These shares were held by Shang Ying Financial Holding Co., Limited ("Shang Ying Financial"), a wholly-owned subsidiary of Shang Ying International Holdings Limited ("Shang Ying International"), which was in turn wholly owned by Mr. Yang Jun. Accordingly, Mr. Yang Jun was deemed to be interested in these shares of the Company pursuant to Part XV of the SFO.

(2) Mr. Chu Chun Ho, Dominic and Mr. Chong Hot Hoi (a former director of the Company) were jointly having security interest in these shares of the Company.

+ The percentage represents the number of the Company's shares interested divided by the number of the Company's issued shares as at 30 June 2019.

(B) Long position in the shares of associated corporations of the Company

Name of associated corporation	Name of director	Nature of interests	Number of the associated corporation's shares interested	Percentage of the associated corporation's issued share capital+
Shang Ying Financial	Mr. Yang Jun	Interest held by controlled corporation	10,000	100%
Shang Ying International	Mr. Yang Jun	Beneficial owner	100	100%

Note: Mr. Yang Jun held the entire issued share capital of Shang Ying International, which in turn held the entire issued share capital of Shang Ying Financial. As Shang Ying Financial held more than 50% of the issued share capital of the Company, and Shang Ying International held more than 50% of the issued share capital of Shang Ying Financial, Shang Ying Financial and Shang Ying International were the associated corporations of the Company within the meaning of Part XV of the SFO.

+ The percentage represents the number of the associated corporation's shares interested divided by the number of the associated corporation's issued shares as at 30 June 2019.

Save as disclosed above, as at 30 June 2019, none of the directors or chief executive of the Company had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2019, the following parties had interests of 5% or more of the issued share capital of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long position in the shares of the Company

Name of shareholder	Nature of interests	Note	Number of the Company's shares interested	Percentage of the Company's issued share capital+
Shang Ying Financial	Beneficial owner	1	149,993,617	70.09%
Great Wall International Investment X Limited	Person having a security interest in shares	2	119,993,617	56.07%
China Great Wall AMC (International) Holdings Company Limited	Interest held by controlled corporation	2	119,993,617	56.07%
China Great Wall Asset Management Co., Limited	Interest held by controlled corporations	2	119,993,617	56.07%
Mr. Chong Hot Hoi	Person having a security interest in shares	3	30,000,000	14.02%

Notes:

(1) The above interest of Shang Ying Financial was also disclosed as the interest of Mr. Yang Jun in the above section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares".

(2) These shares held by Shang Ying Financial were pledged to Great Wall International Investment X Limited ("Great Wall X") to secure the repayment, obligations and responsibilities of a loan made by Great Wall X to Shang Ying Financial. Great Wall X was therefore deemed to be interested in these shares of the Company pursuant to Part XV of the SFO. In addition, the issued share capital of Great Wall X was wholly owned by China Great Wall AMC (International) Holdings Company Limited ("China Great Wall AMC"), which was in turn wholly owned by China Great Wall Asset Management Co., Ltd. ("China Great Wall"). Accordingly, China Great Wall and China Great Wall AMC were deemed to be interested in these shares of the Company which were deemed to be interested by Great Wall X pursuant to Part XV of the SFO.

(3) The above interest of Mr. Chong Hot Hoi was also disclosed as the interest of Mr. Chu Chun Ho, Dominic in the above section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares".

+ The percentage represents the number of the Company's shares interested divided by the number of the Company's issued shares as at 30 June 2019.

Save as disclosed above, as at 30 June 2019, no person, other than the directors of the Company whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above, had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") on 11 June 2013. The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants to (i) motivate them to optimize their performance and efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain ongoing business relationship with eligible participants whose contributions are, will or expected to be beneficial to the Group.

The Board may, at its absolute discretion, grant an option to eligible participant(s) to subscribe for the shares of the Company at an exercise price and subject to the other terms of the Share Option Scheme. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 20,000,000 shares, being approximately 9.35% of the total number of shares of the Company in issue at the date of this report.

The Share Option Scheme will remain in force for a period of ten years from its adoption date. Subject to certain restrictions contained in the Share Option Scheme, an option may be exercised in accordance with the terms of the Share Option Scheme and the terms of grant thereof at any time during the applicable option period, which is not more than ten years from the date of grant of option. There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme. However, at the time of granting any option, the Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations including (without limitation) those in relation to the minimum period of the options to be held and/or the performance targets to be achieved as the Board may determine at its absolute discretion. The directors of the Company confirm that the Share Option Scheme is in compliance with Chapter 17 of the Listing Rules. Up to the date of this report, no option had been granted by the Company under the Share Option Scheme.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

Corporate Governance

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules during the Reporting Period.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as its own code of conduct regarding directors' dealings in the Company's securities. Following specific enquiry made to the directors of the Company, each of them has confirmed their compliance with the required standard set out in the Model Code throughout the Reporting Period.

Compliance with the Written Guidelines for Securities Transactions by the Relevant Employees of the Company

The Company has established written guidelines for the relevant employees of the Company (the "Relevant Employees") in respect of their dealings in the securities of the Company (the "Written Guidelines") on terms no less exacting than the required standard set out in the Model Code. For this purpose, "Relevant Employee" includes any employee of the Company or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to possess inside information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines was noted by the Company during the Reporting Period.

Audit Committee

The audit committee (comprising the existing independent non-executive directors of the Company, namely Mr. Lum Pak Sum, Mr. Xie Rongxing and Mr. Chen Huigang) has reviewed with management the principal accounting policies adopted by the Group and discussed the risk management, internal controls and financial reporting matters, including a review of the interim financial statements for the Reporting Period.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, as at 30 June 2019 and the date of this report, the Company has maintained the prescribed minimum public float as required under the Listing Rules.

Update on Director's Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of director of the Company are set out as follows:

- Mr. Lum Pak Sum has resigned as an independent non-executive director of Yuhua Energy Holdings Limited (a company listed on the Stock Exchange; stock code: 2728) with effect from 25 April 2019, and has been appointed as a non-executive director of Sunway International Holdings Limited (a company listed on the Stock Exchange; stock code: 58) with effect from 28 May 2019.

Publication of Interim Results Announcement and Interim Report

The interim results announcement of the Company has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.s-culture.com). This 2019 interim report, containing all the information required by the Listing Rules, has also been published on the above websites.

Appreciation

The Board would like to thank the management of the Group and all our staff for their hard work and dedication, as well as its shareholders, business partners and associates, bankers and auditors for their support to the Group.