



# SYMPHONY

新豐集團有限公司

SYMPHONY HOLDINGS LIMITED

STOCK CODE 01223

## INTERIM REPORT 2020





**MIX**  
Paper from  
responsible sources  
**FSC™ C004888**

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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

Ms. Chow So Ying Anna (*Resigned on 30 June 2020*)

Ms. So Wai Yee (*Appointed on 30 June 2020 and resigned on 11 August 2020*)

## 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

## HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

10/F., Island Place Tower

510 King's Road

North Point

Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

## HONG KONG SHARE REGISTRAR

Tricor Tengis Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

## PRINCIPAL BANKERS

Hang Seng Bank Limited

The Bank of East Asia, Limited

First Commercial Bank Limited

Bank of China (Hong Kong) Limited

## WEBSITE

[www.symphonyholdings.com](http://www.symphonyholdings.com)

## STOCK CODE

1223

# Chairman's Statement

Dear Shareholders,

On behalf of the board (the **"Board"**) of directors (the **"Directors"**) of Symphony Holdings Limited (the **"Company"**), I hereby present the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the **"Group"**) for the six months ended 30 June 2020 (the **"Period"**) together with comparative amounts for the corresponding period in 2019 (the **"Corresponding Period"**).

## BUSINESS REVIEW

### Macro analysis

In the first half of 2020, different major sports events were suspended due to the COVID-19 pandemic and some countries have implemented stay-at-home measures. During the Period, many people who stayed at home to avoid the pandemic might experience anxiety due to life constraints, while sports could effectively relieve people's mental stress. According to the research of ASICS, a sports brand, running has become the most preferred sport in the context of social distancing and closure of outdoor public venues. 73% of the exercisers worldwide have responded that they will continue their current running habits after the pandemic is over to enhance physique and immunity, which will undoubtedly bring vibrancy to the recovery of the sports industry.

### Acquiring the SKINS brand, continues to increase investments in sports retail business

The **"SKINS"** brand owned by the Group has already been re-launched into the market in the first half of 2020. Currently, it mainly sells compression products worldwide through e-commerce and regional distribution. The main function of the **"SKINS"** compression sportswear is to effectively extrude different parts of the body to facilitate blood circulation while reducing post-exercise pain. The Group plans to expand its flagship series to the Greater China region in the second half of 2020, and is currently promoting in-depth cooperation with international business giants to expand the business presence of the **"SKINS"** brand.

The Group also owns an international sports brand, **"PONY"**, which recorded stable performance during the COVID-19 pandemic and is currently at its business model adjustment stage. The Group expects that, with the optimization and enrichment of **"PONY"** footwear product lines and the refined apparel category strategy, it will enhance the brand recognition of **"PONY"** among consumers effectively, thereby stimulating business growth.

Moreover, the sales performance of the water sports brand, **"arena"**, operated by the Group's joint venture in China, in the first half of 2020 was lacklustre when compared with the same period of last year. This was mainly due to the significant decrease in the number of participants taking part in both indoor and outdoor sports activities as a result of the enforcement of stay-at-home measures. The Group will continue to optimise its product design and improve its products catalog in the second half of 2020 for the Tokyo Olympics in 2021. With the pandemic situation in China mitigated, along with the governments' determination to reactivate the economy, the Group expects recovery measures will be implemented to boost the economy in the second half of 2020 and predicts that the retail market will rejuvenate.

### Park Outlets develop steadily and form a business district

The Group invests and operates outlets (the **"Outlets"**) and community malls in cities, such as Xiamen, Shenyang, Tianjin and Chongqing. By leveraging the convenient location advantage in the metro district as well as reasonable business combination, the traffic flow of the Outlets and community malls has quickly resumed to their usual level after the pandemic situation has come under control. For example, the visitor traffic and sales volume of the shopping mall in Shenyang Park Outlets have gradually returned to its previous year level since brand shops have resumed their operations successively. During the last Labour Day Golden Week holiday in China, the shopping mall launched holiday discounts activities for several days to stimulate spending and had successfully attracted many people for shopping.

# Chairman's Statement

## **BUSINESS REVIEW** *(Continued)*

### **Park Outlets develop steadily and form a business district** *(Continued)*

Moreover, as affected by the COVID-19 outbreak, brand suppliers are now anxious to tackle a series of problems such as sales deferral and inventory pile-up, so their dependence on the Outlets has escalated, which will in turn create more opportunities for the Outlets. In view of this, the Group has accelerated its efforts to expand the commercial area in the northern zone of Shenyang Park Outlets, and plans to commence business operations in the second half of next year, so as to augment its business scale as well as the number of brand tenants.

Furthermore, the community malls owned by the Group are positioned as providers of people's livelihood necessities. The operations were shut-down temporarily during the COVID-19 outbreak due to the PRC government's measures. The Group has also offered appropriate lease concessions to brand tenants to demonstrate sound cooperative relationships. In the second half of 2020, the Group will continue to improve the operating conditions in community malls, with the aim of enhancing its bargaining power to increase rental income after the operating environment is gradually improved in the future.

### **Increasing awareness on COVID-19 pandemic prevention and demand for face masks has exceeded supply**

During the COVID-19 outbreak in Hong Kong, the health products produced by Supremium Bio-Technology Limited under the Group are widely welcomed by the public. By leveraging the opportunity brought about by the industry turmoil, the Group has successfully explored more local retailers and channel resources, established our own brand, and also launched a series of household health products to tackle the COVID-19 outbreak and satisfy rigid market demands. Such products embrace high specification medical thermometers, face masks, hand sanitizers and alcohol tissue papers, helping the public to improve their immunity. However, sporadic social movements are still going on, which may cast varying degrees of impacts on the retail markets in Hong Kong.

### **Financial innovation and media business acquisition**

The Special Purpose Acquisition Company, established by the Group in partnership with an international fund in 2018, has completed a merger with a mobile digital media company at the beginning of 2020. The venture explores consumers' living demands from multiple dimensions through the integration of different lifestyle contents, including short videos, online variety shows, online TV shows, live broadcasts and mobile applications (APP). However, the continuous COVID-19 outbreak and the new round of Sino-US trade war have hazed the global financial market in the first half of 2020 and posed significant stock market fluctuations, whereby may exert temporary impact on the financial assets held by the Group.

**Cheng Tun Nei**

*Chairman*

Hong Kong, 31 August 2020

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Overview of Interim Results

For the Period, the Group's overall revenue decreased by approximately 37.2% to approximately HKD121.8 million (2019: approximately HKD193.8 million) of which approximately HKD35.1 million (2019: approximately HKD108.4 million) were attributable to the retailing and sourcing business. The Group recorded an unaudited consolidated loss attributable to owners of the Company of approximately HKD166.2 million for the Period, compared with a profit of approximately HKD39.1 million recorded in the Corresponding Period, representing a decrease of approximately 525.4% or approximately HKD205.3 million. This was primarily due to the suspension of different major sports events as a result of the COVID-19 pandemic and stay-at-home measures implemented by certain countries. As a result, the Group recorded a basic loss per share of approximately HK5.59 cents for the Period, as compared to a basic earnings per share of approximately HK1.31 cents in the Corresponding Period.

### Revenue

#### *Retailing and Sourcing*

The Group's retailing and sourcing business comprises (i) retailing and provisions of sourcing services for branded apparel, swimwear and accessories in the PRC region; and (ii) sourcing, manufacturing and trading of healthcare products in Hong Kong. Revenue for the Period amounted to approximately HKD35.1 million (2019: approximately HKD108.4 million), representing a decrease of approximately 67.6%. Segment loss for the Period amounted to approximately HKD27.3 million (2019: segment profit of approximately HKD2.8 million).

#### *Branding*

The development and management of "PONY" and "SKINS" trademarks derive revenue from sale of goods and royalty income in a worldwide basis. For the Period, the business generated a revenue of approximately HKD8.0 million (2019: approximately HKD8.9 million) and recorded a segment loss of approximately HKD1.7 million (2019: segment profit of approximately HKD2.0 million).

#### *Property Investment and Holding*

As at 30 June 2020, the Group's 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, which were held under either medium or long-term leases and for the purpose of either earning rental income or capital appreciation. The Group recorded rental income of approximately HKD27.1 million (2019: approximately HKD32.6 million) and decrease in fair value of approximately HKD7.0 million (2019: increase in fair value of approximately HKD46.3 million) arising from change in fair value of investment properties.

#### *Outlet Malls*

As at 30 June 2020, the Group managed and operated outlet malls in Xiamen and Shenyang of the PRC. For the Period, the business generated a revenue of approximately HKD38.0 million (2019: approximately HKD23.8 million) and recorded a segment loss of approximately HKD30.7 million (2019: segment loss of approximately HKD16.9 million).

#### *Financial Services*

The financial services business continues to generate service income or interest income from the provisions of securities brokerage, margin financing, money lending, underwriting and placing of listed securities and financial consultancy services in Hong Kong. A revenue of approximately HKD13.6 million (2019: approximately HKD20.2 million) and a segment loss of approximately HKD70.0 million (2019: segment profit of approximately HKD11.2 million) were recorded for the Period.

# Management Discussion and Analysis

## FINANCIAL REVIEW *(Continued)*

### Cost of sales, gross profit and gross profit margin

Cost of sales mainly consists of the cost of goods sold. The cost of sales decreased from approximately HKD53.9 million for the Corresponding Period to approximately HKD40.7 million for the Period, representing a decrease of approximately 24.5%.

Gross profit for the Period amounted to approximately HKD81.1 million, representing a decrease of approximately HKD58.8 million or approximately 42.1% as compared with that of approximately HKD139.9 million for the Corresponding Period.

The gross profit margin for the Period was approximately 66.6% (2019: approximately 72.2%).

### Other income and gains

Other income and gains mainly comprised of the reimbursement income from the outlet tenants. The other income and gains decreased from approximately HKD23.7 million for the Corresponding Period to approximately HKD12.6 million for the Period, representing a decrease of approximately 46.9%.

### Distribution and selling expenses

Distribution and selling expenses mainly comprised of the advertising and promotion expenses and salaries costs. The distribution and selling expenses decreased from approximately HKD51.1 million for the Corresponding Period to approximately HKD36.8 million for the Period, representing a decrease of approximately 28.0%.

### Administrative expenses

Administrative expenses remained stable, which decreased from approximately HKD59.7 million for the Corresponding Period to approximately HKD59.3 million for the Period. The administrative expenses mainly comprised of professional expenses and staff costs.

### Finance costs

The finance costs of the Group for the Period amounted to approximately HKD36.9 million, representing an increase of approximately HKD12.4 million or approximately 50.7% as compared to that of approximately HKD24.5 million for the Corresponding Period. The increase was primarily due to the increase in bank borrowings during the Period as compared to the Corresponding Period.

### Impairment loss on financial assets

The impairment loss on financial assets of the Group for the Period amounted to approximately HKD6.5 million, representing an increase of approximately HKD2.5 million as compared to that of approximately HKD4.0 million for the Corresponding Period. The impairment loss on financial assets mainly comprised of impairment losses on amount due from an associate and trade and other receivables.

### Decrease in fair value of investment properties

The decrease in fair value of investment properties of the Group for the Period amounted to approximately HKD7.0 million as compared to that of the fair value gain of investment properties of approximately HKD46.3 million for the Corresponding Period. The decrease was primarily due to the economic uncertainty in Hong Kong and the PRC property market.

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

The fair value loss of financial assets at fair value through profit or loss of the Group for the Period amounted to approximately HKD72.1 million, representing a fair value loss of approximately HKD73.4 million as compared to the fair value gain of financial assets at fair value through profit or loss of approximately HKD1.3 million for the Corresponding Period. The decrease was primarily attributable to the decrease in market value of unlisted investment outside Hong Kong.



# Management Discussion and Analysis

## FINANCIAL REVIEW *(Continued)*

### Income tax expense

The income tax expense of the Group for the Period amounted to approximately HKD2.8 million, representing a decrease of approximately HKD6.2 million or approximately 69.4% as compared to that of approximately HKD9.0 million for the Corresponding Period. The decrease was mainly due to the movement of the deferred tax in respect of property revaluation during the Period.

### Loss for the period attributable to owners of the Company

The Group reported a loss attributable to owners of approximately HKD166.2 million for the Period as compared to profit attributable to owners of approximately HKD39.1 million for the Corresponding Period. The loss attributable to owners of the Company was mainly due to the fair value loss of financial assets at fair value through profit or loss, the decrease in fair value of investment properties and the outbreak of the COVID-19 pandemic which caused disruption to certain business activities of the Group where the operating revenue of the Group has significantly deteriorated.

## MARKET INFORMATION

During the Period, revenue from the PRC, Hong Kong and other Asian countries comprised approximately 96.1% (30 June 2019: approximately 97.6%) of the total revenue with the remaining approximately 3.9% (30 June 2019: approximately 2.4%) shared between the United States of America and other countries.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group had bank balances and cash amounted to approximately HKD307.4 million (31 December 2019: approximately HKD129.8 million). The Group was offered banking facilities amounting to approximately HKD1,646 million (31 December 2019: approximately HKD1,426 million).

As at 30 June 2020, the Group's bank borrowings was approximately HKD1,630.3 million (31 December 2019: approximately HKD1,410.9 million). The Group has variable interest rate bank borrowings which carry interest ranging from approximately 2.0% to 6.0% (six months ended 30 June 2019: approximately 4.0% to 5.9%) per annum. The weighted average effective interest rate of the Group's bank loans was approximately 3.6% (30 June 2019: approximately 4.8% per annum). Gearing ratio of the Group which was expressed as a percentage of total outstanding net debt (being the total borrowings less bank balances and cash) to total equity, was approximately 48.9% (31 December 2019: approximately 43.7%).

As at 30 June 2020, current assets and current liabilities of the Group were approximately HKD1,046.4 million (31 December 2019: approximately HKD997.6 million) and approximately HKD495.3 million (31 December 2019: approximately HKD557.6 million) respectively. Accordingly, the Group's current ratio expressed as current assets to current liabilities was approximately 2.11 as at 30 June 2020 (31 December 2019: approximately 1.79).

## PLEDGE OF ASSETS

The Group had pledged certain of its leasehold land and buildings, investment properties, right-of-use assets and restricted bank deposits, with carrying amounts of approximately HKD1,584.7 million, HKD1,283.8 million, HKD474.8 million and HKD37.0 million as at 30 June 2020 (31 December 2019: approximately HKD282.0 million, HKD1,314.4 million, HKD269.1 million and HKD37.2 million) respectively, to secure banking facilities granted to the Group.

## CAPITAL COMMITMENTS

As at 30 June 2020, the capital commitments of the Group were approximately HKD70.4 million (31 December 2019: approximately HKD51.4 million) in respect of construction costs of outlet mall buildings located in Shenyang, the PRC, which were not provided for in the consolidated financial statements.

# Management Discussion and Analysis

## CAPITAL EXPENDITURES

The capital expenditures, which mainly represented purchase of property, plant and equipment (include leasehold improvement), payment for construction costs and interest expenses of bank borrowings and directly attributable costs being capitalised to construction in progress of the outlet mall located in Xiamen and Shenyang, the PRC, which is classified as property, plant and equipment and purchase of intangible assets were approximately HK\$65.4 million in total for the Period (six months ended 30 June 2019: approximately HK\$180.4 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 the PRC Enterprise Income Tax, if any, are disclosed in Note 26 to the condensed consolidated interim financial statements.

## EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the total number of employees of the Group was 427 (30 June 2019: 416). Employee costs (excluding directors' emoluments) amounted to approximately HKD34.3 million (30 June 2019: approximately HKD34.4 million).

In addition to competitive remuneration packages, discretionary bonus and employee share options are offered to eligible staff of the Group 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 purposes. However, the management monitors foreign exchange exposure from time to time. Appropriate measures would be undertaken by the Group when exchange rate fluctuations become significant.

## EVENTS AFTER THE PERIOD

There were no significant events affecting the Group that had occurred after 30 June 2020 and up to date of this report.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend (30 June 2019: Nil) for the Period.

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

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

## FUTURE PROSPECTS

Having undergone the impact from the COVID-19 outbreak, people have strengthened the awareness in exercising their bodies, which have also stimulated the sporting consumption demand substantially at the same time. The Group believes that, taken into account of various positive factors including sporting policies, exercising and body-building trends and consumption upgrading in the future, sports shoes and sports clothing-related industries may still be able to maintain a stable growth in the post-pandemic era. Looking forward to the second half of 2020, apart from improving product design and cost control, the Group will spend more effort to promote its sports brands and retail business, striving to quickly grasp the development opportunities after the COVID-19 outbreak and repay our shareholders and investors for their continuous support to the Group.

## Other Information

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

As at 30 June 2020, the interests and short positions of the Directors and chief executives and their associates of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the 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	111,880,000 1,071,190,000	1,183,070,000 (Note 1)	39.78%
Chan Kar Lee Gary	Beneficial owner	9,000,000	9,000,000	0.30%
Lee Cheung Ming ("Mr. Lee")	Beneficial owner Interest of spouse	94,050,000 2,000,000	96,050,000 (Note 2)	3.23%
Shum Pui Kay	Beneficial owner	10,000,000	10,000,000	0.34%

#### Notes:

1. Mr. Cheng owned the entire issued share capital of Goldsilk Capital Limited ("Goldsilk"). As at 30 June 2020, Goldsilk was directly interested in 1,071,190,000 shares of the Company. Together with his direct interest as beneficial owner of 111,880,000 shares of the Company, Mr. Cheng was deemed to be interested in 1,183,070,000 shares in total.
2. Mr. Lee is directly interested in 94,050,000 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 96,050,000 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 of the Company, 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 2020.

## Other Information

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

As at 30 June 2020, the following interests and short positions of 5% or more of the issued share capital and underlying shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

#### Long positions in the 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	111,880,000 1,071,190,000	1,183,070,000 (Note 1)	39.78%
Li Wa Hei (" <b>Madam Li</b> ")	Interest of spouse	1,183,070,000	1,183,070,000 (Note 1)	39.78%
Goldsilk	Beneficial owner	1,071,190,000	1,071,190,000 (Note 1)	36.02%
Or Ching Fai (" <b>Mr. Or</b> ")	Beneficial owner Interest held jointly with another person	350,000,000 120,000,000	470,000,000 (Note 2)	15.80%
Wong Lai Ning (" <b>Madam Wong</b> ")	Interest held jointly with another person Interest of spouse	120,000,000 350,000,000	470,000,000 (Note 2)	15.80%
Lu Lambert	Beneficial owner	220,000,000	220,000,000	7.40%

Notes:

- As at 30 June 2020, Goldsilk was directly interested in 1,071,190,000 shares of the Company and Goldsilk is wholly owned by Mr. Cheng. Together with his directly interest as beneficial owner of 111,880,000 shares of the Company, Mr. Cheng was thus deemed to be interested in 1,183,070,000 shares of the Company. Madam Li is the wife of Mr. Cheng and she was also deemed to be interested in 1,183,070,000 shares of the Company.
- As at 30 June 2020, 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 2020.

### 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 SCHEME

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

During the six months ended 30 June 2019 and 2020, no share option was granted under the Share Option Scheme.

### CORPORATE GOVERNANCE PRACTICES

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

- (1) Under code provision A.2.1 of the CG Code, the roles of the Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. Mr. Cheng currently serves as both the Chairman and Chief Executive Officer of the Company. In view of the evolving business environment in which the Group operates, the Board is of the view that vesting the roles of both the Chairman and Chief Executive Officer of the Company on Mr. Cheng will provide the Group with strong and consistent leadership while enabling more effective and timely business planning and decision-making process.
- (2) Under code provision A.4.1 of the CG Code, non-executive Directors should be appointed for a specific term and are subject to re-election. All independent non-executive Directors of the Company were not appointed for specific term but are subject to the requirement to retire by rotation at least once every three years. The Board considers that the requirement has the same effect of accomplishing the same objective as a specific term of appointment.
- (3) The former company secretary of the Company, Ms. So Wai Yee, had resigned as company secretary of the Company with effect from 11 August 2020, as such the Company no longer complied with the requirement under Rule 3.28 of the Listing Rules and the relevant code provisions of the CG Code. The Company is in the process of identifying a suitable candidate to fill the vacancy of company secretary.

### CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in the information of the Directors is as follow:-

All executive Directors voluntarily reduced their salaries by 10% for six months starting from 1 April 2020. Please refer to the Company’s announcement dated 1 April 2020 for further details.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

### REVIEW OF INTERIM RESULTS

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

# Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 HKD'000 (Unaudited)	2019 HKD'000 (Unaudited)
Revenue	6	121,806	193,847
Cost of sales		(40,729)	(53,912)
Gross profit		81,077	139,935
Other income and gains		12,598	23,714
Distribution and selling expenses		(36,803)	(51,097)
Administrative expenses		(59,290)	(59,659)
Depreciation and amortisation expenses		(39,769)	(26,535)
Finance costs	7	(36,935)	(24,508)
Other expenses		(903)	(1,490)
Impairment losses on financial assets		(6,538)	(4,008)
(Decrease)/increase in fair value of investment properties	12	(6,956)	46,288
Share of results of joint ventures		682	7,779
Share of result of an associate		(1,643)	(858)
Fair value (loss)/gain of financial assets at fair value through profit or loss	18	(72,102)	1,274
(Loss)/profit before income tax expense	8	(166,582)	50,835
Income tax expense	9	(2,771)	(9,049)
(Loss)/profit for the period		(169,353)	41,786
<b>(Loss)/profit for the period attributable to:</b>			
Owners of the Company		(166,210)	39,068
Non-controlling interests		(3,143)	2,718
		(169,353)	41,786
<b>(Loss)/earnings per share:</b>			
Basic (loss)/earnings per share	11	HK (5.59 cents)	HK1.31 cents
Diluted (loss)/earnings per share	11	HK (5.59 cents)	HK1.31 cents

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 HKD'000 (Unaudited)	2019 HKD'000 (Unaudited)
(Loss)/profit for the period		(169,353)	41,786
<b>Other comprehensive income for the period, net of tax</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Surplus arising on revaluation of properties		21,270	22,076
Deferred tax liability arising on revaluation of properties		(5,221)	(4,106)
		16,049	17,970
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Share of other comprehensive income of joint ventures		(1,270)	75
Exchange differences arising on translation of foreign operations		(46,024)	6,172
		(47,294)	6,247
Other comprehensive income for the period, net of tax		(31,245)	24,217
<b>Total comprehensive income for the period</b>		(200,598)	66,003
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Company		(197,148)	62,966
Non-controlling interests		(3,450)	3,037
		(200,598)	66,003

# Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	30.06.2020 HKD'000 (Unaudited)	31.12.2019 HKD'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	1,672,715	1,688,077
Investment properties	12	1,470,632	1,503,312
Right-of-use assets	12	476,848	495,515
Intangible assets		240,644	241,487
Interests in joint ventures		65,279	65,868
Interest in an associate		–	–
Goodwill		141,401	141,401
Deferred tax assets		21,181	21,691
Club debenture		1,876	1,876
Restricted bank deposits		3,290	3,356
Statutory deposits for financial services business		200	200
<b>Total non-current assets</b>		<b>4,094,066</b>	<b>4,162,783</b>
<b>CURRENT ASSETS</b>			
Inventories	13	80,392	67,958
Trade and other receivables	14	164,673	190,369
Amounts due from joint ventures		7,676	10,048
Amount due from an associate	15	4,763	18,081
Advances to customers in margin financing	16	100,740	122,648
Loans receivable	17	186,127	167,193
Financial assets at fair value through profit or loss	18	145,333	240,953
Restricted bank deposits		37,043	37,174
Bank balances and cash – held on behalf of customers		12,217	13,415
Bank balances and cash		307,416	129,791
<b>Total current assets</b>		<b>1,046,380</b>	<b>997,630</b>



# Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	30.06.2020 HKD'000 (Unaudited)	31.12.2019 HKD'000 (Audited)
<b>CURRENT LIABILITIES</b>			
Trade and other payables	19	280,717	309,054
Amount due to a related party		110	112
Lease liabilities	20	1,678	11,692
Bank borrowings	21	159,675	198,822
Bank overdrafts	21	4,543	7,804
Dividend payable		23,803	–
Tax payable		24,737	30,092
<b>Total current liabilities</b>		<b>495,263</b>	<b>557,576</b>
<b>Net current assets</b>		<b>551,117</b>	<b>440,054</b>
<b>Total assets less current liabilities</b>		<b>4,645,183</b>	<b>4,602,837</b>
<b>NON-CURRENT LIABILITIES</b>			
Loan from non-controlling interests		5,362	2,114
Lease liabilities	20	179,105	173,207
Bank borrowings	21	1,470,612	1,212,079
Deferred tax liabilities		286,171	287,112
<b>Total non-current liabilities</b>		<b>1,941,250</b>	<b>1,674,512</b>
<b>Net Assets</b>		<b>2,703,933</b>	<b>2,928,325</b>
<b>Equity</b>			
Share capital	22	297,422	297,422
Reserves		2,399,123	2,620,065
<b>Equity attributable to owners of the Company</b>		<b>2,696,545</b>	<b>2,917,487</b>
Non-controlling interests		7,388	10,838
<b>Total Equity</b>		<b>2,703,933</b>	<b>2,928,325</b>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the Company						Total 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	Retained profits HKD'000			
Balance at 1 January 2019 (audited)	297,403	523,213	1,071,484	243,778	(66,961)	501,911	2,570,828	43,039	2,613,867
Profit for the period	-	-	-	-	-	39,068	39,068	2,718	41,786
Surplus arising on revaluation of properties	-	-	-	22,076	-	-	22,076	-	22,076
Deferred tax liability arising on revaluation of properties	-	-	-	(4,106)	-	-	(4,106)	-	(4,106)
Share of other comprehensive income of joint ventures	-	-	-	-	75	-	75	-	75
Exchange differences arising on translation of foreign operations	-	-	-	-	5,853	-	5,853	319	6,172
Other comprehensive income for the period	-	-	-	17,970	5,928	-	23,898	319	24,217
Total comprehensive income for the period	-	-	-	17,970	5,928	39,068	62,966	3,037	66,003
Exercise of warrants	13	-	118	-	-	-	131	-	131
Dividend paid (Note 10)	-	-	-	-	-	(35,690)	(35,690)	-	(35,690)
Balance at 30 June 2019 (unaudited)	297,416	523,213	1,071,602	261,748	(61,033)	505,289	2,598,235	46,076	2,644,311

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

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 HKD'000 (Unaudited)	2019 HKD'000 (Unaudited)
<b>Cash flows from operating activities</b>		
(Loss)/profit before income tax expense	(166,582)	50,835
Adjustments for:		
Interest income	(1,980)	(3,119)
Finance costs	36,935	24,508
Share of results of joint ventures	(682)	(7,779)
Share of result of an associate	1,643	858
Depreciation of property, plant and equipment	29,154	15,754
Depreciation of right-of-use assets	8,817	8,983
Amortisation of intangible assets	1,798	1,798
Loss/(gain) on disposal of property, plant and equipment	895	(42)
Write off of property, plant and equipment	1	150
Decrease/(increase) in fair value of investment properties	6,956	(46,288)
Fair value loss/(gain) of financial assets at fair value through profit or loss	72,102	(1,274)
Recovery of bad debts written off	(804)	–
Bad debts written off	–	4
Impairment loss on financial assets	6,538	4,008
Write off of obsolete inventories	165	32
Provision of allowance for inventories	17,798	1,738
Gain on write-back of other payables	–	(14,315)
Operating cash flows before movements in working capital	12,754	35,851
Increase in inventories	(31,666)	(3,856)
Decrease/(increase) in trade and other receivables	20,320	(16,221)
Decrease/(increase) in advances to customers in margin financing	21,908	(13,611)
Increase in loans receivable	(18,934)	(59,299)
Decrease in financial assets at fair value through profit or loss	23,185	–
Decrease in bank balances and cash – held on behalf of customers	1,198	2,481
Increase/(decrease) in trade and other payables	12,191	(36,454)
<b>Cash generated from/(used in) operations</b>	40,956	(91,109)
Overseas tax paid	(8,232)	(1,622)
Hong Kong Profits Tax paid	(1,515)	(611)
<b>Net cash from/(used in) operating activities</b>	31,209	(93,342)

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 HKD'000 (Unaudited)	2019 HKD'000 (Unaudited)
<b>Cash flows from investing activities</b>		
Proceeds from reduction in the issued shares of joint ventures	–	11,402
Repayments from joint ventures	2,173	10,295
Repayment from a joint ventures partner	353	–
Repayment from/(advance to) an associate	13,035	(1,466)
Repayment to a related party	–	(10,376)
Purchases of property, plant and equipment	(18,154)	(3,216)
Proceeds from disposal of property, plant and equipment	932	49
Additions to construction in progress and buildings	(44,567)	(173,039)
Decrease of refundable deposits on construction in progress	–	29,158
Proceed from a refundable deposit for acquiring a land-use right	–	41,667
Proceeds from disposal of investment properties under construction	–	314,365
Additions to intangible assets	(955)	–
Increase in restricted bank deposits	(209)	–
Interest received	2,262	3,045
<b>Net cash (used in)/from investing activities</b>	<b>(45,130)</b>	<b>221,884</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of new shares upon exercise of warrants	–	131
Advance from a non-controlling shareholder	3,290	–
Repayments of lease liabilities	(5,079)	(5,556)
Proceeds from bank borrowings	271,096	197,124
Repayments of bank borrowings	(43,141)	(112,324)
Interest paid	(31,371)	(13,200)
<b>Net cash from financing activities</b>	<b>194,795</b>	<b>66,175</b>
<b>Net increase in cash and cash equivalents</b>	<b>180,874</b>	<b>194,717</b>
Cash and cash equivalents at the beginning of the period	121,987	125,129
Effect of foreign exchange rate changes on cash and cash equivalents	12	683
<b>Cash and cash equivalents at the end of the period</b>	<b>302,873</b>	<b>320,529</b>
<b>Analysis of the balances of cash and cash equivalents:</b>		
– Bank balances and cash	307,416	325,030
– Bank overdrafts	(4,543)	(4,501)
	<b>302,873</b>	<b>320,529</b>

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

## 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 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 1 March 1995. The addresses of the Company’s registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is 10th Floor, Island Place Tower, 510 King’s Road, North Point, Hong Kong.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the “**Group**”) mainly consist of: (i) retailing and provisions of sourcing services for branded apparel, swimwear and accessories, and sourcing, manufacturing and trading of healthcare products; (ii) development and management of “PONY” and “SKINS” trademarks; (iii) property investment and holding; (iv) management and operation of outlet malls; (v) provisions of financial services (including securities brokerage, margin financing, money lending, underwriting and placing of listed securities and financial consultancy services); and (vi) operation of duty-free shops.

## 2. BASIS OF PREPARATION

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

These condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements (the “**2019 Annual Financial Statements**”), except for those that relate to new or revised Hong Kong Financial Reporting Standards (“**HKFRSS**”) effective for the first time for annual periods beginning on or after 1 January 2020 and expect to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in Note 4 to the condensed consolidated interim financial statements.

The preparation of these condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgements and estimates have been made in preparing the financial statements and the related effect are disclosed in Note 5 to the condensed consolidated interim financial statements.

These condensed consolidated interim financial statements are presented in Hong Kong Dollars (“**HKD**”), unless otherwise stated. These condensed consolidated interim financial statements contain the condensed consolidated statement of financial position as at 30 June 2020, and the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the period then ended, and selected explanatory notes to the condensed consolidated interim financial statements. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 Annual Financial Statements. These condensed consolidated interim financial statements and notes thereon do not include all of the information required for a complete set of financial statements prepared in accordance with the HKFRSS and should be read in conjunction with the 2019 Annual Financial Statements.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

## 3. SIGNIFICANT EVENTS

Since the World Health Organisation declared that Coronavirus Disease 2019 (“**COVID-19**”) as a global health emergency on 30 January 2020, the Group has experienced significant adverse impact against its financial position and performance subject to various emergency prevention and control measures being implemented to reduce the risk of pandemic spreading in Hong Kong and the People’s Republic of China (the “**PRC**”), where the Group mainly operates.

The enforcement of social-distancing, temporary closure of retail shops and outlet malls, reduction of market price of investments and uncertainty of global economy and capital market performance caused significant deterioration of revenue and profitability of certain operating segments as disclosed in Note 6 to the condensed consolidated interim financial statements. However, the management expects that the pandemic situation in most areas of the PRC and Hong Kong started to ease and the local governments has relaxed some of the control measures to allow public activities and provide government subsidies to assist the recovery of business.

## 4. CHANGES IN ACCOUNTING POLICIES

### Adoption of new or revised HKFRSs – effective 1 January 2020

The Group has adopted the following new or revised HKFRSs, which included Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA and relevant to the Group’s accounting policies and business operations adopted for the first time prepared and presented on the Group’s condensed consolidated interim financial statements for annual periods beginning on or after 1 January 2020:

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

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

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

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

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

## 4. CHANGES IN ACCOUNTING POLICIES (Continued)

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

#### Amendments to HKFRS 16 “COVID-19-Related Rent Concessions”

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

- (a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) There is no substantive change to other terms and conditions of the lease.

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

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

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

The Group has not early adopted the following new or revised HKFRSs that have been issued, but are not yet effective, in these condensed consolidated interim financial statements:

HKFRS 17	Insurance Contracts <sup>2</sup>
Amendments to HKAS 1	Classification of Liabilities as Current and Non-current <sup>2</sup>
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>1</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>
Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual Improvements to HKFRSs 2018-2020 <sup>1</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred or removed. Early adoption of the amendments continue to be permitted.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

## 4. CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

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

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing these condensed consolidated interim financial statements, significant judgements made by the Group’s management in applying the Group’s accounting policies and key sources of estimation uncertainty, which have significant risks of causing material adjustments to the carrying amounts of assets and liabilities presented in the condensed consolidated statement of financial position, are the same as those that were applied and disclosed in the 2019 Annual Financial Statements.

## 6. SEGMENT INFORMATION

In accordance with the Group’s internal financial reporting process to both directors and key management personnel of the Company (collectively referred to as the “**Chief Operating Decision Maker**”), the Group is broadly classified into six different operating 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 operating 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 operating segments. Financial information of the operating segments is disaggregated into segment revenue and results, segment assets and segment liabilities.

A summary of the Group’s operating segments under HKFRS 8 is classified as follows:

- Retailing and sourcing: (i) retailing and provisions of sourcing services for branded apparel, swimwear and accessories in the PRC; and (ii) sourcing, manufacturing and trading of healthcare products in Hong Kong;
- Branding: development and management of “PONY” and “SKINS” trademarks to derive revenue from sale of goods and royalty income in a worldwide basis;
- Property investment and holding: rental income from investment properties in Hong Kong and the PRC;
- Outlet malls: commission income from concessionaire sales by managing and operating outlet malls in the PRC;
- Financial services: service income or interest income from the provisions of securities brokerage, margin financing, money lending, underwriting and placing of listed securities and financial consultancy services in Hong Kong; and
- Duty free: sale of goods from duty-free shops in Taiwan.



# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

## 6. SEGMENT INFORMATION *(Continued)*

### (A) Reportable segment revenue and results (business segments)

The following is an analysis of the Group's reportable segment revenue and reportable segment profit/(loss) of different operating segments recognised during the period:

#### Six months ended 30 June 2020 (Unaudited)

	Retailing and sourcing HKD'000	Branding HKD'000	Property investment and holding HKD'000	Outlet malls HKD'000	Financial services HKD'000	Duty free HKD'000	Consolidated HKD'000
Revenue from external customers	35,120	7,971	27,089	37,999	13,627	–	121,806
Inter-segment revenue *	1,018	157	2,266	72	–	–	3,513
Reportable segment revenue	36,138	8,128	29,355	38,071	13,627	–	125,319
Reportable segment loss	(27,311)	(1,748)	(6,200)	(30,729)	(69,974)	(24)	(135,986)
<b>Reconciliation:</b>							
Interest income							1,980
Central administrative expenses							(27,781)
Share of results of joint ventures							682
Share of result of an associate							(1,643)
Impairment loss on amount due from an associate							(3,834)
Loss before income tax expense							(166,582)

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

## 6. SEGMENT INFORMATION *(Continued)*

### (A) Reportable segment revenue and results (business segments) *(Continued)*

Six months ended 30 June 2019 (Unaudited)

	Retailing and sourcing HKD'000	Branding HKD'000	Property investment and holding HKD'000	Outlet malls HKD'000	Financial services HKD'000	Duty free HKD'000	Consolidated HKD'000
Revenue from external customers	108,381	8,867	32,561	23,834	20,204	–	193,847
Inter-segment revenue *	662	–	2,171	81	–	–	2,914
Reportable segment revenue	109,043	8,867	34,732	23,915	20,204	–	196,761
Reportable segment profit/(loss)	2,835	1,979	53,039	(16,883)	11,193	(31)	52,132

#### Reconciliation:

Interest income							3,119
Gain on write-back of other payables							14,315
Central administrative expenses							(25,652)
Share of results of joint ventures							7,779
Share of result of an associate							(858)
Profit before income tax expense							50,835

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

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

## 6. SEGMENT INFORMATION (Continued)

### (B) Reportable segment revenue and results (disaggregation of revenue)

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

#### Six months ended 30 June 2020 (Unaudited)

#### Revenue from contracts with customers within the scope of HKFRS 15:

	Retailing and sourcing HKD'000	Branding HKD'000	Property investment and holding HKD'000	Outlet malls HKD'000	Financial services HKD'000	Duty free HKD'000	Consolidated HKD'000
<b>Primary geographical markets</b>							
The PRC	31,400	-	-	37,999	-	-	69,399
Hong Kong (Place of domicile)	3,720	36	-	-	2,759	-	6,515
United States of America	-	1,396	-	-	-	-	1,396
Other Asian countries (Note)	-	3,225	-	-	-	-	3,225
Others (Note)	-	3,314	-	-	-	-	3,314
<b>Total</b>	<b>35,120</b>	<b>7,971</b>	<b>-</b>	<b>37,999</b>	<b>2,759</b>	<b>-</b>	<b>83,849</b>
<b>Major products and services</b>							
Sales of goods	33,517	3,462	-	-	-	-	36,979
Commission income from concessionaire sales	-	-	-	37,999	-	-	37,999
Royalty income	-	4,509	-	-	-	-	4,509
Securities brokerage commission	-	-	-	-	893	-	893
Underwriting and placing income	-	-	-	-	1,089	-	1,089
Financial consultancy income	-	-	-	-	777	-	777
Other services income	1,603	-	-	-	-	-	1,603
<b>Total</b>	<b>35,120</b>	<b>7,971</b>	<b>-</b>	<b>37,999</b>	<b>2,759</b>	<b>-</b>	<b>83,849</b>
<b>Timing of revenue recognition</b>							
At a point in time	33,517	3,462	-	-	1,982	-	38,961
Transferred over time	1,603	4,509	-	37,999	777	-	44,888
<b>Total</b>	<b>35,120</b>	<b>7,971</b>	<b>-</b>	<b>37,999</b>	<b>2,759</b>	<b>-</b>	<b>83,849</b>

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

## 6. SEGMENT INFORMATION *(Continued)*

### (B) Reportable segment revenue and results (disaggregation of revenue) *(Continued)*

Six months ended 30 June 2020 (Unaudited) *(Continued)*

Revenue from other sources not within the scope of HKFRS 15:

	Retailing and sourcing HKD'000	Branding HKD'000	Property investment and holding HKD'000	Outlet malls HKD'000	Financial services HKD'000	Duty free HKD'000	Consolidated HKD'000
<b>Primary geographical markets</b>							
The PRC	-	-	23,111	-	-	-	23,111
Hong Kong (Place of domicile)	-	-	3,978	-	10,868	-	14,846
<b>Total</b>	-	-	27,089	-	10,868	-	37,957
<b>Major products and services</b>							
Rental income	-	-	27,089	-	-	-	27,089
Interest income	-	-	-	-	10,868	-	10,868
<b>Total</b>	-	-	27,089	-	10,868	-	37,957

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

## 6. SEGMENT INFORMATION (Continued)

### (B) Reportable segment revenue and results (disaggregation of revenue) (Continued)

Six months ended 30 June 2019 (Unaudited)

#### Revenue from contracts with customers within the scope of HKFRS 15:

	Retailing and sourcing HKD'000	Branding HKD'000	Property investment and holding HKD'000	Outlet malls HKD'000	Financial services HKD'000	Duty free HKD'000	Consolidated HKD'000
<b>Primary geographical markets</b>							
The PRC	95,671	-	-	23,834	-	-	119,505
Hong Kong (Place of domicile)	12,710	-	-	-	1,737	-	14,447
United States of America	-	2,369	-	-	-	-	2,369
Other Asian countries (Note)	-	4,292	-	-	-	-	4,292
Others (Note)	-	2,206	-	-	-	-	2,206
<b>Total</b>	<b>108,381</b>	<b>8,867</b>	<b>-</b>	<b>23,834</b>	<b>1,737</b>	<b>-</b>	<b>142,819</b>
<b>Major products and services</b>							
Sales of goods	107,967	2,851	-	-	-	-	110,818
Commission income from concessionaire sales	-	-	-	23,834	-	-	23,834
Royalty income	-	6,016	-	-	-	-	6,016
Securities brokerage commission	-	-	-	-	1,468	-	1,468
Underwriting and placing income	-	-	-	-	259	-	259
Financial consultancy income	-	-	-	-	10	-	10
Other services income	414	-	-	-	-	-	414
<b>Total</b>	<b>108,381</b>	<b>8,867</b>	<b>-</b>	<b>23,834</b>	<b>1,737</b>	<b>-</b>	<b>142,819</b>
<b>Timing of revenue recognition</b>							
At a point in time	107,967	2,851	-	-	1,727	-	112,545
Transferred over time	414	6,016	-	23,834	10	-	30,274
<b>Total</b>	<b>108,381</b>	<b>8,867</b>	<b>-</b>	<b>23,834</b>	<b>1,737</b>	<b>-</b>	<b>142,819</b>

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

## 6. SEGMENT INFORMATION *(Continued)*

### (B) Reportable segment revenue and results (disaggregation of revenue) *(Continued)*

Six months ended 30 June 2019 (Unaudited) *(Continued)*

#### Revenue from other sources not within the scope of HKFRS 15:

	Retailing and sourcing HKD'000	Branding HKD'000	Property investment and holding HKD'000	Outlet malls HKD'000	Financial services HKD'000	Duty free HKD'000	Consolidated HKD'000
<b>Primary geographical markets</b>							
The PRC	-	-	28,704	-	-	-	28,704
Hong Kong (Place of domicile)	-	-	3,857	-	18,467	-	22,324
Total	-	-	32,561	-	18,467	-	51,028
<b>Major products and services</b>							
Rental income	-	-	32,561	-	-	-	32,561
Interest income	-	-	-	-	18,467	-	18,467
Total	-	-	32,561	-	18,467	-	51,028

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

### (C) Reportable segment assets

The following is an analysis of the Group's reportable segment assets of different operating segments recognised as at 30 June 2020 and 31 December 2019:

	30.06.2020 HKD'000 (Unaudited)	31.12.2019 HKD'000 (Audited)
Retailing and sourcing	103,103	106,214
Branding	202,848	197,917
Property investment and holding	1,969,988	2,008,662
Outlet malls	1,910,115	1,966,040
Financial services	505,868	593,695
Total reportable segment assets	4,691,922	4,872,528
Unallocated	448,524	287,885
Consolidated total assets	5,140,446	5,160,413

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

## 6. SEGMENT INFORMATION *(Continued)*

### (D) Reportable segment liabilities

The following is an analysis of the Group's reportable segment liabilities of different operating segments recognised as at 30 June 2020 and 31 December 2019:

	30.06.2020 HKD'000 (Unaudited)	31.12.2019 HKD'000 (Audited)
Retailing and sourcing	51,508	27,803
Branding	14,639	15,328
Property investment and holding	203,404	207,159
Outlet malls	179,263	225,723
Financial services	12,663	17,886
Duty free	23	45
Total reportable segment liabilities	461,500	493,944
Unallocated	1,975,013	1,738,144
Consolidated total liabilities	2,436,513	2,232,088

## 7. FINANCE COSTS

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

	Six months ended 30 June	
	2020 HKD'000 (Unaudited)	2019 HKD'000 (Unaudited)
Interest expenses on bank borrowings	32,264	22,006
Interest expenses on bank overdrafts	142	89
Interest expenses on loan from non-controlling interests	52	132
Interest expenses on lease liabilities	6,245	6,444
	38,703	28,671
Less: Interest expenses being capitalised	(1,768)	(4,163)
	36,935	24,508

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

## 8. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2020 HKD'000 (Unaudited)	2019 HKD'000 (Unaudited)
Depreciation of property, plant and equipment	29,154	15,754
Loss/(gain) on disposal of property, plant and equipment, net	895	(42)
Depreciation of right-of-use assets	8,817	8,983
Amortisation of intangible assets	1,798	1,798
Provision of allowance for inventories	17,798	1,738
Cost of inventories recognised as expenses	40,729	53,912
Provision of impairment loss on financial assets:		
– Trade and other receivables	2,704	2,007
– Amount due from an associate	3,834	2,001
Foreign exchange gains, net	(670)	–
Short-term leases expenses	3,398	13,222
Directors' emoluments	3,015	3,160
Employees' costs, excluding Directors' emoluments	34,291	34,407
Gain on write-back of other payables	–	(14,315)
Interest income	(1,980)	(3,119)
Fair value loss/(gain) of financial assets at fair value through profit or loss	72,102	(1,274)
Reimbursement income from operation of outlet malls	(4,331)	(1,405)
COVID-19-related rent concessions (Note)	(1,630)	–

*Note:* During the six months ended 30 June 2020, the lessors of the retail shops and Tianjin community shopping mall provided rent concessions to the Group through rent reductions ranging from one and a half to six months. These rent concessions occurred as a direct consequence of COVID-19 pandemic, which meet of all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. The effect on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of approximately HKD1,630,000 were recognised as negative variable lease payments in profit or loss.



# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

## 9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 HKD'000 (Unaudited)	2019 HKD'000 (Unaudited)
<b>Current tax</b>		
Hong Kong		
– Profits Tax		
– Provision for the period	329	843
– Under provision in respect of prior periods	74	–
	403	843
The PRC and other jurisdictions		
– PRC Enterprise Income Tax		
– Provision for the period	1,182	1,372
– Under provision in respect of prior periods	1,702	–
	2,884	1,372
– Foreign tax		
– Provision for the period	3	302
	3,290	2,517
<b>Deferred tax</b>		
Hong Kong and the PRC		
– Profits Tax and PRC Enterprise Income Tax		
– (Reversal)/provision for the period	(519)	6,532
Income tax expense	2,771	9,049

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

## 9. INCOME TAX EXPENSE *(Continued)*

### Hong Kong Profits Tax

The provision for Hong Kong Profits Tax was calculated by applying the estimated annual effective tax rate of 16.5% (six months ended 30 June 2019: 16.5%) on the estimated assessable profits arising in Hong Kong to the six months ended 30 June 2020, except for one of the Company's subsidiaries, which satisfied the definition of "connected entity" under the Two-tiered Profit Tax Regime, to calculate the provision for Hong Kong Profits Tax for both current and prior corresponding periods in the following manner.

For this elected subsidiary, the first HKD2,000,000 of estimated assessable profits was taxed at 8.25% and the remaining assessable profits was taxed at 16.5%. The provision for Hong Kong Profits Tax for this elected subsidiary was calculated at the same basis in 2019.

### PRC Enterprise Income Tax

All of the group entities operating in the PRC were calculated by applying the estimated annual effective tax rate of 25% (six months ended 30 June 2019: 25%) on the estimated assessable profits arising in the PRC to the six months ended 30 June 2020, except for one of the Company's subsidiaries incorporated in Hong Kong and engaged in property investment business in the PRC, which is subject to a withholding tax rate of 10% (six months ended 30 June 2019: 10%) on its gross rental income, net of value-added tax, earned in the PRC, based on the existing legislation, interpretation and practices in respect thereof.

Up to date of approval and authorisation for issuance of these condensed consolidated interim financial statements, the above subsidiary engaged in the property investment business in the PRC has not filed any tax returns for reporting its PRC Enterprise Income Tax in respect of its rental income earned in the PRC. The PRC tax authority has the right to levy penalty for any late filing of tax returns. The amount of such potential penalty cannot be reliably estimated as the range of which is wide. However, for all newly signed tenancy agreements between the Group and 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 legislation, interpretation and practices in respect thereof. According to the experience of the Group's management and the above measures adopted, the amount of such potential penalty, if any, will not be material to these condensed consolidated interim financial statements. In addition, pursuant to the signed sales and purchase agreement in respect of the acquisition of the above subsidiary in the financial period of 2014, both the vendor and its 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 estimated annual effective tax rates that were expected to be applicable in the relevant jurisdictions where those overseas subsidiaries operate on the estimated assessable profits to each of the six months ended 30 June 2020 and 2019.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

## 10. DIVIDENDS

During each of the six months ended 30 June 2020 and 2019, the Board does not recommend the payment of any interim dividend to the shareholders of the Company (the "Shareholders").

The final dividend of HKD0.008 (six months ended 30 June 2019: HKD0.012) per ordinary share for the year ended 31 December 2019 (six months ended 30 June 2019: 31 December 2018), totalling approximately HKD23,794,000 (six months ended 30 June 2019: approximately HKD35,690,000), was declared and approved by the Shareholders at the annual general meeting of the Company held on 12 June 2020 and was subsequently paid in July 2020.

## 11. (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020 HKD'000 (Unaudited)	2019 HKD'000 (Unaudited)
<b>(Loss)/earnings:</b>		
(Loss)/profit for the period attributable to owners of the Company	(166,210)	39,068

	Six months ended 30 June	
	2020 Number of shares '000 (Unaudited)	2019 Number of shares '000 (Unaudited)
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss)/earnings per share	2,974,225	2,974,061
<b>(Loss)/earnings per share:</b>		
Basic (loss)/earnings per share	HK (5.59 cents)	HK1.31 cents
Diluted (loss)/earnings per share	HK (5.59 cents)	HK1.31 cents

During the six months ended 30 June 2020, the diluted loss per share is equal to basic loss per share as there were no dilutive potential ordinary shares to be issued as there was no outstanding share options and warrants.

The Company's warrants as at 30 June 2019 did not give rise to any potential dilutive effect on the basic earnings per share presented for the period then ended as the exercise price of the Company's warrants outstanding during the period then ended was higher than the average market price of the Company's shares.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

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

### Property, plant and equipment

During the six months ended 30 June 2020, the Group incurred renovation cost for buildings located in Xiamen and Shenyang, the PRC, with a total cost of approximately HKD44,567,000 (six months ended 30 June 2019: approximately HK\$173,039,000).

Except for the above additions, the Group acquired other categories of property, plant and equipment during the period, with a total cost of approximately HKD18,154,000 (six months ended 30 June 2019: approximately HKD3,216,000).

The property, plant and equipment, with a net book value of approximately HKD1,827,000 (six months ended 30 June 2019: approximately HKD7,000), was disposed of during the period, which results in a total loss on disposal of approximately HKD895,000 (six months ended 30 June 2019: gain on disposal of approximately HKD42,000).

At 30 June 2020, certain of the properties located in Hong Kong and the PRC, with carrying amounts of approximately HKD1,584,690,000 (31 December 2019: approximately HKD282,000,000), 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 2020 were performed by independent qualified valuers not connected to the Group. The valuers used the same valuation techniques as those carried out for 31 December 2019. As a result of the valuation, a decrease in fair value of investment properties, net of tax, of approximately HKD6,956,000 (six months ended 30 June 2019: increase of approximately HKD46,288,000), and deferred tax thereon, of approximately HKD1,026,000 (six months ended 30 June 2019: approximately HKD5,836,000), have been recognised in profit or loss during the period.

As at 30 June 2020, certain of the Group's investment properties with carrying amounts of approximately HKD1,283,781,000 (31 December 2019: approximately HKD1,314,428,000), are pledged to banks to secure banking facilities granted to the Group.

### Right-of-use assets

During the six months ended 30 June 2020, other than rental concessions as disclosed in Note 3 to the condensed consolidated interim financial statements, no significant lease contract was entered, modified or cancelled by the Group. The depreciation of right-of-use assets recognised during the period was approximately HKD8,817,000 (six months ended 30 June 2019: approximately HKD8,983,000).

As at 30 June 2020, certain of the Group's right-of-use assets with carrying amounts of approximately HKD474,806,000 (31 December 2019: approximately HKD269,063,000), are pledged to a bank to secure a banking facility granted to the Group.

As disclosed in Note 4 to the condensed consolidated interim financial statements, the Group has early adopted the Amendments to HKFRS 16 "COVID-19-Related Rent Concessions", and has applied the practical expedient introduced by the amendment to all eligible rent concessions received by the Group during the period.

## 13. INVENTORIES

During the six months ended 30 June 2020, a provision of allowance for inventories of approximately HKD17,798,000 (six months ended 30 June 2019: approximately HKD1,738,000) was recognised in profit or loss during the period due to a decrease in estimated net realisable value of certain categories of goods as a result of change in consumer preferences and COVID-19 pandemic which affect the demand of customers.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

## 14. TRADE AND OTHER RECEIVABLES

	30.06.2020 HKD'000 (Unaudited)	31.12.2019 HKD'000 (Audited)
<b>Trade receivables arising from:</b>		
– Other than financial services segment	32,148	39,929
– Financial services segment	10,385	12,647
Total gross carrying amount of trade receivables	42,533	52,576
Less: Loss allowances	(8,385)	(6,575)
Total trade receivables, net of loss allowances	34,148	46,001
Total gross carrying amount of other receivables, deposits and prepayments	138,464	153,188
Less: Loss allowances on other receivables	(7,939)	(8,820)
Total other receivables, net of loss allowances	130,525	144,368
Total trade and other receivables, net of loss allowances	164,673	190,369

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

	30.06.2020 HKD'000 (Unaudited)	31.12.2019 HKD'000 (Audited)
0 to 30 days	13,418	19,929
31 to 60 days	3,746	8,766
61 to 90 days	1,790	2,482
Over 90 days	15,194	14,824
	34,148	46,001

## 15. AMOUNT DUE FROM AN ASSOCIATE

At 30 June 2020 and 31 December 2019, the carrying amount of amount due from an associate was unsecured, non-interest bearing and repayable on demand. During the six months ended 30 June 2020, loss allowance of amount due from an associate was recognised, to the extent of, an amount equal to lifetime expected credit loss calculated of approximately HKD3,834,000 (six months ended 30 June 2019: approximately HKD2,001,000) due to the recent loss-making situation of the associate.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

## 16. ADVANCES TO CUSTOMERS IN MARGIN FINANCING

	30.06.2020 HKD'000 (Unaudited)	31.12.2019 HKD'000 (Audited)
Directors and their associates	16,814	18,036
Other margin clients	83,926	104,612
	<b>100,740</b>	122,648

Advances to customers in margin financing is repayable on demand and carried at average interest rates ranging from Hong Kong Dollar Prime Rate ("**Prime Rate**") to Prime Rate plus 3% (31 December 2019: Prime Rate to Prime Rate plus 3%) per annum.

Margin clients are required to pledge their listed securities collateral to the Group, in order to obtain credit facilities for securities trading transactions with the Group.

At 30 June 2020, the total undiscounted market value of listed securities collateral pledged to the Group in respect of the loans advanced to margin clients was approximately HKD410,705,000 (31 December 2019: approximately HKD506,214,000).

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 business nature of margin financing.

## 17. LOANS RECEIVABLE

	30.06.2020 HKD'000 (Unaudited)	31.12.2019 HKD'000 (Audited)
Secured balance	192,927	173,993
Less: Loss allowances	(6,800)	(6,800)
	<b>186,127</b>	167,193

Loans receivable is secured by charges over the borrowers' properties and financial assets, mainly Hong Kong listed securities, carried at interest rates ranging from approximately 12% to 18% (31 December 2019: from approximately 8% to 36%) per annum and repayable within one year from the dates of advances to the borrowers or on demand.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

## 18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

	Six months ended 30 June	
	2020 HKD'000 (Unaudited)	2019 HKD'000 (Unaudited)
At the beginning of the period	240,953	72,453
Fair value (loss)/gain	(72,102)	1,274
Disposal	(23,185)	–
Exchange realignment	(333)	(166)
At the end of the period	145,333	73,561

## 19. TRADE AND OTHER PAYABLES

	30.06.2020 HKD'000 (Unaudited)	31.12.2019 HKD'000 (Audited)
<b>Trade payables arising from:</b>		
– Other than financial services segment	104,097	87,871
– Financial services segment	11,811	13,731
Total trade payables	115,908	101,602
Other payables, temporary receipts, accruals and receipts in advance	164,809	207,452
Total trade and other payables	280,717	309,054

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

## 19. TRADE AND OTHER PAYABLES *(Continued)*

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

	<b>30.06.2020</b> <b>HKD'000</b> <b>(Unaudited)</b>	31.12.2019 HKD'000 (Audited)
0 to 30 days	77,134	41,203
31 to 60 days	25,091	46,589
61 to 90 days	1,267	7
Over 90 days	605	72
	<b>104,097</b>	<b>87,871</b>

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

## 20. LEASE LIABILITIES

During the six months ended 30 June 2020, the total cash outflows for leases was approximately HKD8,477,000 (six months ended 30 June 2019: approximately HKD18,778,000), including the payments of principal and interest elements of lease liabilities of approximately HKD5,079,000 (six months ended 30 June 2019: approximately HKD5,556,000) and the payments of short-term leases of approximately HKD3,398,000 (six months ended 30 June 2019: approximately HKD13,222,000).

During the six months ended 30 June 2020, the interest expenses on lease liabilities was approximately HKD6,245,000 (six months ended 30 June 2019: approximately HKD6,444,000).



# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

## 21. BANK BORROWINGS AND BANK OVERDRAFTS

	30.06.2020 HKD'000 (Unaudited)	31.12.2019 HKD'000 (Audited)
<b>Current portion:</b>		
Secured variable interest-rate bank borrowings that are repayable:		
– Within one year	159,675	198,822
Unsecured variable interest-rate bank overdrafts that are repayable:		
– On demand	4,543	7,804
	<b>164,218</b>	206,626
<b>Non-current portion:</b>		
Secured variable interest-rate bank borrowings that are repayable:		
– Over one year but within two years	1,121,202	1,108,669
– Over two years but within five years	349,410	103,410
	<b>1,470,612</b>	1,212,079
Total	<b>1,634,830</b>	1,418,705

At 30 June 2020, the Group's secured variable interest-rate bank borrowings carried interest rates ranging from approximately 1.97% to 6.03% (six months ended 30 June 2019: approximately 4% to 5.94%) per annum. The weighted-average effective interest-rate of the Group's bank borrowings during the period was approximately 3.62% (six months ended 30 June 2019: approximately 4.81%) per annum.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

## 22. SHARE CAPITAL

	Number of shares '000	Nominal value HKD'000
<b>Authorised:</b>		
Ordinary shares of HKD0.10 each (31 December 2019: HKD0.10 each):		
At 1 January 2019 and 2020 (audited), 31 December 2019 (audited) and 30 June 2020 (unaudited)	20,000,000	2,000,000
<b>Issued and fully paid:</b>		
Ordinary shares of HKD0.10 each (31 December 2019: HKD0.10 each):		
At 1 January 2019 (audited)	2,974,034	297,403
Exercise of warrants	192	19
At 31 December 2019 (audited) and 30 June 2020 (unaudited)	2,974,226	297,422

*Note:* All of the ordinary shares issued by the Company and credited as fully paid ranked pari passu with the then issued ordinary shares of the Company in all respects, except that they are not entitled to any distribution, if any.

## 23. SHARE OPTION SCHEME

On 10 June 2011, the Shareholders passed an ordinary resolution regarding the Company's adoption of the Share Option Scheme (the "**Scheme**") for the purpose of providing eligible participants with the opportunity to acquire proprietary interests in the Company. The Scheme aims to encourage the eligible participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. All of the Directors, full-time employees and any other persons who, at the sole discretion of the Board, have contributed to, and continuing efforts to promote the interests of the Group, are eligible to participate in the Scheme in order to provide incentives and rewards to the eligible participants.

There has been no change in details of the Scheme during the period against of which are disclosed in the 2019 Annual Financial Statements. During the six months ended 30 June 2020, no share option was granted, exercised, lapsed or cancelled to the eligible participants under the Scheme (six months ended 30 June 2019: nil). No share option may be granted to the eligible participants under the Scheme after the tenth anniversary of the adoption date of the Scheme or after the Scheme has been terminated in accordance with the provisions hereof or after the eligible participants for whom the Scheme is made has ceased to be one of the participants before the acceptance of the Scheme (six months ended 30 June 2019: nil).

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

## 24. CAPITAL COMMITMENTS

At 30 June 2020 and 31 December 2019, the Group had the following material contractual capital commitments not provided for in the condensed consolidated interim financial statements:

	30.06.2020 HKD'000 (Unaudited)	31.12.2019 HKD'000 (Audited)
<b>Contracted but not provided for:</b>		
– Capital contribution in respect of unlisted investment outside Hong Kong	–	51,415
– Construction costs of outlet mall buildings located in Shenyang, the PRC	<b>70,387</b>	–

## 25. RELATED PARTY DISCLOSURES

### (A) Related party transactions

During the six months ended 30 June 2020 and 2019, the Group entered into the following material transactions with related parties:

#### (a) Mr. Cheng and his associates:

	Six months ended 30 June	
	2020 HKD'000 (Unaudited)	2019 HKD'000 (Unaudited)
Commission income from securities brokerage	9	4
Interest income from margin financing	307	340
Management fee expenses	100	104
Rental payments	–	96
Motor vehicle expenses	39	36
Total amount of margin financing facilities granted	<b>10,000</b>	10,000
Maximum outstanding amount of margin financing facilities advanced	<b>8,442</b>	9,542

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

## 25. RELATED PARTY DISCLOSURES *(Continued)*

### (A) Related party transactions *(Continued)*

#### (b) Mr. Lee Cheung Ming ("Mr. Lee")

	Six months ended 30 June	
	2020 HKD'000 (Unaudited)	2019 HKD'000 (Unaudited)
Interest income from margin financing	512	–
Total amount of margin financing facilities granted	10,000	–
Maximum outstanding amount of margin financing facilities advanced	9,946	–

#### (c) Other related parties:

	Six months ended 30 June	
	2020 HKD'000 (Unaudited)	2019 HKD'000 (Unaudited)
Interest income from a joint ventures partner	356	326
Interest expenses of loan from non-controlling interests	52	132
Minimum purchases for the sale and distribution of swimwear and other sportswear, shoes and related accessories	43,165	68,801

### (B) Compensation of key management personnel

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	
	2020 HKD'000 (Unaudited)	2019 HKD'000 (Unaudited)
Salaries, welfare and other expenses	4,932	5,100
Contributions to defined contribution retirement plans	63	63
	4,995	5,163

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

## 26. CONTINGENT ASSETS AND LIABILITIES

Except for the 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 as disclosed in Note 9 to the condensed consolidated interim financial statements, the Group neither had contingent assets nor contingent liabilities required to be recognised or disclosed in the condensed consolidated interim financial statements as at 30 June 2020 and 31 December 2019.

## 27. FAIR VALUE OF FINANCIAL INSTRUMENTS

### Fair value measurement

The fair value of the Group's financial assets and financial liabilities 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 inputs and data used in the respective valuation technique by the Group as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities with standard terms and conditions traded in active liquid markets which are quoted at market bid prices on the measurement date;
- Level 2 valuations: 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; and
- Level 3 valuations: 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 measurement of financial assets, including listed equity securities in Hong Kong and the unlisted investment outside Hong Kong at the end of each reporting periods. The Group's management reports directly to the Directors. Detailed calculations with analysis of changes in fair value measurement 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 assets measured at fair value:

	30.06.2020 HKD'000 (Unaudited)	31.12.2019 HKD'000 (Audited)
<b>Level 1</b>		
– Listed equity securities in Hong Kong	21,878	66,012
<b>Level 3</b>		
– Unlisted investment outside Hong Kong	123,455	174,941

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2020

## 27. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

### Fair value measurement *(Continued)*

During the six months ended 30 June 2020, there is no significant change in valuation technique and transfer between Level 1 and Level 2, or transfer into or out of Level 3 (six months ended 30 June 2019: no change and no transfer). The Group's policy is to recognise such change in valuation technique and transfer between levels of fair value hierarchy when it occurs.

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

	30.06.2020 HKD'000 (Unaudited)	30.06.2019 HKD'000 (Unaudited)
<b>Unlisted investment outside Hong Kong:</b>		
At the beginning of the period	174,941	65,777
Fair value loss during the period	(50,596)	–
Exchange realignment	(890)	(166)
At the end of the period	123,455	65,611

At 30 June 2020 and 2019, the fair value of the unlisted investment outside Hong Kong is estimated by using a valuation technique which combine the usage of both observable and unobservable inputs. As at 30 June 2020, the significant unobservable inputs include risk-free rate and discount of lack of marketability ("DLOM") of approximately 1.58% and 5%, respectively. As at 30 June 2019, the significant unobservable inputs include risk-free rate, DLOM and expected recoverable rate of the investment of approximately 2.49%, 4.87% and 15% respectively.

## 28. APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 31 August 2020.