Stock Code 股份代號：00533

GOLDLION Holdings Limited
金利來集團有限公司

2017 Annual Report 年報

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Chairman:

Dr. the Hon. Tsang Hin Chi G.B.M.

Deputy Chairman and Chief Executive Officer:

Mr. Tsang Chi Ming, Ricky J.P.

Executive Director:

Madam Wong Lei Kuan

Non-executive Director:

Mr. Ng Ming Wah, Charles

Independent Non-executive Directors:

Dr. Lau Yue Sun B.B.S.
Mr. Li Ka Fai, David
Mr. Nguyen, Van Tu Peter S.B.S.

COMPANY SECRETARY

Mr. Kam Yiu Kwok

AUDIT COMMITTEE

Mr. Li Ka Fai, David (Chairman)
Mr. Nguyen, Van Tu Peter S.B.S. (Deputy Chairman)
Dr. Lau Yue Sun B.B.S.
Mr. Ng Ming Wah, Charles

REMUNERATION COMMITTEE

Mr. Nguyen, Van Tu Peter S.B.S. (Chairman)
Dr. Lau Yue Sun B.B.S.
Mr. Li Ka Fai, David
Mr. Ng Ming Wah, Charles
Mr. Tsang Chi Ming, Ricky J.P.

NOMINATION COMMITTEE

Dr. Lau Yue Sun B.B.S. (Chairman)
Mr. Li Ka Fai, David
Mr. Nguyen, Van Tu Peter S.B.S.
Mr. Ng Ming Wah, Charles
Mr. Tsang Chi Ming, Ricky J.P.

SOLICITORS

Woo, Kwan, Lee & Lo

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited

REGISTRARS

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

REGISTERED OFFICE

7th Floor
Goldlion Holdings Centre
13–15 Yuen Shun Circuit
Siu Lek Yuen
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New Territories
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FINANCIAL HIGHLIGHTS

FINANCIAL POSITION

As at 31st December 2017, the Group had cash and bank balances of approximately HK$1,312,258,000, which was HK$110,035,000 higher than that at the end of last year. During the year, the Group recorded a net cash inflow from operating activities of HK$245,692,000 and received interest income of HK$19,488,000. However, the Group also paid dividends of HK$186,602,000 and purchased fixed assets of HK$18,332,000. Besides, changes in foreign exchange rate during the year resulted in an increase in cash and bank balances of HK$49,347,000. As at 31st December 2017, the Group did not have any bank loans or overdrafts.

As at 31st December 2017, the Group's current assets and current liabilities were HK$1,859,393,000 and HK$441,549,000 respectively, with a current ratio at 4.2. Total current liabilities were 11.6% of the average capital and reserves attributable to owners of the Company of HK$3,818,631,000.

As at 31st December 2017, the Group did not have any material contingent liabilities or capital commitments and had not charged any of the Group's assets.

DISTRIBUTION NETWORK IN CHINA MAINLAND

NUMBER OF GOLDLION SALES OUTLET

1-10 | 11-20 | 21-30 | 31-40 | 41-50 | 51-60 | 61-70 | 71-80 | 81-90 | over 90

CHAIRMAN'S STATEMENT

Dr. the Hon. Tsang Hin Chi, G.B.M.,
Chairman of the Group

GROUP RESULTS

Turnover and gross profit

During the year under review, the Group recorded a turnover of HK$1,602,786,000, representing an increase of approximately 9% over HK$1,472,264,000 of last year. The increment was mainly attributable to the apparel business in China Mainland and licensing income. However, a drop in turnover of the Singapore apparel business was recorded over last year, and the major refurbishment of the Group's investment property at No. 3 Yuk Yat Street, To Kwa Wan also resulted in a reduction in rental income.

Gross profit for the year was HK$905,840,000, representing an increase of about 5% from HK$863,356,000 of last year. The overall gross profit margin was 56.5%, lower than 58.6% of last year for 2.1 percentage points. Gross profit margin for the apparel business in China Mainland was 50.8%, representing a drop of 1 percentage point. This was mainly due to the provision for impairment of inventories in China of HK$37,595,000 for the year, representing an increase of HK$19,564,000 over last year. If such impact was excluded, the gross profit margin for the Mainland operation would be 53.8%, slightly higher than that of last year by about 0.3 percentage point.

Operating expenses and operating profit

Selling and marketing costs for the year were HK$438,074,000, increased by 8% from last year. This was mainly due to the simultaneous increase in relevant expenses (including e-commerce platform commission, promotional expenses as well as transportation and packaging expenses) resulted from the growth in sales of the e-commerce operations in China.

Administrative expenses of the Group were HK$171,567,000, decreased by 3% from HK$176,597,000 of last year. This was mainly attributable to the exchange loss of HK$7,231,000 in last year whereas no exchange loss was recorded in this year.

CHAIRMAN'S STATEMENT

During the year, the Group recorded fair value gains on investment properties of HK$91,722,000, representing a drop of HK$79,620,000 from HK$171,342,000 of last year.

Operating profit for the year amounted to HK$387,921,000, compared with HK$452,125,000 of last year, representing a decrease of 14%. The operating profit margin was approximately 24.2%, lower than 30.7% of last year, which was mainly related to the decrease in fair value gains on investment properties.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the year was HK$322,275,000, decreased by 17% from HK$388,844,000 of last year. Profit for the year would be HK$240,734,000 if fair value gains after tax on investment properties of HK$81,541,000 were excluded. Such profit marked an increase of 1% from HK$238,021,000 of last year if fair value gains after tax on investment properties of HK$150,823,000 were excluded. However, the profit would be approximately 2% below that of last year if effect on exchange gain for the year of HK$301,000 (exchange loss of HK$7,231,000 of last year) was also excluded.

FINAL DIVIDEND

The Directors have recommended the payment of a final dividend of 12.5 HK cents per share (2016: 13.0 HK cents per share) for the year ended 31st December 2017, totalling HK$122,764,000 (2016: HK$127,675,000). Subject to the shareholders' approval at the forthcoming annual general meeting, the final dividend will be paid on or about 5th June 2018 to shareholders whose names appear on the Register of Members as at 28th May 2018.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

Apparel Business

China Mainland and Hong Kong SAR Markets

During the year under review, the Chinese economy picked up after years of slowdown to achieve a GDP growth of 6.9% in 2017. This was matched by a steady rally in the Renminbi ("RMB") that revitalized both the economy and the retail market.

In China Mainland, the Group has continued to conduct its apparel operation primarily through wholesaling to distributors in various cities and provinces, through self-operated retail shops (including factory outlets) located mainly in Guangzhou, Shanghai, Beijing and Chongqing, as well as through e-commerce and custom-ordering. Overall turnover for the year amounted to HK$1,258,156,000, representing a year-on-year increase of approximately 14%. The increase was mainly attributable to sales from e-commerce.

Regarding our wholesaling operation, sales of the Group's distributors has not yet improved. As a relief measure, they were offered a more favorable inventory return and exchange arrangement, resulting in a higher amount of sales return offset against sales despite the single-digit growth registered for both of our two seasonal sales fairs. Raising the inventory return allowance for the 2017 spring and summer products to 20% from the previous level of 10% further led to a year-on-year decrease of about 6% in sales to distributors in RMB.

As for self-operated retail shops, 4 in Wuhan were transferred to our local distributor since last August while some in Shanghai were successively closed. All in all, sales of self-operated retail shops (excluding factory outlets) registered a slight annual decrease of approximately 1% in RMB. In terms of comparable store sales, Beijing and Chongqing rose by 8% and 9% respectively whereas Guangzhou and Shanghai dropped by about 3% and 11% respectively. Besides, an increase in festive promotions succeeded in achieving an annual sales increase of approximately 9% for our factory outlets.

At the end of year, the Group had approximately 960 retail outlets (including factory outlets) in China, among which 102 were self-operated. During the year under review, our retail outlets remained stable and the total number was comparable with that at the end of last year.

E-commerce remained to be the main driving force of the Group's sales growth during the review year. Focus was placed on the sale of special selected items, which accounted for over 90% of the Group's total e-commerce sales. Relatively high in salability, special selected items have brought about an increase of 78% in RMB for e-commerce sales during the year. The share of e-commerce in the Group's Mainland apparel sales also rose to about 30% accordingly. To meet this demand, supply of special selected items was increased, resulting in a higher Mainland inventory balance at the end of year from the end of 2016 by approximately HK$59,843,000.

During the year under review, the Group made additional efforts to expand its custom-ordering business that aims to produce custom-made corporate uniforms mainly for the Mainland clientele. As a result, relevant sales rose by approximately 85%. Since the custom-ordering is still in its starting phase of operation, the business has not yet contributed significantly to overall apparel sales in the China Mainland market.

During the year under review, the Group continued to grant licenses for distribution of shoes, leather goods, undergarments, woollen sweaters and casual wear in the China Mainland market. On account of a rise in the e-commerce sales of these products and hence the recognition of e-commerce turnover license fees, licensing income for the year registered a growth of approximately 3% over last year to stand at HK$102,396,000.

CHAIRMAN'S STATEMENT

Singapore and Malaysia Markets

For the year as a whole, the Group's apparel performance in Singapore and Malaysia was disappointing, with overall sales amounting to HK$66,007,000, representing a year-on-year decrease of approximately 15%. In the second half of the year under review, steps were taken to readjust operational strategies, restructure the management teams and enhance management of key aspects including in products and marketing. Despite early signs of improvement, the effect on performance as a whole will take some time to be felt.

Sales of comparable retail outlets in Singapore decreased year-on-year by about 10% in local currency. After rationalizing some of the low-performing shops, there were a total of 7 Goldlion shops and 20 counters in Singapore, and 15 counters in Malaysia, both numbering less than those at the end of last year.

Provision for impairment losses for the leases and decoration of certain loss-making shops was made last year. With the premature termination of the leases for some of these shops, a part of the provision was reversed during the year. Inclusive of such reversal, the operating loss for the Singapore and Malaysia markets for the review year stood at HK$19,531,000, which was approximately 25% lower than the amount of HK$26,023,000 (inclusive of provision for impairment losses for loss-making shops of HK$11,714,000) registered for last year.

Property Investment and Development

The Group's investment property portfolio had no significant changes since the end of last year. Fair value gains on investment properties recognized by the Group after independent professional valuations amounted to HK$91,722,000. This was mainly coming from the Group's two key property holdings, namely the Goldlion Holdings Centre in Shatin, Hong Kong and the Goldlion Digital Network Centre in Tianhe, Guangzhou. The fair value gains for last year were HK$171,342,000.

Rental income and building management fees for the year amounted to HK$140,786,000 and HK$35,441,000 respectively, representing a year-on-year decrease of around 7% in total. This was mainly attributable to the rental implications arising from the Group's property at No. 3 Yuk Yat Street, To Kwa Wan, Hong Kong. The whole block of property had previously been leased to a local listed company under a long lease. When the lease expired in January 2017, the Group took back the property for large-scale refurbishment. As a result, rental income from the property dropped by about HK$7,349,000.

Leasing of the Group's Goldlion Digital Network Centre in Tianhe, Guangzhou, continued to remain stable, with occupancy rate slipping slightly to maintain at around 92%. Similarly, rental income and building management fees also experienced a year-on-year decrease of approximately 3% in RMB for the year as a whole. This was due to a gap between leases for some of the premises and the replacement of Business Tax by Value Added Tax effective from last May.

In Shenyang, leasing of Goldlion Commercial Building continued to remain stable with overall occupancy rate maintained at 100%. With turnover rental for some of the leases lower than that for last year, rental income and building management fees in RMB for the year decreased slightly by approximately 1%.

In Hong Kong, overall rental income and building management fees from the Group's Goldlion Holdings Centre in Shatin decreased year-on-year by approximately 4% owing to a gap between leases for some of the premises. Formalities for our revitalization application were basically completed early in the year and the project design is still in its planning stage.

Regarding the piece of land with a site area of approximately 75,949 square meters in Meixian, the relevant plans and designs have already been approved by the local authorities. Implicated by delays in land resumption for a new road adjacent to the site, sourcing tenderers for the associated construction projects was held up. Construction works are expected to commence by 2018.

CHAIRMAN'S STATEMENT

PROSPECTS

The year under review witnessed a steady growth and a gradual upturn in the Chinese economy. This healthy trend is expected to continue into 2018. Such a strong consumer sentiment will be favorable for business to prosper in an improved environment.

With the consumer market recovering, the Group will seize the opportunity to expand its business further. Distributors in China Mainland are expected to achieve steady business growth. Such a surge in confidence will be favorable for the Group's wholesaling business although we cannot eliminate the possibility of taking over individual low-performing distributors. At the Group's 2018 fall and winter collections sales fair held in early March, initial figures show that there was a single-digit growth in order amount when compared with the corresponding season last year.

Benefitting from the stabilizing retail apparel market, the Group's self-operated retail shops and factory outlets in China are expected to continue growing. To avoid excessive inventories on hand arising from return from distributors, additional steps will be taken to clear off-season stocks from our factory outlets.

In view of the sustained fervor for online shopping, sales through e-commerce are likely to continue rising in the coming year. To meet the huge demand for custom-made corporate uniforms in China, the Group will continue to explore for more expansion opportunities in the hope of boosting overall sales.

In Singapore, losses have not yet bottomed out although the Group's local operation is gradually stabilizing. To improve operational cost-effectiveness and to minimize operating losses, the Group will continue to readjust its business strategies, keep operational costs under control and rationalize low-performing shops.

As for property investment, the general rental market is expected to remain stable in the coming year. The Group will continue to enhance the leasing potential of the properties on hand for maintaining a stable rental income. In particular, the refurbishment of the property at No. 3 Yuk Yat Street, To Kwa Wan, Hong Kong, will be ongoing in 2018 and the block is expected to be ready for partial leasing by the end of the year. Rental income from this property for the year is therefore unlikely to be material.

The Group will also continue to analyze the detailed revitalization plan for the Goldlion Holdings Centre in Shatin, Hong Kong. As for the Meixian development project, construction works will be kick-started depending on the local government's progress in land resumption.

ACKNOWLEDGEMENT

On behalf on the Board, I would like to extend my gratitude to our staff for their dedication and continuous support.

Dr. Tsang Hin Chi
Chairman

Hong Kong, 16th March 2018

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2017

INVESTMENT PROPERTIES

Property	Description	Lot Number	Type	Lease term
Hong Kong				
1. 1st to 6th floors, Goldlion Holdings Centre, 13–15 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories	The property, with a gross floor area of 23,077 sq.m., comprises the 1st, 2nd, 3rd, 4th, 5th and 6th floors of a 8-storey factory/warehouse. The building was completed in 1989.	Shatin Town Lot No. 273	Industrial	The property is held for a term commencing on 26th February 1987 and expiring on 30th June 2047.
2. No. 3 Yuk Yat Street, To Kwa Wan, Kowloon	The property comprises a modified 12-storey building completed in 1971. The property has a total gross floor area of 7,028 sq.m..	Kowloon Inland Lot No. 9676	Industrial/ Office	The property is held for a term of 75 years from 17th November 1969 renewable for a further term of 75 years.
3. Unit A on 5th floor, Unit D on 6th floor, Units A and B on 7th floor, Units A, B, C and D on 14th floor, together with car parking S18 on the ground floor, Ming Wah Industrial Building, 13–33 Wang Lung Street, Tsuen Wan, New Territories	The property comprises units on the 5th, 6th and 7th floor and the 14th floor together with a car parking space on the ground floor of a 24-storey industrial building completed in 1979. The property has a total gross floor area of 3,238 sq.m..	81/1024th shares of and in Tsuen Wan Town Lot No. 134	Industrial	The property is held for a term of 99 years from 1st July 1898 and renewed to 30th June 2047.
4. Unit B on 3rd floor, Acro Industrial Building, 19 Yuk Yat Street, To Kwa Wan, Kowloon	The property comprises a workshop unit on the third floor of a 12-storey plus basement industrial building completed in 1978. The property has a gross floor area of 536 sq.m..	58/1184th shares of and in Kowloon Inland Lot No. 9681	Industrial	The property is held for a term of 75 years from 23rd March 1970 and renewable for a further term of 75 years.

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2017

INVESTMENT PROPERTIES *(continued)*

Property	Description	Lot Number	Type	Lease term
China Mainland				
5. Units 01 to 07 and Units 10 to 12 on Level 1, Levels 2 to 5, Units 01 to 06 and Unit 08 on Level 7, Units 01 to 07 and Units 09 to 12 on Level 8, Level 9, Unit 01 and Units 03 to 12 on Level 10, Level 11, Unit 01 and Units 03 to 12 on Level 12, Level 13, Units 02 to 05 and Units 08 to 12 on Level 14, Level 15, Unit 01 and Units 03 to 12 on Level 16, Units 07 to 12 on Level 17, Units 03 to 12 on Level 18, Levels 19 to 28, the car parking spaces in the basement levels 1 to 3 and the mezzanine level of the building, Goldlion Digital Network Centre, 136 & 138 Ti Yu Dong Road, Tianhe District, Guangzhou, Guangdong Province	The property is a 29-storey plus 4 basements commercial building built on a site of 6,670 sq.m.. The gross floor area of the commercial and office portions is approximately 47,658 sq.m..	–	Commercial/ Office	The land use right is held for a term of 40 years for commercial use and 50 years for office and car parking uses commencing from 27th January 1997.
6. Shenyang Goldlion Commercial Building, 190 Zhong Jie Lu, Shen He District, Shenyang, Liaoning Province	The property is a 7-storey commercial building built on a site of 5,379 sq.m.. The 2 phases were completed in 1991 and 1993 respectively and was completely refurbished in 2002. The property has a gross floor area of 16,367 sq.m..	–	Commercial	The land use right is held for a term of 40 years for commercial use commencing from 23rd April 2008.

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2017

INVESTMENT PROPERTIES *(continued)*

Property	Description	Lot Number	Type	Lease term
China Mainland *(continued)*				
7. Unit 07 on Level 24 and Units 07 and 08 on Level 26, 577 Tianhe North Road, Units 07 and 08 on Level 25, Unit 07 on Level 26 and Unit 07 on Level 28, 581 Tianhe North Road, Concord New World Garden, Tianhe District, Guangzhou, Guangdong Province	The property comprises 7 domestic units in the multi-storey residential estate built in 2003. The property has a gross floor area of 659 sq.m..	–	Residential	The land use right is held for a term of 70 years from 12th April 1999.
8. Unit 03 on Level 10, Glorious City Garden, 852 Dongfeng East Road, Yue Xiu District, Guangzhou, Guangdong Province	The property comprises a residential unit in one of the 32-storey buildings of the estate built in 2001. The property has a gross floor area of 158 sq.m..	–	Residential	The land use right is held for a term of 70 years from 7th July 1998.
9. Units C11, C12, C18-101, C18-102A, C18-102B, C20-101, D01, D26 and E17 on Level 1, Units C18, C19, C20-101, D27, D30, E25 and E26 on Level 2, and Unit C18 on Level 3, Goldlion Fashion Walk, Jiangnan Binfang Da Dao, Meizhou Ze, Guangdong Province	The property comprises units in a commercial podium built in 2008. The property has a gross floor area of 4,432 sq.m..	140209020490 and 140209020608-1	Commercial	The land use right is held for a term of 40 years for commercial use.
10. Units 05 and 06 on Level 1, Block B3, Yuanda Shopping Plaza, 1333 Qunli Disi Da Dao, Daoli District, Harbin, Heilongjiang Province	The property comprises 2 adjoining units located on Level 1 of Block B3 of a complex built in 2013. The property has a gross floor area of 228 sq.m..	–	Commercial	The land use right is held for commercial use up to 29th January 2051.
11. Unit A-03 on Levels 1 and 2, Zone A-2 Dongcheng Center, Dongcheng District, Dongguan, Guangdong Province	The property comprises a shop unit located on Level 1 and Level 2 of a complex built in 2006. The property has a gross floor area of 534 sq.m..	–	Commercial	The land use right is held for commercial use up to 31st December 2062.

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2017

PROPERTIES HELD FOR OWN USE

Property	Description	Lot Number	Type	Lease term
Hong Kong				
1. 7th floor and the car parking spaces on the ground floor, Goldlion Holdings Centre, 13–15 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories	The property comprises the 7th floor and the car parking spaces of a 8-storey factory/ warehouse. The building was completed in 1989. The gross floor area of the office portions is approximately 4,277 sq.m..	Shatin Town Lot No. 273	Industrial	The property is held for a term commencing on 26th February 1987 and expiring on 30th June 2047.
China Mainland				
2. Units 07 and 08 on Level 28, 577 Tianhe North Road, Unit 07 on Level 27 and Unit 08 on Level 28, 581 Tianhe North Road, Concord New World Garden, Tianhe District, Guangzhou, Guangdong Province	The property comprises 4 domestic units in the multi-storey residential estate built in 2003. The property has a gross floor area of 372 sq.m..	–	Residential	The land use right is held for a term of 70 years from 12th April 1999.
3. Units 101 to 106 on Level 1, Block B, Qiaoxinyuan, Yandu Road, Tianhe District, Guangzhou, Guangdong Province	The property comprises 6 domestic units of a 8-storey residential building built in 1995. The property has a gross floor area of 606 sq.m..	–	Residential	The land use right is held for a term of 70 years from 6th January 2000.
4. Units 08 and 09 on Level 1, Level 6, Unit 07 and Units 09 to 12 on Level 7, Units 06 and 07 on Level 14, Level 29 and Unit W07 in the mezzanine level of basement, Goldlion Digital Network Centre, 136 & 138 Ti Yu Dong Road, Tianhe District, Guangzhou, Guangdong Province	The property comprises several units of a 29-storey plus 4 basements commercial building. The property has a gross floor area of 5,199 sq.m..	–	Commercial/ Office	The land use right is held for a term of 40 years for commercial use and 50 years for office use commencing from 27th January 1997.

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2017

PROPERTIES HELD FOR OWN USE *(continued)*

Property	Description	Lot Number	Type	Lease term
China Mainland *(continued)*				
5. Yuan Village Warehouse, 36 & 38 Keyun Road, Tianhe District, Guangzhou, Guangdong Province	The property is a 6-storey factory building built in 1998. The property has a gross floor area of 14,540 sq.m..	–	Industrial	The land use right is held for a term of 50 years from 12th January 1998.
6. Block A, B, C and D, Goldlion Industrial Centre, 8 Jiangnan Binfang Da Dao, Meizhou Ze, Guangdong Province	The property comprises 3 factory buildings (Block A, B and D) and an integrated building (Block C) which were completed in 1995 to 2006 respectively. The property has a gross floor area of 38,623 sq.m..	140209020608	Industrial	The land use right is held for a term up to 26th August 2043.
7. Units D1-601 and 602, Units D2-501 and 601 and car parking spaces D2-103 and 107, Goldlion City Garden, and Unit C20 on Level 3, Goldlion Fashion Walk, Jiangnan Binfang Da Dao, Meizhou Ze, Guangdong Province	The property comprises residential and commercial units built in 2008. The property has a gross floor area of 1,333 sq.m..	140209020490 and 140209020608-1	Residential/ Commercial	The land use right is held for a term of 70 years for residential use and 40 years for commercial use.
8. Unit 16 on Level 20, Building B, Far East International Plaza, 317 Xian Xia Road, Changning District, Shanghai	The property comprises an office unit of a 31-storey plus 2 basements commercial building completed in 1999. The property has a gross floor area of 174 sq.m..	–	Office	The land use right is held for a term commencing on 6th March 2002 and expiring on 19th August 2045.
9. Unit 17 on Level 11, Bright China Chang An Building, 7 Jianguomenni Avenue, Dongcheng District, Beijing	The property comprises an office unit of a 17-storey plus 4 basements commercial building completed in 1996. The property has a gross floor area of 266 sq.m..	–	Office	The land use right is held for a term up to 1st December 2043.

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2017

PROPERTIES HELD FOR OWN USE *(continued)*

Property	Description	Lot Number	Type	Lease term
Singapore				
10. Units 01 to 03 on Level 2 and Units 01 to 03 on Level 4, Goldlion Building, 161 Kampong Ampat	The property comprises 6 units of a 6-storey industrial and warehouse building. The property has a gross floor area of 2,523 sq.m..	Mukim 24 Kalang Lot 5994/U4 to U6 and 5994/U10 to U12	Industrial	Freehold

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2017

PROPERTIES UNDER DEVELOPMENT HELD FOR SALE

Property	Description	Lot Number	Type	Group's interest
China Mainland				
Sankui Village, Fudagaoguanhui, Meixian Area, Meizhou Ze, Guangdong Province	The Group held a piece of land of 75,949 sq.m. for development purpose.	242102020250 and 242102020251	Residential/ Commercial	100%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CORPORATE RESPONSIBILITY

The Group strives to be a good corporate citizen. We leverage the Group's strengths and resources to make a positive difference to the environment, our communities and our people.

We aim to contribute in meaningful ways – supporting our communities through worthwhile causes, creating rewarding careers and developments for our employees, and investing our time and energy to help protect the environment.

Our passion for helping others is strong and deep. We channel this passion of ours towards championing good causes that improve the lives of others, especially those who are underprivileged or disadvantaged.

We are delighted to present to shareholders and other stakeholders the work we have carried out in 2017 with respect to environmental protection, employee development, community investment and other ESG areas through this Environmental, Social and Governance Report.

We have worked with our employees, business partners, customers, and fellow citizens in the communities where we operate to generate goodness for the environment and society, during the reporting period from January to December 2017. The reporting boundary is limited to our activities in apparel distribution and manufacturing, property investments and office operations in Hong Kong, China Mainland, Singapore and Malaysia unless other specified.

This Report has complied with the "comply or explain" provisions set out in the "Environmental, Social and Governance Reporting Guide" under Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The disclosure contents of this Report have been confirmed by the Board. We value your feedback regarding the review and our overall sustainability practices. Please provide your comments by email to <contact@goldlion.com>.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL

The Group is committed to reducing its impact on the environment. We make efforts in applying the "4Rs" which are Reduce, Reuse, Recycle, and Replace into a wide range of our activities. In 2017, we gathered quantitative data on the Group's 2017 environmental performance and outlined our strategies and actions for reducing the Group's environmental footprint.

I. EMISSIONS

The Group has complied with the relevant laws and regulations governing emissions in the countries where it has business operations. Our goal is to reduce the emissions that we bring to the environment.

Air Emissions

Air Pollution is a Major Issue

Air pollution is one of the biggest threats to human health. According to the World Health Organization, outdoor and indoor air pollution cause respiratory and other diseases, which can be fatal. Air pollution also causes harm to the environment. The Group is committed to help combat air pollution by reducing its air emissions.

There are air pollutants that are produced during the apparel manufacturing process. However, the majority of our products are manufactured by external suppliers and only a small portion of our products (mainly ties, leather goods and corporate uniforms) are made by our Meizhou factories. As such, the Group's direct contribution to the air pollutants should not be significant.

With respect to the Group's air emissions, in 2017, the Group emitted 20.9kg of nitrogen oxides (NOx), 0.9kg of sulphur oxides (SOx) and 1.5kg of particulate matter (PM) into the air.

The Group has a fleet of light trucks that is mainly used for transporting goods. It was our operation of these trucks during the year that produced the SOx and some of the NOx emission that the Group recorded in 2017.

As some of the equipment in our Meizhou factory was running on diesel fuel, that factory emitted the majority of the NOx and PM that the Group recorded in 2017.

The Group's Air Emissions Reduction Measures

To reduce air pollution and also save time and travelling costs, we encourage our employees to make conference calls and use electronic channels for communications as much as possible.

When it is necessary to go on a business trip, we encourage our employees to take the train instead of the plane so that we can reduce our contribution to the air pollution that is caused by planes.

We encourage our employees to adopt a simple life which is good for the environment. Living a simple life encompasses adopting an environmentally friendly lifestyle, a lifestyle where one has a genuine desire, and takes action to protect the environment. We hope that by encouraging and educating our employees about living a simple life, our employees will find their own ways to save energy, recycle, reuse as well as reduce waste and air pollution.

We organize training seminars to educate our employees about the benefits of living a simple life.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL *(continued)*

I. EMISSIONS *(continued)*

Reducing Our Carbon Footprint

The Group believes it is important to monitor and manage its greenhouse gas (GHG) emissions. The Group's carbon footprint refers to the set of greenhouse gas emissions caused by the Group, and is expressed as carbon dioxide equivalent. In 2017, the Group emitted 8,095.6 tons of carbon dioxide equivalent (tCO2e) into the air. Expressed in terms of intensity, based on the measuring units 'per employee' and 'per square meter', in 2017, the intensity of the Group's greenhouse gas emissions was 301.9 tCO2e per employee and 5.6 tCO2e per square meter.

In 2017, we recorded both direct and indirect GHG emissions. The biggest contributor to our GHG emissions was the electricity that we consumed at our investment properties, production plant and offices (Scope 2: Electricity Indirect GHG Emissions). Operation of our fleet of light trucks also contributed to the GHG emissions that we recorded during the year (Scope 1: Direct GHG Emissions).

The Group aims to help combat global warming by reducing its emission of greenhouse gases, especially carbon dioxide or CO_2.

To reduce greenhouse gas emissions, the Group has adopted key strategies including recycling and the use of energy-efficient equipment and appliances with lower impact. The Group has also encouraged its employees to increase the greenery in and around its offices.

Managing our Waste

The Group aims to manage its wastes efficiently and effectively as well as reduce the amount of wastes that it produces.

2017 Waste Disposal Statistics

The Group keeps track of its hazardous waste. The Group did not produce significant amount of hazardous waste in 2017 because the majority of the manufacturing that was carried out by the Group during the year was outsourced to external suppliers. All of our suppliers were required to comply with government laws and regulations pertaining to environmental protection and emissions control. With respect to waste emissions, our suppliers have reported to us that their waste disposals have met the governmental standards.

The Group keeps track of its non-hazardous waste. In 2017, the non-hazardous wastes are mainly 289.1 tons of carton box, 10.79 tons of paper towel, 7.32 tons of paper and 5.21 tons of toilet paper.

The waste that the Group produced in 2017 comprised of papers, plastics, fabric scraps, wooden pallets, fluorescent tubes as well as some non-recyclable wastes. During the year, the recyclable items were collected from our production plant and investment properties and were recycled subsequently. The items that were recycled the most by the Group in 2017 were papers, plastics and fabric scraps.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL *(continued)*

I. EMISSIONS *(continued)*

Managing our Waste *(continued)*

Sourcing More Sustainable Raw Materials

The Group collaborates with its employees, business associates as well as its suppliers to manage and reduce its wastes.

The Group sources fabrics from external suppliers for its products. One of our considerations in the use of fabrics is whether the fabrics are more sustainable. An example of this is recycled polyester, one of the sustainable fabrics that is used in the apparel industry today.

We encourage our suppliers to use biodegradable raw materials as much as possible due to their environmentally friendly nature.

Our Initiatives for Solid Waste Reduction

Designing Apparels that Create Less Material Wastage

We have targeted to design apparels that require less wastage of the fabric during the cutting and production processes.

Educating Customers on Apparel Reuse

To reduce the amount of unwanted apparels that are treated as garbage by consumers, we encourage our customers to donate their unwanted apparels to reputable charities that pass the apparels to underprivileged or disadvantaged individuals for reuse. We plan to leverage our extensive retail network to educate our customers on the environmental benefits of apparel reuse.

Reducing our Usage of Plastic Bottles

Managing and reducing the amount of plastic bottles that we use is one of the challenges that we have tackled. To reduce the amount of plastic bottles that the Group uses, we encourage our employees to drink less bottled water and bring their own mugs to work so that they use less plastic bottles. We also provide clean drinking water in all of our workplaces.

Reuse and Recycling Programs

We are always striving to minimize our impact on the environment. In 2017, we continued to implement our reuse and recycling programs.

In 2017, through our reuse program, we reused a variety of reusable items including stationery, plastic bags, paper bags and office papers. We encourage our employees to reuse these items as many times as practicable instead of treating them as waste. To reduce the amount of paper we use, we encourage our employees to reuse office papers and the blank side of papers.

In 2017, the Group's recycling program covered recyclable items including plastic and metal items, glass bottles, toners, clothes and papers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL *(continued)*

II. USE OF RESOURCES

The Group is dedicated to managing its use of resources including its use of energy, water and packaging materials.

Energy Consumption Management

In 2017, the Group recorded its energy consumption. During the year, the Group directly consumed 10,749,217 kWh of electricity, 165,529 liters of diesel and 56,087 liters of petrol. In 2017, the Group's energy intensity was 6,039.9 kWh per employee and 112 kWh per square meter.

Energy-Saving Programs

We have developed and implemented the following energy-saving programs in our workplace. The objective of our energy-saving programs is to protect the environment and generate cost savings for the Group from lower energy consumption.

We strive to apply energy-efficient solutions in our workplace as well as use energy-saving products and devices whenever and wherever possible.

The key components of our energy-saving programs are:

- Turn off the air conditioners during non-essential hours of the day
- Turn off the lights during non-essential hours
- Turn off idling equipment at the end of the day
- Use LED lighting

Water Management

We are cognizant of the water shortage that exists in China Mainland. As China Mainland is our key market, we strive to do our part in managing our water consumption in this important market. We are meticulous in controlling the amount of water that we use in our everyday business. We are committed to conserve water in the workplace and have developed and implemented initiatives that are geared towards reducing our water consumption.

In 2017, the Group consumed 110,377 cubic meters of water. In terms of intensity, the Group's water consumption intensity in 2017 was 59 cubic meters per employee and 1.1 cubic meters per square meter. Most of the water was used for the water – cooled chiller system at the Group's investment properties mainly commercial buildings. The Meizhou factory as our manufacturing support, was also responsible for a portion of the water the Group consumed during the year.

In the future, the Group will continue to manage its water consumption and implement its strategies and initiatives for using less water.

A. ENVIRONMENTAL *(continued)*

II. USE OF RESOURCES *(continued)*

Water Management *(continued)*

Our Water Conservation Initiatives

The Group has always been conscientious when it comes to water usage. We strive to only use the amount of water that is needed in our operations. In effort to reduce our water consumption, we have developed the following water conservation initiatives.

(i) Producing Apparels that Require Less Water

As the majority of the Group's apparel manufacturing is carried out externally by our suppliers, we work closely with our suppliers to reduce our indirect water usage. In order to be one of the Group's suppliers, the supplier must have the environmental certification from the government to prove that it has complied with the requirements of the relevant government laws and regulations pertaining to environmental protection.

To reduce our indirect usage of water, we analyze all stages of the manufacturing process to pinpoint the areas where water consumption can be reduced. For example, during the apparel design stage, we look at the various kinds of fabrics and other raw materials that we need to purchase from our suppliers. Whenever possible, we choose the types of raw material that require less water usage before, during and after the manufacturing process.

Another area where we have made an effort to reduce the amount of water that we use indirectly through our suppliers is in the dyeing process. We strongly encourage our suppliers to use government certified dyeing techniques, technologies and processes that can reduce the use of water.

(ii) Use Rainwater for Gardening

In 2017, we started to collect rainwater for watering our plants and gardens. By using rainwater instead of freshwater for watering our plants and gardens, this reduces the amount of freshwater that is consumed by the Group.

Stringent Controls over Wastewater Treatment and Discharge

The Group adheres to the relevant government laws and regulations governing wastewater treatment and discharge of the countries where it carries out business. It is our Group's practice to treat our wastewater up to the government's standards prior to discharging the treated water into the environment.

Packaging Materials

During 2017, the Group's total packaging materials used for finished products were 1.18 tons of plastic, mainly plastic bags and plastic wrappings, and 289.1 tons of cardboard paper boxes.

Our packaging material suppliers use biodegradable materials to produce some of our packaging materials.

To reduce wastage of our packaging materials, we use the optimal amounts of packaging materials that are needed for our packaging needs. For example, we provide to our customers the optimal size of bag that just fits the purchased items.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL *(continued)*

III. THE ENVIRONMENT AND NATURAL RESOURCES

To minimize our impact on the environment, we have continued to implement our recycling and reuse programs. During the year, we updated employees regarding these environmental programs and demonstrated to employees during our training sessions the different ways employees can recycle, reuse and protect Earth's natural resources.

We value our employees' suggestions. We have collected suggestions from our employees on ways they can help the Group lessen its impact on the environment.

B. SOCIAL

I. EMPLOYMENT AND LABOUR PRACTICES

Employment

Providing Employees a Rewarding Career

We do our best to maintain a loyal and happy workforce. To create job satisfaction for our employees, we provide our employees attractive remuneration, a good working environment, and a rewarding career.

Employees form the foundation of the Group's business. As such, we strive to recruit and retain the best people. With respect to the Group's employment and labour practices, we adhere to the labour laws and regulations of the countries where we have business operations.

(i) 2017 Employment Statistics

At 31st December 2017, the Group's workforce comprised about 1,860 employees (2016: 1,850). In terms of the gender breakdown, 72% of the Group's total workforce comprised of female employees and the remaining 28% comprised of male employees (2016: 75% and 25% respectively). With respect to the geographical location of the Group's employees, about 88% (2016: 85%) of the Group's employees were in China Mainland, about 2% (2016: 2%) were in Hong Kong and the remaining 10% (2016: 13%) were in Singapore and Malaysia. In 2017 and 2016, all of our employees were aged 18 or older.

(ii) Employee Turnover Rate by Geographical Region and Gender

In 2017, the Group's employee turnover rate was approximately 24%, an improvement of 6 percentage points compared to that in the previous year. During the year, employee turnover in China Mainland and Hong Kong was stable while in Singapore was relatively high. Manpower supply in Singapore was always tight causing a higher turnover rate. Looking at the employee turnover based on gender, in 2017, female employee turnover was 23% and male employee turnover was 29% (2016: 34% for female and 44% for male).

(iii) Maintaining a Good Work-Life Balance

One of our goals is to maintain a good work-life balance for our employees. We provide most of our employees a 5-day work week and a total of 40 hours of work per week. A good work-life balance requires adequate resting time and social activities. As such, we organize fun-filled activities for our employees such as Christmas and lunar new year parties, annual dinners, cooking contests, sports tournaments and field trips to picturesque and interesting places.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(continued)*

I. EMPLOYMENT AND LABOUR PRACTICES *(continued)*

Employment *(continued)*

Providing Employees a Rewarding Career (continued)

(iv) Employee Remuneration

The Group has a fair and consistent employee remuneration policy. We offer our employees competitive pay and fringe benefits. We further provide performance based incentives for positions that are tied to the Group's business performance. With respect to fringe benefits, we provide a comprehensive fringe benefits package to employees that suits their needs. To ensure the Group's remuneration to employees is competitive with that of other companies in our industry, we carry out market research on a regular basis.

(v) Employee Advancement

The Group rewards high performance employees with attractive career advancement opportunities. For employees that qualify for an advancement, we strive to provide them with a new job that not only comes with added responsibilities, but also the chance to deepen and broaden their work experience. For new job postings or when vacancies arise, we believe in providing our employees preferential consideration.

(vi) Promoting Diversity in the Workplace

Diversity in the workplace is essential for the growth of the Group. Looking at the big picture, when we hire people that are different from ourselves, we bring to our organization new ideas and other positive attributes that lead us to greater success. Given our positive view on diversity, we promote diversity in our workplace. We reward employees based on merit and performance. The Group is an equal opportunity employer. When hiring new employees or granting internal promotions, we do not discriminate based on factors such as the job candidate's race, gender, disabilities or sexual orientation.

Health and Safety

The Group complies with the relevant laws and regulations of the countries where it has business operations with respect to health and safety.

The health and safety of our employees have always been our top priorities. With regard to safety at the workplace, we have implemented safety measures to minimize the occurrence of accidents. We have also established safety practices that have been communicated to our employees via internal communications and in-house safety training. To promote good health to our employees, we have organized and implemented employee programs that are centered on physical exercise and maintaining a healthy diet. We have also provided preventive measures for our employees through our employee physical examination program and health seminars including our neck and shoulder protection seminar.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(continued)*

I. EMPLOYMENT AND LABOUR PRACTICES *(continued)*

Health and Safety *(continued)*

a. Health Measures Adopted by the Group

(i) Medical Benefits for Employees

As part of the Group's fringe benefits package to employees, the Group offers medical benefits to its full-time permanent employees through medical insurance arrangements. The Group's medical benefits for employees encompass doctor visits, hospital outpatient services, hospitalization as well as certain eligible surgeries.

(ii) Physical Examinations for Employees

Our China Mainland employees are eligible for an annual physical examination. The physical examination is a comprehensive checkup that provides our employees information regarding the state of their physical health. We have put in place a set of procedures to ensure all our China Mainland employees take the physical examination.

(iii) Sports and Fitness

We organize various sporting activities for employees including badminton and soccer tournaments. We have also made arrangements with a fitness club so that our employees may use its fitness facilities during their leisure time.

(iv) Promoting a Healthy Diet

At our canteens, we provide our employees healthy meal options that comprise vegetables, lean meats, tofu, fresh fruit and other nutritious foods. We also serve healthy non-alcoholic beverages at our canteens.

(v) Health Seminar

In 2017, we organized trainings in various health topics. This includes a lunch & learn seminar in neck and shoulder protection which is a common problem for office workers. During the seminar, specialist taught our employees on how to maintain a good posture while sitting at their workstations and gave tips to prevent injuries and illnesses of the neck and shoulders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(continued)*

I. EMPLOYMENT AND LABOUR PRACTICES *(continued)*

Health and Safety *(continued)*

b. Safety Measures Adopted by the Group

(i) Safety Procedures for Minimizing Accidents & Protecting Employees from Occupational Hazards

We have developed a set of equipment safety procedures for our employees to follow. These procedures outline the safe operation of various types of equipment that we have in the workplace including production and office equipment.

(ii) Safety Training for Employees

The Group offers an array of safety training programs to our employees. The Group's safety training programs include:

- Basics of first aid
- Cardiopulmonary Resuscitation (CPR) (CPR training is offered to certain qualifying employees)
- Safety at the workplace – Lectures on various topics of work safety
- Safety production laws and regulations
- Fire safety lectures – Fire safety procedures, who to call and what to do in case of fire
- What to do in case of an accident
- Avoiding accidents – How to avoid electric shock and other accidents at work
- What to do in case of an emergency – Topics include how to deal with heat strokes, fainting, flooding, severe burns and other types of emergency

(iii) Regular Maintenance and Servicing of Production & Office Equipment

To provide our employees a safe working environment, we carry out regular examinations and maintenance work on our production equipment. We check the production equipment on a regular basis to make sure they are in good working condition.

We also carry out maintenance work on our office equipment on a regular basis. For example, air conditioners are cleaned by professional air conditioning cleaning company at least once a year. The windows of our offices are also checked regularly to ensure that our windows operate properly.

(iv) Health & Safety – 2017 Statistics

The Group recorded zero accident in 2017. Furthermore, there were no work-related fatalities at the Group during the year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(continued)*

I. EMPLOYMENT AND LABOUR PRACTICES *(continued)*

Development and Training

a. *Learning Culture*

The Group values learning. To this end, we provide learning programs to nurture our employees to be the best that they can be. These programs help our employees expand their knowledge, fine tune their work skills and enhance their job performance. By investing in our employees, we create value for the Group as well as our employees.

Well-trained employees translate to a strong workforce, a workforce that is capable of weathering the storms of change and is able to propel the Group to a higher stage of growth.

The Group provides training to employees at various stages of their career. We strategically choose subjects that are needed by our employees. For managerial employees, the training focuses on supervisory subjects whereas for non-managerial employees, operational subjects are offered.

b. *Internal & External Training*

We provide in-house training as well as training at external educational institutes to our managerial and non-managerial employees.

(i) In-house Training

– Lunch & Learn

The Group held in-house "lunch & learn" training programs regularly for our employees. The purpose is to provide employees a convenient way to learn work-related topics during their lunch hour. So far, the programs have been taught by the Group's senior executives. The topics cover leadership, communication skills, time management performance, project management and problem solving. A simple lunch is provided. Employees who are keen about enhancing their work-related skills and knowledge are encouraged to participate.

– E-Learning Program

We find ways for our employees to learn that are highly relevant to them. Learning from the comfort of the employee's home is one of the strategies that we have implemented to give our employees more learning opportunities.

Our E-Learning Program provides our employees the flexibility to learn at home during their spare time. The program teaches a variety of online, self-study programs in a virtual class setting. We have strategically aligned the curriculum with the needs and interests of our employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(continued)*

I. EMPLOYMENT AND LABOUR PRACTICES *(continued)*

Development and Training *(continued)*

b. Internal & External Training (continued)

(ii) Training at External Educational Institutes

To supplement our in-house training, we encourage our employees to obtain professional training at external educational institutes. For qualifying employees who have submitted their application for external training and have been approved by the Group, the Group will provide them an educational subsidy to fund their external training.

(iii) Other External Training

We offer an array of courses to employees that are taught by reputable, professional educational institutes. These courses include Maximizing Project Performance, Effective Communication and Time Management.

c. New Employee Orientation Program

The Group has in place a New Employee Orientation Program. The purpose of this program is to familiarize new employees with key information of the Group as well as our on-the-job training.

We provide our new staff with a half-day briefing course. Topics that are taught in this briefing course include corporate information, office rules and regulations, appraisal system and career development opportunities.

The supervisor will provide support and feedback to the new staff to ensure their quick adaptation to their new working environment.

d. Employee Training in 2017

In 2017, 66% of our total workforce received training. Each employee that underwent training in 2017 accumulated approximately 11.6 hours of training.

(i) Percentage of Employees Trained by Gender and Employee Category

In 2017, 76% of our female employees and 42% of our male employees received training from the Group.

In 2017, 84% of our managerial employees and 65% of our non-managerial employees received training from the Group.

(ii) Average Training Hours

The average training hours completed per female employee in 2017 were 15 hours and the average training hours completed per male employee were 4 hours.

With respect to the 2017 average training hours completed by employee category, the average training hours completed by each managerial employee and each non-managerial employee that received training from the Group were 10 hours and 12 hours respectively. The training hours mentioned above include both traditional classroom training hours and online self-study training hours.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(continued)*

I. EMPLOYMENT AND LABOUR PRACTICES *(continued)*

Labour Standards

Screening Process to Ensure All Employees are of Legal Working Age

The Group has an employment screening process that ensures all of its employees are of legal working age. At the job application stage, our staff verifies the age of the job applicant to make sure he or she is of legal working age in our relevant countries. Only the job applicants that have attained the legal working age are allowed to proceed with applying for a job with the Group.

The Group has always placed stringent controls over the hiring process. As a result, the Group has never employed anyone under the legal working age.

In 2017, all of the employees of the Group were aged 18 or older.

As a responsible organization, the Group has observed and obeyed the labour laws and regulations of the countries where it operates. The Group is cognizant of what constitutes forced labour and has confirmed that the Group has never had any occurrences of forced labour.

II. OPERATING PRACTICES

Supply Chain Management

We are conscious about the impact that our actions, and the actions of our supply chain partners have on the environment and our communities. Thus, our approach to supply chain management takes into consideration the effects that our supply chain has on the environment, people, and society as a whole.

Here are some of the ways we manage our supply chain to minimize environmental and social risks.

a. *Choosing the Right Suppliers*

We are selective when it comes to choosing our suppliers. In addition to the normal commercial considerations such as price, quality and work ethics, we also have a set of non-commercial criteria that include social and environmental considerations that must be met by our target suppliers in order for us to engage them as our supplier.

(i) Social and Environmental Considerations

When choosing a supplier, our social considerations encompass whether the potential supplier has a good track record in terms of employing labourers. Companies that utilize child labour or forced labour would be banned from becoming our supplier. Another social consideration for the Group is safety – safety to humans and safety to the environment. Any company that does not live up to our safety standards will be disqualified from becoming our supplier.

With respect to environmental considerations, we seek suppliers that are conscientious about the environment. For example, we would consider partnering with companies that incorporate eco-friendly practices into their operations, or create a positive impact to the environment.

B. SOCIAL *(continued)*

II. OPERATING PRACTICES *(continued)*

Supply Chain Management *(continued)*

a. *Choosing the Right Suppliers (continued)*

(ii) Monitoring Suppliers

We carry out in-depth interviews with potential suppliers and conduct site visits of their factories and other company facilities prior to engaging potential suppliers to become an official supplier of the Group. For companies that are on our suppliers list, we continue to monitor them on a regular basis via face-to-face meetings, interviews and other communications in addition to on-site inspections. These are some of the steps we take to monitor our suppliers closely to ensure they meet our standards and criteria.

b. *Our Criteria – High Quality Raw Materials*

We seek business partnerships with suppliers that use high quality raw materials for producing the Group's products. In addition, we require our suppliers to make an accurate and honest declaration to our Group as to the type and nature of raw materials that go into the production of apparels and accessories that our Group buys from them. By carrying out this procedure, we are able to trace where the raw materials come from, what the raw materials are made of, and ensure that the raw materials are new materials that are non-defective.

c. *Number of Suppliers by Geographical Region*

In 2017, the Group had a total of 87 suppliers of which 72 were suppliers from China Mainland and Hong Kong and 15 were suppliers from Southeast Asia. There were no significant changes in number of suppliers during the year.

Product Responsibility

Product quality has always been a cornerstone of the Group's business. Ever since 1968 when the Group's founder Dr. Tsang Hin Chi started his family business from his home in Hong Kong by making neckties for men, he focused on product quality – producing high quality, elegant menswear using the finest fabrics. Today, producing high quality products remain a core philosophy of the Group.

a. *Product Quality and Safety*

Product quality and safety are of paramount importance to the Group. The Group complies with the relevant laws and regulations of the countries where it has business operations with respect to product production, quality and safety.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(continued)*

II. OPERATING PRACTICES *(continued)*

Product Responsibility *(continued)*

a. *Product Quality and Safety (continued)*

(i) Product Quality Management

To ensure that the products we deliver to our customers are up to government, industry and internal group standards, we have put in place a quality management system for managing our product quality and safety matters.

To protect our customers' interest, we stipulate in our sales contracts the quality standards that our products must meet. To this end, we provide a guarantee to our customers in our sales contracts that the Group uses new materials only, specifically, new materials that are non-defective and meet both national and industry standards.

To ensure that the goods we deliver to customers meet the required quality standards, testing of our goods is carried out by the approved third party fiber textile apparel and accessories professional testing institute before we deliver the sold goods to our customers. Our products are delivered to the customer after we receive the product approval report from the testing institute.

(ii) Product Safety & Customer Feedback

The Group is intensely focused on product safety. Due to our stringent controls over product safety, the Group has maintained a zero product recall record during the year.

We always welcome comments, questions and suggestions from customers regarding our products and services. Customers are encouraged to provide us with feedback by calling our customer hotline or sending our customer service department an email or letter.

b. *After-sales Service for Customers*

We aim to provide our customers with the very best customer service. To provide after-sales service to our customers, we have a team of designated staff for dealing with all types of after-sales related matters including customer complaints and the return of goods.

(i) Handling Product Complaints

In 2017, the Group had only received a minimal number of complaints related to its products or services.

It is our practice to deal with all complaints received by the Group in a prompt and efficient manner. We have a systematic way of dealing with the complaints we receive from our customers. After we receive a product complaint, our staff will deal with the complaint promptly and will let the customer know how we will process the complaint, what steps the customer needs to take and how long it will take for the customer to receive feedback from us.

With respect to our e-commerce sales in China Mainland, we maintain a 24-hour online service centre for customers' enquiry or complaint.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(continued)*

II. OPERATING PRACTICES *(continued)*

Product Responsibility *(continued)*

b. After-sales Service for Customers (continued)

(ii) Handling Product Returns

Regarding product returns, we have a policy for returning goods to our Group. To determine whether we will accept the returned goods, our dedicated staff inspects the returned goods and subsequently files a report to the manager-in-charge that details the state of the returned goods as well as the reasons that the goods are being returned to us. We generally allow customers to return the goods to us within a specified period of time given they have valid reasons for making the return. In certain cases, our quality control staff will further inspect the returned goods to make a final decision on the goods that are returned to us by the customer.

For our e-commerce sales in China Mainland, the customers can lodge a request for sales return within specified period of time after the sales subject to specified terms and conditions.

c. Protecting the Group's Intellectual Property Rights

The Group's intellectual property is one of its most valuable assets. As such, we rigorously protect our trademarks and other intellectual property rights. Our work in this area is supported by our in-house legal team and the appropriate external legal services. The major actions that we have taken to protect the Group's rights included trademark opposition, legal proceedings against trademark infringement and strong action against counterfeits. Furthermore, when drafting commercial contracts with our business associates, protection of the Group's intellectual property rights is always emphasized and remains one of our most serious considerations.

d. Customer Data Protection & Privacy

The protection of customer information is a priority for the Group. We have put in place a set of procedures for our staff to follow to ensure that the personal information and other data of our customers are well protected and are only used for the intended purpose.

The Group complies with the Personal Data (Privacy) Ordinance of the Government of the Hong Kong Special Administrative Region. The Group also complies with the Personal Data Protection Act (PDPA) of the Singapore Government as well as the Law of the People's Republic of China on Protection of Consumer Rights and Interests.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(continued)*

II. OPERATING PRACTICES *(continued)*

Anti-corruption

The Group has always carried on business in accordance with its principles of law-abiding, honesty, fairness, transparency and good faith. In making sure that all members of the Group act with the highest level of integrity, the Group has established a set of anti-corruption policies for all its Group members to adhere to. The Group's anti-corruption policies govern all employees of the Group. To combat corruption, the Group has additionally established a set of preventive measures as well as its whistleblowing policy and procedures.

In 2017, there were no instigated legal cases regarding corrupt practices brought against the Group or its employees.

a. *Preventive Measures*

(i) Preventing Bribery

To prevent bribery in our organization, we have set up rules that prohibit all parties, including business partners and employees, from providing personal benefits to our employees and their relatives. Based on these rules, our employees and their relatives are not allowed to accept gifts from any of our business associates (including suppliers, distributors, customers and licensees) other than small ceremonial gifts with insignificant market value.

Furthermore, if any of our employees are found to have requested personal benefits from any business associates, the Group will investigate the case immediately and appropriate disciplinary action will ensue.

(ii) Preventing Conflicts of Interest

To prevent conflicts of interest at the Group, we have enacted a group-wide policy that prohibits the Group's employees, their spouses and immediate family from carrying out acts that are considered conflicts of interest to the Group. The Group's conflict of interest policy prohibits its employees, their spouses and immediate family members from investing in, owning shares, and owning any parts of the company or any of the affiliated enterprises of our business associates.

(iii) Channels of Communication

We have established the various ways that our business partners, employees and other external parties may report bribery and conflicts of interest situations. The informant may notify the Group directly by telephoning, writing a letter to, or emailing the Group's designated investigation officers.

b. *Whistleblowing Policy and Procedures*

The Group has set up a comprehensive set of rules to govern whistleblowing within the Group. Our whistleblowing procedures enable our employees to report to the Group any types of corruption.

Our whistleblowing policy outlines the various acts that constitute unauthorized and corrupt acts so that the employees of the Group are aware of the kinds of activity and behavior that constitute corruption. The policy also provides protection for the whistleblower through a system of confidentiality and other protective measures. The policy outlines the step-by-step procedures that the whistleblower should take to report a case to the Group. The Group's whistleblowing policy is reviewed and updated regularly by the Group's Board of Directors.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(continued)*

II. OPERATING PRACTICES *(continued)*

Community Investment

a. *Being a Caring Corporate Citizen*

The Group is committed to being a caring corporate citizen. We view community investment as an opportunity for our organization to give back to society. We are wholeheartedly dedicated to supporting causes that have a positive impact on our communities. We are passionate about lending a helping hand to make a real difference in the lives of those who are less fortunate.

Our strategic approach to community investment calls for investing our time, energy and resources wisely and efficiently. As a responsible listed enterprise, the Group engages in community investment activities that do not compromise the interests of shareholders. In the past, we have contributed to good causes through donations, sponsorships and volunteer work.

Going forward, we will focus our efforts on our key community investment areas as well as find new ways to create value for our communities and the society at large.

b. *Community Investment Activities in 2017*

In 2017, the Group carried out the following community investment activities:

Corporate Partner Scheme at The International Institute of Management – In 2017, the Group was invited to be a Corporate Partner with The International Institute of Management. This partnership is granted by invitation only, to corporations that have demonstrated noticeable achievements as outstanding market leaders and that have a philosophy of good governance and social responsibility while providing promotional support to younger generations of potential leaders.

Donation to Shakespeare4All – In 2017, we made a donation to Shakespeare4All, a registered charity in Hong Kong that helps children build fluency in English and confidence by providing children English drama education via the plays of the famous poet William Shakespeare.

With our wealth of experience in the sports sponsorship realm, we are aware of the marketing benefits that the Group can derive through sports sponsorships. We strategically choose sports sponsorships that are well aligned with the Group's marketing and branding strategies. Additionally, we seek sports sponsorships that provide the Goldlion brand strong brand exposure, good promotional opportunities, and the opportunity to associate the Group with reputable, meaningful sports properties.

Dragon Boat Sponsorship – In March 2017, we carried out a one-time renewal of our sponsorship of the dragon boat team of Tai Po District Dragon Boat Race Committee. This dragon boat team is based in Tai Po District, New Territories, Hong Kong.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(continued)*

II. OPERATING PRACTICES *(continued)*

Community Investment *(continued)*

b. *Community Investment Activities in 2017 (continued)*

「跳出未來」Jump Rope Charity Relay – The Group sponsored the「跳出未來」Jump Rope Charity Relay 2017, a jump rope relay that was held in Tsuen Wan, Hong Kong in September 2017. The significance of this relay was that athletes, students, business people and celebrities gathered to compete to raise funds for donating to the Tung Wah Group of Hospitals.

The Group remains very interested in helping those who are disadvantaged. In 2017, the Group continued with this tradition by working with a non-governmental organization (NGO) that employed mentally handicapped people. We believe this was a meaningful way for us to provide our support to the mentally handicapped.

c. *The Group's Community Investment Focus Areas*

The Group's focus is on four areas of community investment – Education, Sports, Spaceflight and Helping the Less Fortunate. These are the same areas of focus that the Group's founder and Chairman Dr. Tsang Hin Chi has personally contributed to in the past through his own charitable donations. Dr. Tsang Hin Chi applied part of the returns he received from his investment in the Group toward his chosen areas of charity.

(i) **Education:** We believe education is the key to our country's economic and social development. Dr. Tsang Hin Chi, through his Tsang Hin Chi Education Foundation, has supported education in China Mainland for over 20 years. Dr. Tsang has consistently donated to fund the building of new teaching facilities in certain locations in China Mainland. Dr. Tsang has also helped the outstanding students of China Mainland that are less fortunate. In this regard, the Tsang Hin Chi Outstanding University Student Award Scheme has provided financial aid to outstanding university students who are underprivileged or live in difficult circumstances to enable them to pursue or continue with their academic studies. Dr. Tsang's support of China's educational system also extends to teachers. This is exemplified by the Tsang Hin Chi Outstanding Teacher Program, which awards outstanding teachers for excellence in teaching.

(ii) **Sports:** We support sports in China Mainland. Dr. Tsang Hin Chi is a long-time supporter of sports and has personally donated to support sports in China Mainland. To this end, Dr. Tsang's Tsang Hin Chi Sports Foundation has traditionally awarded Chinese Olympic medalists for their outstanding sportsmanship. The Group wishes to carry on the spirit of its founder by supporting sports in the future. Given the enormous health benefits derived through participating in sports, the Group is passionate about encouraging its employees, business associates as well as fellow citizens living in its communities to participate in sports.

(iii) **Spaceflight:** We support the development of China's space industry. To this end, Dr. Tsang Hin Chi has established the Tsang Hin Chi Manned Space Foundation, which has provided monetary awards to Chinese scientists and astronauts who have made significant contributions to China's space industry.

(iv) **Helping Disadvantaged Groups:** We wish to improve the quality of life of those who are less fortunate by making donations to them or helping them in other ways. To this end, we have helped disadvantaged communities as well as disaster-stricken communities by donating clothing and money to those communities from time to time.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG GUIDE CONTENT INDEX

Disclosure, Aspects, General Disclosure and KPIs	Description	Cross-reference in this Report/ Comment
A. ENVIRONMENTAL		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	P.19–21
KPI A1.1	The types of emissions and respective emissions data.	P.19
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P.20
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P.20
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P.20
KPI A1.5	Description of measures to mitigate emissions and results achieved.	P.19–20
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	P.20–21

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG GUIDE CONTENT INDEX *(continued)*

Disclosure, Aspects, General Disclosure and KPIs	Description	Cross-reference in this Report/ Comment
A. ENVIRONMENTAL *(continued)*		
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	P.22–24
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	P.22
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	P.22
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	P.22
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	P.22–23
KPI A2.5	Total packaging material used for finished products.	P.23
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	P.24
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P.24
B. SOCIAL		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	P.24–25

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG GUIDE CONTENT INDEX *(continued)*

Disclosure, Aspects, General Disclosure and KPIs	Description	Cross-reference in this Report/ Comment
B. SOCIAL *(continued)*		
Aspect B1: Employment *(continued)*		
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	P.24
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	P.24
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	P.25–27
KPI B2.1	Number and rate of work-related fatalities.	P.27
KPI B2.2	Lost days due to work injury.	P.27
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	P.25–27
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	P.28–29
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	P.29
KPI B3.2	The average training hours completed per employee by gender and employee category.	P.29

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG GUIDE CONTENT INDEX *(continued)*

Disclosure, Aspects, General Disclosure and KPIs	Description	Cross-reference in this Report/ Comment
B. SOCIAL *(continued)*		
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	P.30
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	P.30
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	P.30
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	P.30–31
KPI B5.1	Number of suppliers by geographical region.	P.31
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	P.30–31
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	P.31–33

ESG GUIDE CONTENT INDEX *(continued)*

Disclosure, Aspects, General Disclosure and KPIs	Description	Cross-reference in this Report/ Comment
B. SOCIAL *(continued)*		
Aspect B6: Product Responsibility *(continued)*		
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	P.32
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	P.33
KPI B6.4	Description of quality assurance process and recall procedures.	P.32–33
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	P.33
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	P.34
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	P.34
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	P.34
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	P.35–36
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	P.35–36
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	P.35–36

CORPORATE GOVERNANCE REPORT

The Board and the management of the Company are committed to maintain a high standard of corporate governance. The Board believes that to carry on the business in an accountable and transparent manner and following good corporate governance practices serve the long-term value to shareholders and stakeholders.

During the year under review, the Company complied with the Code Provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") except as disclosed below.

The Directors continue to monitor and review the Company's corporate governance practices to ensure compliance.

BOARD OF DIRECTORS

Overall Accountability

The Board assumes full responsibility for leadership, control and development of the Company and is collectively responsible for promoting the success and sustainable development of the Company. It provides direction in matters concerning the Company's business strategies, policies and plans whereas daily business operations are delegated to the senior management. In discharging the corporate accountability, each Director is required to pursue excellence in the interests of the shareholders as a whole and fulfill his/her fiduciary duties by applying the required level of skills, care and diligence to a standard in accordance with the statutory requirements.

Board Composition

The Board has a balance of skills and experience appropriate for the requirements of the Group's businesses. Currently, the Board comprises seven members in total including three executive Directors, a non-executive Director and three independent non-executive Directors. Non-executive Directors provide the Board with diversified expertise and experience. The Board believes that the presence of independent non-executive Directors can provide sufficient checks and balances that safeguard the interests of shareholders and the Group as a whole.

Each of the independent non-executive Directors has confirmed in writing to the Company their independence in particularly in regard to the requirements under Rule 3.13 of the Listing Rules. The Board considers that the independent non-executive Directors are free from any business or other relationship that may influence their exercise of independent judgement.

In case of an independent non-executive Director who has served more than 9 years, his further appointment is subject to a separate resolution to be approved by shareholders. The circular for shareholders' meeting accompanying that resolution will include the reasons why the Board believes he is still independent and should be re-elected.

Biographical details of the Directors are set out on page 58 to 59. Dr. Tsang Hin Chi is the spouse of Madam Wong Lei Kuan. Mr. Tsang Chi Ming, Ricky is a son of Dr. Tsang Hin Chi and Madam Wong Lei Kuan. Save as disclosed above, there are no family or other material relationships among the Directors.

BOARD OF DIRECTORS *(continued)*

Responsibilities and Delegation

The Company has clear policy to ensure that all Directors have a proper understanding of the business and operations of the Group and that they are fully aware of their roles and responsibilities as Directors under relevant legislations and regulatory requirements.

The Board is accountable for the supervision of the management in the business and affairs of the Company and the Group. Apart from its statutory and fiduciary duties, the Board sets the Group's objectives and approves strategic plans, key operational targets, capital expenditure, major investments and financing decisions. Day-to-day management of the Company is delegated to the executive Directors and the officers in charge of each business unit and function who are required to report to the Board.

All Board members are provided with full and timely information about the conduct of the business and development of the Company including monthly reports and updates on major matters. The Board reviews businesses and performance of the Group regularly.

To assist in the execution of its responsibilities, the Board has established a number of Committees including the Audit Committee, the Remuneration Committee and the Nomination Committee. All of these Board Committees have clear written terms of reference which are available on the websites of the Company and the Stock Exchange.

All Directors have disclosed to the Company their interests as director and other office in other public companies and organization in a timely manner and have regularly reported to the Company Secretary on any subsequent changes.

Board Meetings

The Board meets regularly and as and when required. In the year under review, five regular full Board meetings had been held. The Directors discussed the overall strategies of the Group, monitored financial and operational performance, approved the Group's financial statements as well as other material contracts and significant matters at the Board meetings.

Details of Directors' attendance records in 2017 are set out below:

	Attendance (%)	
Executive Directors		
Dr. Tsang Hin Chi	(5/5)	100%
Mr. Tsang Chi Ming, Ricky	(5/5)	100%
Madam Wong Lei Kuan	(3/5)	60%
Non-executive Director		
Mr. Ng Ming Wah, Charles	(5/5)	100%
Independent Non-executive Directors		
Dr. Lau Yue Sun	(5/5)	100%
Mr. Li Ka Fai, David	(5/5)	100%
Mr. Nguyen, Van Tu Peter	(5/5)	100%

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(continued)*

Board Meetings *(continued)*

Dates of regular Board meetings are scheduled in the prior year to provide sufficient notice for all the Directors an opportunity to attend. For special Board meetings, reasonable notice will be given.

The Company Secretary assists the Chairman in establishing the meeting agenda, and each of the Directors may request inclusion of items in the agenda. Board members are also provided with timely and adequate information prior to the Board meetings, and on an on-going basis, can have separate and independent access to the Group's senior management. Where queries are raised by Directors, prompt and full responses will be given if possible.

At the Board meetings, there is open atmosphere for Directors to contribute alternative views and major decisions would only be taken after a full discussion at the meetings. For matters on transactions where Directors are considered having conflict of interests, the Directors concerned would not be counted in quorum of meeting and shall abstain from voting on the relevant resolution.

The Directors can have separate and independent access to the Company Secretary. Minutes of the meetings are kept by the Company Secretary and copies are provided to Directors.

All Directors have full and timely access to all relevant information about the Group so that they can discharge their duties and responsibilities as Directors effectively. Where any member of the Board, whether individual or as a group, needs independent professional advice, the Company will appoint a professional advisor to render such service. The costs of such professional services will be borne by the Company.

A directors' and officers' liabilities insurance in respect of legal actions against Directors and officers has also been arranged.

Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer of the Company are separated and are not performed by the same individual. Currently, Dr. Tsang Hin Chi is the Chairman of the Board and Mr. Tsang Chi Ming, Ricky, his son, serves as the Company's Chief Executive Officer.

There are clear and written delineation of the responsibilities and functions between the Chairman and the Chief Executive Officer. The Chairman focuses on the Group's strategic development and provides leadership to the Board. He also ensures that good corporate governance practices and procedures are established and all Directors are properly briefed on issues arising at the Board meetings and receive, in a timely manner, adequate information which is accurate, clear, complete and reliable.

The Chief Executive Officer is being assisted by senior management of the Group in assuming his executive duties and responsibility for the Group's day-to-day operation and the effective implementation of corporate strategy and policies, and is answerable to the Board.

The Chairman had held a meeting with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(continued)*

Appointments, Re-election and Removal of Directors

All Directors have formal agreements or appointment letters setting out the key terms and conditions of their appointment. In accordance with the Company's Articles of Association, any Director appointed to fill casual vacancy will be subject to election at the first general meeting after their appointment and every Director has been subject to retirement by rotation at least once every three years. Each of the non-executive Directors has entered into formal appointment letter setting out their specific term of appointment of three years commencing from the date of the annual general meeting at which they are re-elected subject to the provisions of the Company's Articles of Association.

The Board has established the Nomination Committee with specific terms of reference. The Nomination Committee consists of three independent non-executive Directors, a non-executive Director and an executive Director. List of members of Nomination Committee is set out in the "Corporate Information" on page 2.

With a view to ensuring that the Board has members with the right profile of expertise, skill and ability as well as an appropriate balance of independent directors, the Nomination Committee is responsible for formulating policy and making recommendations to the Board on nominations, appointment of Directors and Board succession. The Committee develops selection procedures for candidates, and considers different criteria including appropriate professional knowledge and industry experience, as well as consults external recruitment professionals when required. The Committee also reviews the size, structure and composition of the Board and assesses the independence of the independent non-executive Directors. The Committee is provided with sufficient resources enabling it to perform its duties and it can seek independent professional advice at the Company's expense if necessary.

The Company has adopted a Board diversity policy setting out approach to achieve diversity on the Board. Board appointments are based on merit and candidates are considered against objective criteria, having due regard to diversity on the Board, including but not limited to race, gender, age, cultural and educational background, professional experience, skill and knowledge. The Nomination Committee will monitor the implementation of the Diversity Policy and review as appropriate.

The Nomination Committee held one meeting during the year to discuss the nomination of retiring Directors at the annual general meeting and other relevant matters. The attendance records were as follows:

Members	**Attendance (%)**	
Dr. Lau Yue Sun (Chairman)	(1/1)	100%
Mr. Li Ka Fai, David	(1/1)	100%
Mr. Nguyen, Van Tu Peter	(1/1)	100%
Mr. Ng Ming Wah, Charles	(1/1)	100%
Mr. Tsang Chi Ming, Ricky	(1/1)	100%

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(continued)*

Training and Support for Directors

Directors are required to keep abreast of their collective responsibilities. Each newly appointed Directors will receive a comprehensive, formal and tailored induction on appointment. Subsequently, the Directors will receive briefing and professional development necessary for them to have proper understanding of the Group's operations and business and are fully aware of their responsibilities under relevant statutory and regulatory requirements. Guidance and notes are issued to Directors where appropriate to ensure compliance and enhance their awareness of best corporate governance practices.

During the period under review, the Directors participated in the following trainings:

	Type of trainings
Executive Directors	
Dr. Tsang Hin Chi	B
Mr. Tsang Chi Ming, Ricky	A, B
Madam Wong Lei Kuan	B
Non-executive Director	
Mr. Ng Ming Wah, Charles	A, B
Independent Non-executive Directors	
Dr. Lau Yue Sun	A, B
Mr. Li Ka Fai, David	A, B
Mr. Nguyen, Van Tu Peter	A, B

A: attending seminars and/or conferences

B: reading newspapers, journals and updates relating to the economy, general business or director's duties and responsibilities

Compliance with Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. All the Directors confirmed that they have complied with the relevant requirements under the Model Code during the year.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Board has established the Remuneration Committee in 2005 with specific terms of reference. The Remuneration Committee currently consists of three independent non-executive Directors, a non-executive Director and an executive Director. List of members of Remuneration Committee is set out in the "Corporate Information" on page 2.

The key role of the Committee is to formulate a formal and transparent procedure for setting of remuneration policy, to review and recommend to the Board the remuneration policy, and to review the remuneration packages of the executive Directors and members of the senior management. The main objective of the remuneration policy is to ensure that the Company is able to attract, retain and motivate a high-calibre team of staff.

In determining remuneration packages, the Company mainly considers employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of the individual staff.

In respect of the requirement under Code Provision B.1.2(c), the Company has adopted the model in which the Remuneration Committee should make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. The Remuneration Committee reviews remuneration packages of the executive Directors and senior management regularly to ensure that those packages are commensurate with their performance. The chairman of the Committee will report the work, findings and recommendations to the Board after each meeting.

The Board provides sufficient resources (including access to independent professional advice if necessary) to the Remuneration Committee to enable it to discharge its duties effectively.

To maintain proper management control, no Director and member of the senior management can determine his/her own remuneration.

The Remuneration Committee held one meeting during the year and the attendance records were as follows:

Members	**Attendance (%)**	
Mr. Nguyen, Van Tu Peter (Chairman)	(1/1)	100%
Dr. Lau Yue Sun	(1/1)	100%
Mr. Li Ka Fai, David	(1/1)	100%
Mr. Ng Ming Wah, Charles	(1/1)	100%
Mr. Tsang Chi Ming, Ricky	(1/1)	100%

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible for overseeing the preparation of financial statements of each financial period which give a true and fair view of the state of affairs of the Group and the results for the corresponding period, as well as inside information and other financial disclosures as required. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. In preparing the financial statements for the year, the Directors have:

- selected suitable accounting policies and applied them consistently;
- adopted accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants;
- made judgements and estimates that are reasonable; and have prepared the financial statements on the going concern basis.

Audit Committee

The Audit Committee was established in 1998. Currently the Committee comprises three independent non-executive Directors and a non-executive Director, and is chaired by Mr. Li Ka Fai, David. Mr. Li is a fellow member of the Hong Kong Institute of Certified Public Accountants and has extensive accounting and auditing experiences.

The Audit Committee is primarily tasked with assisting the Board in fulfilling its oversight responsibilities for financial reporting, risk management and evaluation of internal controls and auditing processes. It also reports to the Board on matters relating to the Audit Committee under the relevant regulations. List of members of Audit Committee is set out in the "Corporate Information" on page 2.

The Committee is also empowered to investigate any matters relating to the Group's accounting, auditing, risk management, internal controls and financial practices, with full access to records, resources and personnel, to enable it to discharge its functions properly.

In respect of maintaining an appropriate relationship with the Company's auditors, the Committee is responsible for making recommendations to the Board on the appointment, reappointment and removal of the Company's external auditors, and to approve their remuneration and terms of engagement, and any questions of resignation or dismissal of the auditors. The Committee reviews and monitors the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee also discusses with the auditors the nature and scope of the audit and reporting obligations before the audit commences.

The Audit Committee will review the external auditor's management letter, any material queries raised by the external auditors to management about accounting records, financial statements, risk management or systems of control and management's response. The chairman of the Committee will report the work, findings and recommendations to the Board after each meeting.

The Committee had held a meeting with the external auditors without the presence of the management to discuss various auditing issues. The Committee has also conducted regular reviews on the nature and extent of non-audit services supplied by the external auditors.

ACCOUNTABILITY AND AUDIT *(continued)*

Audit Committee *(continued)*

The Audit Committee held four meetings during the year and the attendance records were as follows:

Members	Attendance (%)	
Mr. Li Ka Fai, David (Chairman)	(4/4)	100%
Mr. Nguyen, Van Tu Peter (Deputy Chairman)	(4/4)	100%
Dr. Lau Yue Sun	(4/4)	100%
Mr. Ng Ming Wah, Charles	(4/4)	100%

RISK MANAGEMENT AND INTERNAL CONTROL

Overall Responsibility

Effective risk management and internal control systems are the essential element for the achievement of corporate goals. The Board therefore acknowledges its responsibility to evaluate and determine the nature and extent of the risks of the Group is willing to take. Senior management of the Group should formulate and implement the internal control system to facilitate risk management.

The Board, through the Audit Committee, is also responsible for ensuring, maintaining and reviewing the effectiveness of the risk management and internal control systems. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk Management Strategy

Effective risk management plays a vital role facilitating the Group to attain its vision and mission. In the long run, it raises the value for all stakeholders across the spectrum. Our risk management strategy includes:

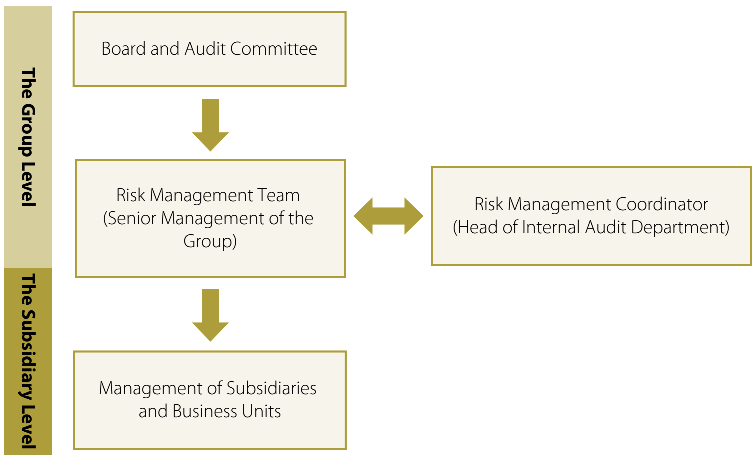
- provide clear responsibility and accountability structures for risk management;
- determining the Group's risk profile within risk appetite;
- hold regular meetings to review the management of these risks and the effectiveness of mitigation plans and controls;
- actively identify the positive business opportunities in relation to these risks;
- embedded risk management in core operations and decision-making process;
- allocate sufficient resources to develop, maintain and streamline risk management strategies and its policies.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

Risk Management Structure

In order to improve the Group's risk management and to enhance its management standards and ability to mitigate risks, the Board has established its organizational structure on risk management. The Group's risk management organizational structure includes a 3-tier framework, namely the Board and Audit Committee, risk management team comprising of senior management of the Group and management of subsidiaries and business units. Details of which are set out as follows:



Key roles performed by various parties within the risk management structure are set out below:

Board and Audit Committee

- Overseeing the structure and duties of the risk management functions;
- Assessing the effectiveness of the underlying risk management system;
- Reviewing assessment reports on major risk factors and other various risk management reports.

Risk Management Team (Senior Management of the Group)

- Reviewing and timely updating the "Risk Management Manual";
- Handling major risk factors of the Group and developing respective risk management measures;
- Reporting timely on various risk management matters and providing confirmation of the effectiveness of the risk management and internal control systems to the Board and the Audit Committee;
- Designing, implementing and monitoring the Group's risk management and internal control systems.

Risk Management Coordinator (Head of Internal Audit Department)

- Organizing and coordinating departments and business units of the Group for the promotion of risk management functions;
- Facilitating the Risk Management Team in assessing risks and proposing respective risk management measures;
- Facilitating the Risk Management Team in reporting significant risks, material changes and the associated mitigating actions and highlights to the Audit Committee to enhance the accountability and quality of the risk management process;
- Assisting the Risk Management Team in promoting the risk management culture of the Group and various risk control and assessment duties.

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

Risk Management Structure *(continued)*

Management of Subsidiaries and Business Units

- Working together with the Risk Management Coordinator for performing risk assessment at operational level and updating the respective list of risk factors;
- Formulating and implementing specific risk management measures for respective operations;
- Monitoring and controlling the risks identified in respective operations, and reporting timely to the risk management team.

Risk Management Process

During the year, the Group has modified its "Risk Management Manual" setting out the Group's risk management cycle. The five major steps included in the cycle are risk identification, risk analysis, risk handling, risk monitoring and risk reporting.

If there are any new or change in risk factors, responsible risk owners are required to reassess the existing risk management measures and promptly propose new ones if necessary. Being an integral part of the Group's Risk Management Team to provide assurance on the effectiveness of the Group's risk management process and system of internal control, the Internal Audit Department carries out assessment on the risk management progress and risk responses submitted by risk owners.

During the year, the Group coordinated the management of all major business units to walk through the risk management cycle. As a result of the above mentioned cycle, the Group identified the following three major risks:

1. Strategic planning and execution – setting of appropriate operational strategies that can adapt to the rapid changing and dynamic business environment;
2. Market competition – gaining competitive edge in intense competitive marketing environment;
3. Product quality – offering top quality products to customers in order to preserve branding of the Group.

During the year, the Group was not aware of any unexpected adverse changes that were significant to the risks related to the Group's business. The Board has also received a confirmation from management on the effectiveness of the Group's risk management and internal control systems.

The Group has implemented appropriate procedures and control for the handling and dissemination of inside information. Guidelines setting out respective statutory and regulatory requirements, definition of inside information, reporting channel, timing and mode for the disclosure and other necessary information are in place. Designated staff will review the nature and materiality of the subject matter and identify whether it would constitute an inside information in the first instance. Appropriate actions, including consultation of external professional advice in confidentiality, will be taken to ensure the information is handled and disseminated properly in accordance with relevant requirements.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

Internal Controls

The Board has ultimate responsibility for maintaining a sound and effective risk management and internal control systems, which is designed to provide reasonable but not absolute assurance against material errors, losses or fraud. The Board, through the Audit Committee, has conducted regular reviews on the effectiveness of the system.

The Group's internal control system comprises an established organizational structure and comprehensive policies and working procedures. Areas of responsibilities of each business and operational unit are reasonably defined to ensure sufficient segregation of duties.

The key procedures that the Board established to provide effective controls are as follows:

– a distinct organizational structure exists with defined lines of authority and control responsibilities;
– a comprehensive management accounting system is in place to provide financial and operational performance indicators to the management and the relevant financial information for reporting and disclosure purpose;
– policies and procedures are designed for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information used within the business or for publication;
– systems and procedures are also in place to identify, measure, manage and control risks including reputation, strategic, legal, credit, market, liquidity, interest rate and operational risks;
– procedures are designed to ensure compliance with applicable laws, rules and regulations;
– Audit Committee reviews recommendations submitted by external auditors to the Group's management in connection with the annual audit and interim review.

The Group's Internal Audit Department plays a major role in monitoring the internal control of the Group. The Department conducts systematic reviews of the Group's risk management and internal control systems by using a risk-based audit approach and reviews the effectiveness of the Group's system of internal control against the Integrated Internal Control framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in order to provide reasonable assurance of the effectiveness of the system. The Department reports directly to the Audit Committee and has free access to review all aspects of the Group's activities and systems. The Department summarizes audit findings and control weaknesses and reports to the Audit Committee on a regular basis. If any material internal control defects are identified, the Department would report to the Audit Committee promptly and help ensure proper remedial actions are taken by management to resolve the internal control defects.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

Internal Controls *(continued)*

The whistle-blowing procedure of the Group is in place during the year. The procedure is to provide a reporting channel to employees of the Group, in confidence, to raise concerns about possible improprieties or frauds in financial reporting, internal control or other matters to the Audit Committee.

The Audit Committee, as delegated by the Board, has conducted an annual review on the adequacy and effectiveness of the Group's internal controls, including financial, operational and compliance controls as well as risk management functions for the calendar year 2017. The Audit Committee and the Board were not aware of any areas of concern that would have a material impact on the Group's financial position or results of operations and considered the risk management and internal control systems to be generally effective and adequate including the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit and financial reporting functions.

External Auditors and their Remuneration

The external audit function provides an objective assessment of the financial information presented by the management, and is considered one of the essential elements to ensure effective corporate governance. A statement by the Company's external auditors, PricewaterhouseCoopers, in respect of their reporting responsibilities is set out in the Independent Auditor's Report on page 66.

During the year, total auditors' remuneration in relation to statutory audit work of the Group amounted to HK$3,785,000, of which a sum of HK$3,390,000 was paid to PricewaterhouseCoopers. The remuneration for PricewaterhouseCoopers and its affiliated firms, for services rendered is broken down below:

	HK$
Statutory audit and interim review fee	3,390,000
Tax consulting services	70,500
Total	3,460,500

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

The Board strives for timeliness and transparency in its disclosures to shareholders and the public. The Company disseminates its information to shareholders in a timely manner through various channels including interim and annual reports, published announcements, press releases and shareholders' circulars. Regular meetings are held with investors, analysts, bankers and the press. The Group has a corporate website where shareholders and members of the public are able to access to up-to-date corporate information and events related to the Group.

Contact details of the Company (including telephone and fax numbers, postal and email addresses) are listed in the "Corporate Information" on page 2. Shareholders can send their enquiries to the Company through these channels. Shareholders can also contact Computershare Hong Kong Investor Services Limited, the share registrar of the Company, if they have any enquiries about their shareholdings and entitlements to dividend.

Shareholders' views on matters relating to the Group are always welcomed by the Company. The Company encourages shareholders to attend at the shareholders' meetings to express any concerns they may have with the Board and management directly.

The annual general meeting of the Company provides a useful platform for dialogue and interaction with all the shareholders. At the annual general meeting, the Chairman as well as chairmen of the Board Committees, or in their absence, members of the Committees and the Company's external auditors are available to answer shareholders' questions.

Proceedings of the annual general meeting are reviewed regularly to ensure that the Company follows good corporate governance practices. The notice of annual general meeting is distributed to all shareholders at least twenty clear business days prior to the date of meeting and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. The chairman of the annual general meeting proposes separate resolutions for each issue to be considered and exercises his power under the Articles of Association of the Company to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the meeting prior to the polls being taken. Voting results are posted on the websites of the Company and the Stock Exchange on the day of the meeting.

COMMUNICATION WITH SHAREHOLDERS *(continued)*

The 2017 annual general meeting was held on 19th May 2017. The attendance records of the Directors at the meeting were as follows:

	Attended/ held
Executive Directors	
Dr. Tsang Hin Chi	0/1
Mr. Tsang Chi Ming, Ricky	1/1
Madam Wong Lei Kuan	1/1
Non-executive Director	
Mr. Ng Ming Wah, Charles	1/1
Independent Non-executive Directors	
Dr. Lau Yue Sun	1/1
Mr. Li Ka Fai, David	1/1
Mr. Nguyen, Van Tu Peter	1/1

Dr. Tsang Hin Chi, Chairman of the Company's Board of Directors, was unable to attend the annual general meeting of the Company held on 19th May 2017 owing to an important engagement at the relevant time, which is not consistent with the requirements of Code Provision E.1.2.

Convening a General Meeting on Requisition by Shareholders

Shareholder(s) holding at least 5% of the total voting rights of all the shareholders of the Company having a right to vote at general meetings can send a request to the Company to convene a general meeting pursuant to section 566 of the Companies Ordinance. The request must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. The request must be sent to the Company in hard copy form or in electronic form and authenticated by the relevant shareholder(s).

Besides, section 615 of the Companies Ordinance provides that (i) shareholder(s) representing at least 2.5% of the total voting rights of all shareholders of the Company who have a right to vote on the resolution at the annual general meeting or (ii) at least 50 shareholders who have a right to vote on the resolution at the annual general meeting may request the Company to circulate a notice of a resolution for consideration at the annual general meeting. Such request must identify the resolution to be moved at the annual general meeting and must be authenticated by the relevant shareholder(s) and sent to the Company in hard copy form or in electronic form not later than six weeks before the relevant annual general meeting or if later, when the notice of the annual general meeting is despatched.

During the year ended 31st December 2017, the Company has not made any changes to its Articles of Association. The latest version of the same is available on the websites of the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements of Goldlion Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st December 2017.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 10 to the financial statements.

An analysis of the Group's performance for the year by geographical operating segment is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 73.

The Directors declared an interim dividend of 6.0 HK cents (2016: 6.5 HK cents) per ordinary share, totalling HK$58,927,000 (2016: HK$63,837,000), which was paid on 19th September 2017.

The Directors recommend the payment of a final dividend of 12.5 HK cents (2016: 13.0 HK cents) per ordinary share totalling HK$122,764,000 (2016: HK$127,675,000) in respect of the year ended 31st December 2017. Subject to the shareholders' approval at the Annual General Meeting to be held on 18th May 2018, the final dividend will be paid on or about 5th June 2018 to shareholders whose names appear on the register of members as at 28th May 2018.

BUSINESS REVIEW

The business review of the Group for the year ended 31st December 2017 is set out in the section headed "Chairman's Statement" on pages 6 to 10.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$200,000 (2016: HK$20,000).

PRINCIPAL PROPERTIES

Details of the principal properties of the Group held for investment, own use and development purposes at 31st December 2017 are set out on pages 11 to 17.

SHARES ISSUED IN THE YEAR

Details of the shares issued in the year ended 31st December 2017 are set out in note 16 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2017, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap. 622), amounted to HK$386,437,000 (2016: HK$276,916,000).

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there is no restriction against such rights under the laws of Hong Kong, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the last five financial years is set out on page 134.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Dr. TSANG Hin Chi
Mr. TSANG Chi Ming, Ricky
Madam WONG Lei Kuan

Non-executive Director:

Mr. NG Ming Wah, Charles

Independent Non-executive Directors:

Dr. LAU Yue Sun
Mr. LI Ka Fai, David
Mr. NGUYEN, Van Tu Peter

In accordance with Article 101 of the Company's Articles of Association, Madam WONG Lei Kuan, Mr. NG Ming Wah, Charles and Mr. NGUYEN, Van Tu Peter, retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The Company has received confirmation from each of the independent non-executive Directors concerning their independence from the Company and considers them to be independent.

DIRECTORS OF THE COMPANY'S SUBSIDIARIES

During the year and up to the date of this report, Dr. TSANG Hin Chi, Mr. TSANG Chi Ming, Ricky, Madam WONG Lei Kuan and Mr. NG Ming Wah, Charles are also directors in certain subsidiaries of the Company. Other directors of the Company's subsidiaries during the year and up to the date of this report include Mr. TSANG Chi Mao, Jimmy, Mr. TSANG Wing Hong, Mr. KAM Yiu Kwok, Mr. QUEK Chew Teck, Ms. SIEW Ah Ngan and Ms. Farah Hazleda Binti ZULCAFFLE.

DIRECTORS' SERVICE CONTRACTS

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

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Descriptions of the Directors and Senior Management of the Group are set out as follows:

Executive Directors

Dr. the Honourable Tsang Hin Chi, G.B.M., aged 84, is Chairman and a founder of the Group. Dr. Tsang holds an Honorary Doctorate degree from the Sun Yat-sen University in the People's Republic of China (the "PRC"), and an Honorary Doctorate degree in Social Science from the Hong Kong Polytechnic University. He is an honorary citizen of Beijing, Harbin, Shenyang, Dalian and Guangzhou. Dr. Tsang is concurrently honorary vice chairman of the All-China Federation of Industry & Commerce, ex-officio life honorary chairman of the Chinese General Chamber of Commerce, and committee member to several Hong Kong and Mainland trade associations. Other public offices he holds include honorary director of the Tsang Hin Chi Education Foundation under the Ministry of Education of the PRC, honorary director of the Tsang Hin Chi Manned Space Foundation, honorary director of the Tsang Hin Chi Sports Foundation, deputy managing director of the Jinan University, and life honorary chairman of the Jiaying University in Guangdong. Previously, he served as a member of the Standing Committee in the National People's Congress of the PRC from the Eighth through the Tenth session. He is the spouse of Madam Wong Lei Kuan and father of Mr. Tsang Chi Ming, Ricky, both are executive Directors of the Group.

Mr. Tsang Chi Ming, Ricky, J.P., aged 51, is Deputy Chairman and Chief Executive Officer of the Company overseeing the operations and development of the Group. Mr. Tsang joined the Group in 1989 and was appointed as an executive Director in May 2001. He is a member of the National Committee of the C.P.P.C.C.. Mr. Tsang is also vice chairman of Guangdong Federation of Industry & Commerce, vice chairman of Guangdong Province Federation of Returned Overseas Chinese, vice chairman of the Chinese General Chamber of Commerce, chairman of Hong Kong Guangdong Youth Association, executive chairman of Hong Kong Hakka Associations, executive chairman of Hong Kong Federation of Meizhou Associations, chairman of Hong Kong Meizhou General Chamber of Commerce, vice president of Centum Charitas Foundation, chairman of Proactive Think Tank Limited and an honorary citizen of Guangzhou and Meizhou. He is a son of Dr. Tsang Hin Chi and Madam Wong Lei Kuan, executive Directors of the Group.

Madam Wong Lei Kuan, aged 80, is a founder of the Group. She is honorary executive committee member of the All-China Women's Federation, life honorary chairman of Hong Kong Meizhou General Chamber of Commerce and a supervising advisor of the Hong Kong Federation of Women. Madam Wong is also honorary committee member of the Chinese General Chamber of Commerce and honorary chairman of Ladies' Sub-Committee. She is executive director of the China Women's Development Fund and director of the China Council for the Promotion of Peaceful National Reunification. Besides, Madam Wong has served as a member of the C.P.P.C.C. Guangdong of the PRC from the Seventh through the Ninth session. She is the spouse of Dr. Tsang Hin Chi and mother of Mr. Tsang Chi Ming, Ricky, both are executive Directors of the Group.

Non-executive Director

Mr. Ng Ming Wah, Charles, aged 68, was appointed to the Board in July 1992. Mr. Ng graduated from Loughborough University in England in 1972 with a B.Sc. degree in Electronic and Electrical Engineering and from London Graduate School of Business Studies (London Business School) in England in 1974 with a M.Sc. degree in Business Studies. Mr. Ng has over 40 years of experience in corporate finance and investment banking. He is a director of Somerley Capital Limited, the principal business of which is the provision of corporate financial advisory services. During the last three years, Mr. Ng was an independent non-executive director of China Aircraft Leasing Group Holdings Limited (stock code: 1848) and retired in May 2016. In addition, Mr. Ng is a member of the board of Governors of Hong Kong Arts Centre.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Independent Non-executive Directors

Dr. Lau Yue Sun, B.B.S., aged 77, is the managing director of New Products Investment Limited and Jip Fair Development Limited. Dr. Lau has over 40 years of experience in manufacturing, electronics, plastic injection products and import/export business. He is a member of the Election Committee of Hong Kong SAR, a standing committee member of the Chinese General Chamber of Commerce, permanent honorary president of Hong Kong Industrial & Commercial Association and director of Hong Kong Guangdong Chamber of Foreign Investors. He is also an advisor of Guangdong Education Foundation, vice chairman of Zhongkai University of Agriculture and Engineering, as well as honorary citizen of Shenzhen, Heyuan, Meizhou and Xingning. Previously, Dr Lau served as member of the National Committee of the C.P.P.C.C. from the Eighth through the Eleventh session. He was appointed to the Board in December 1994.

Mr. Li Ka Fai, David, aged 63, is currently the deputy managing partner of Li, Tang, Chen & Co. CPA (Practising). He is a fellow of the Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants, U.K., The Institute of Chartered Secretaries and Administrators, U.K. as well as The Institute of Chartered Accountants in England and Wales. Mr. Li is an independent non-executive director and chairman of the audit committee of each of Shanghai Industrial Urban Development Group Limited (stock code: 563) and Wai Yuen Tong Medicine Holdings Limited (stock code 897). He is also an independent non-executive director, chairman of the audit committee, member of the nomination committee and member of the remuneration committee of each of China-Hongkong Photo Products Holdings Limited (stock code: 1123) and Cosmopolitan International Holdings Limited (stock code: 120), an independent non-executive director, member of the audit committee, member of the nomination committee and chairman of the remuneration committee of China Merchants Port Holdings Company Limited (stock code: 144) and an independent non-executive director, member of the audit committee and member of the remuneration committee of AVIC International Holding (HK) Limited (stock code: 232). Mr. Li was appointed to the Board in August 2010.

Mr. Nguyen, Van Tu Peter, S.B.S., aged 74, is a Senior Counsel and was called to the Bar in England by the Honourable Society of the Middle Temple in 1970. He was an Assistant Crown Counsel and Crown Counsel in the Legal Department of Hong Kong during the period from August 1970 to November 1974 and was in private practice as a barrister in Hong Kong subsequently for approximately twenty years. Mr. Nguyen was appointed as the Director of Public Prosecutions in the Legal Department of Hong Kong during the period from July 1994 to October 1997 and was the first Chinese to hold such position. Mr. Nguyen became a Queen's Counsel in 1995 and was appointed as a Judge of the Court of First Instance of the High Court, Hong Kong from February 1998 to April 2009. Currently, Mr. Nguyen is an independent non-executive director of Integrated Waste Solutions Group Holdings Limited (stock code: 923), Greenheart Group Limited (stock code: 94) and Pacific Andes International Holdings Limited (stock code: 1174). During the last three years, Mr. Nguyen was an independent non-executive director of Combest Holdings Limited (stock code: 8190) and resigned in February 2018. He was also an independent non-executive director of IPE Group Limited (stock code: 929) and retired in May 2016. Mr. Nguyen was appointed to the Board in September 2012.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Senior Management

Mr. Tsang Wing Hong, aged 55, was appointed as the Deputy Chief Executive Officer of the Group in May 2012 and also as the chief executive officer of the Group's China Mainland operations in December 2012. He reports to the Group Chief Executive Officer and assists in discharging executive duties relating to the supervision and management of the day-to-day operations. Mr. Tsang graduated from the University of Birmingham in the United Kingdom with a Bachelor's Degree in Mathematics in 1986 and obtained his MBA Degree from the Kellogg School of Management at Northwestern University and the Hong Kong University of Science and Technology EMBA Program in 2008. In addition, He has completed executive programs in leading universities including Harvard University, INSEAD and TsingHua University. Mr. Tsang has over 25 years of experience in retail management, sales and marketing management, and operational management. He was a member of the Retail Industry Training Advisory Committee under the Education Bureau of the Hong Kong SAR Government from September 2010 to December 2014. Prior to joining the Company, Mr. Tsang spent 8 years with the Hong Kong Jockey Club (the "Club"). He was the Club's Head of Betting Services (Off-course) from May 2004 to March 2009 and the Head of Betting Services (Cashbet) from April 2009 to March 2012 respectively. Before that, Mr. Tsang worked in Hong Kong Telecommunications Limited (and subsequently PCCW Limited) for 10 years, where he held several general manager positions before he was made the director of retail and direct sales.

Mr. Kam Yiu Kwok, aged 55, joined the Group in 1999 as an accounting manager. He was appointed as Secretary of the Company in 2000 and as Chief Financial Officer of the Group in 2010. Mr. Kam takes full responsibility for the Group's financial management, investor relations and company secretarial functions. He has extensive experience in accounting and finance, and is a fellow member of each of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales.

Mr. Tsang Pui Yuen, aged 50, joined the Group in December 2013 as the Group's General Manager, Property. He is fully in charge of the Group's property activities in China Mainland and Hong Kong. Mr. Tsang is a Registered Professional Surveyor and is a member of The Hong Kong Institute of Surveyors, The Royal Institution of Chartered Surveyors and the Chartered Institute of Arbitrators. Mr. Tsang has over 25 years of experience in the real estate profession. Prior to joining the Group, Mr. Tsang held senior position in a Hong Kong listed company with wide range of property investment and development activities.

Mr. Tu Wu Yi, aged 56, graduated with an Executive Master of Business Administration Degree. Mr. Tu is a qualified accountant in China Mainland and has more than 25 years of experience in finance. He has extensive experience in working with large enterprises and listed companies in China Mainland. He joined the Group in 2000 and is now the chief financial officer of the Group's operations in China Mainland in charge of various financial matters of our Mainland operation.

Ms. Zhou Yan Ling, aged 45, joined the Group in February 2013 as the human resources director of our China Mainland operation. Ms. Zhou graduated from Nankai University in the PRC with a Bachelor's Degree in Physical Electronics and obtained a Master's Degree in Business Administration from the Sun Yat-sen University in the PRC. She has over 15 years of experience in human resources. Prior to joining the Group, Ms. Zhou held senior human resources positions from multinational corporations, including P&G and Novartis China.

REPORT OF THE DIRECTORS

SHARE OPTIONS

At the Annual General Meeting of the Company held on 23rd May 2014, the shareholders approved the adoption of a new share option scheme (the "New Option Scheme"). The New Option Scheme is designed to enable the Group to reward and motivate executives and key employees in service of the Group and other persons who may make a contribution to the Group (the "Eligible Participants").

Under the New Option Scheme, which is valid and effective for a period of ten years from the date of its adoption, the Directors may grant options to any Eligible Participants to subscribe for ordinary shares in the Company at a price to be determined by the Directors and to be no less than the higher of: (a) the closing price of the Company's ordinary shares as stated in the Daily Quotation Sheets on the day of offer; and (b) the average of the closing prices of the Company's ordinary shares as stated in the Daily Quotations Sheets for the five trading days immediately preceding the date of offer. The number of ordinary shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1 percent of the issued ordinary share capital of the Company at the date of such grant, without prior approval from the Company's shareholders. The total number of shares which may be issued upon exercise of all options to be granted under the New Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10 percent of the issued ordinary share capital of the Company as at the adoption date. The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Option Scheme and any other share option schemes of the Company must not exceed 30 percent of the issued ordinary share capital of the Company from time to time.

Offer for the grant shall remain open for acceptance by the Eligible Participants concerned for a period of up to 28 days from the date of offer. The consideration for the grant of options is HK$1. Options may be exercised at any time to be determined by the Directors at its absolute discretion and in any event shall expire no later than the 10th anniversary of the commencement date of the New Option Scheme.

During the year, no options had been granted or remained outstanding under the New Option Scheme or any other share option schemes of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

At 31st December 2017, the interests and short positions of each Director and Chief Executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required maintained by the Company under section 352 of Part XV of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(a) Ordinary shares of the Company at 31st December 2017

Directors		Number of shares held				Percentage to total issued share capital
		Personal interests	Family interests (note 1)	Other interests (note 2)	Total	
Tsang Hin Chi	Long position	–	1,210,000	613,034,750	614,244,750	62.54%
	Short position	–	–	–	–	–
Tsang Chi Ming, Ricky	Long position	1,404,000	–	613,034,750	614,438,750	62.56%
	Short position	–	–	–	–	–
Wong Lei Kuan	Long position	1,210,000	–	613,034,750	614,244,750	62.54%
	Short position	–	–	–	–	–
Ng Ming Wah, Charles (note 3)	Long position	602,000	–	–	602,000	0.06%
	Short position	–	–	–	–	–

Notes:

1. Madam Wong Lei Kuan is the spouse of Dr. Tsang Hin Chi. Her shareholding disclosed under the heading "Personal interests" in the above table is the family interest of Dr. Tsang Hin Chi.

2. The shareholdings disclosed by Dr. Tsang Hin Chi, Mr. Tsang Chi Ming, Ricky and Madam Wong Lei Kuan under the heading "Other interests" in the above table refer to the same shares which were held by Hin Chi Family Management Limited (being trustee of the Tsang Hin Chi (2007) Family Settlement) as disclosed in the paragraph headed "Substantial Shareholders" below.

3. Mr. Ng Ming Wah, Charles was deemed to be interested in 602,000 shares held by an estate of which he is one of the executors.

(b) Save as disclosed above, as at 31st December 2017, none of the Directors and the Chief Executive of the Company has or is deemed to have any interest or short position in the shares, underlying shares and debentures of the Company, its specified undertakings and its other associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION *(continued)*

(c) Save as disclosed above, at no time during the year ended 31st December 2017 was the Company, its subsidiaries or its other associated corporations a party to any arrangements to enable the Directors and the Chief Executive of the Company (including their spouses and children under the age of 18) to acquire benefits by means of the acquisition of shares or underlying shares in or debentures of the Company or its specified undertakings or other associated corporation.

(d) Other than those interests and short positions disclosed above, the Directors and the Chief Executive also hold shares of certain subsidiaries in trust for the Company solely for the purpose of ensuring that the relevant subsidiary has more than one member.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained under section 336 of Part XV of the SFO shows that as at 31st December 2017, the Company has been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

Name of holder of securities	Type of securities		Number of shares held	Percentage to total issued share capital
Hin Chi Family Management Limited (note)	Ordinary shares	Long position	613,034,750	62.42%
		Short position	–	–
Top Grade Holdings Limited (note)	Ordinary shares	Long position	613,034,750	62.42%
		Short position	–	–
Silver Disk Limited (note)	Ordinary shares	Long position	160,616,000	16.35%
		Short position	–	–
Tsang Hin Chi Charities (Management) Limited	Ordinary shares	Long position	53,880,750	5.49%
		Short position	–	–
FMR LLC	Ordinary shares	Long position	55,755,331	5.68%
		Short position	–	–

Note: Hin Chi Family Management Limited as trustee of the Tsang Hin Chi (2007) Family Settlement, held all of the issued share capital of Top Grade Holdings Limited ("Top Grade"). Top Grade was interested in 613,034,750 shares in the Company including 160,616,000 shares held by Silver Disk Limited, a wholly-owned subsidiary of Top Grade.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Other than as disclosed under the section "Connected Transactions" below, no transactions, arrangements and contracts of significance to which the Company's subsidiaries was a party and in which a Director of the Company and the Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

The following transactions between certain connected parties (as defined in the Listing Rules) and the Group have been entered into and/or are ongoing and are exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

(a) The Group paid professional fees of HK$320,000 to Equitas Capital Limited during the year in the ordinary course of its business. Mr. Ng Ming Wah, Charles, a non-executive Director of the Company, is the managing director and the principal shareholder of Equitas Capital Limited.

(b) On 30th March 2015, the Group, as lessor, entered into a lease with China Hong Kong Digital Audiovisual Management Company Limited ("CHKDAM"), as lessee, in respect of a unit located at Goldlion Holdings Centre in Hong Kong. The lease was renewed subsequently on 4th January 2017, for 2 years commencing from 1st February 2017. During the year, the Group received HK$543,000 from CHKDAM as rental and building management fee income under the leases. Mr. Tsang Chi Hung has an indirect beneficial interest in CHKDAM as he is a major shareholder of the holding company of CHKDAM. Dr. Tsang Hin Chi, Madam Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in this transaction as Mr. Tsang Chi Hung is a son of Dr. Tsang Hin Chi and Madam Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.

(c) On 24th June 2013, the Group, as lessor, entered into a lease with Guangzhou World Trade Center Club Company Limited ("GWTCCL"), as lessee, in respect of a business centre and facilities therein located at Goldlion Digital Network Centre, Guangzhou. The lease was amended subsequently on 1st July 2014, with a reduced leased area. On 13th July 2015, the lease was renewed for a term of 3 years commencing from 15th July 2015. During the year, the Group received HK$994,000 from GWTCCL as rental and building management fee income under the leases. Mr. Tsang Chi Hung has an indirect beneficial interest in GWTCCL as he is a major shareholder of the holding company of GWTCCL. Dr. Tsang Hin Chi, Madam Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in this transaction as Mr. Tsang Chi Hung is a son of Dr. Tsang Hin Chi and Madam Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.

The related party transactions as disclosed under note 31(a) and 31(b) to the consolidated financial statements constitute connected transactions or continuing connected transactions under the Listing Rules.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

There is no advance (including guarantee given by the Company and any of its subsidiaries), which is of non-trading nature, to any of the affiliated companies as at 31st December 2017 as defined under Chapter 13 of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 30% of its inventories from its five largest suppliers, and sold less than 30% of its goods to its five largest customers.

None of the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest (as defined in the Listing Rules) in these major suppliers and customers.

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, there is sufficient public float of more than 25% of the Company's issued shares at the latest practicable date prior to the issue of the annual report.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 42 to 55.

AUDITOR

The financial statements for the year ended 31st December 2017 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Dr. Tsang Hin Chi
Chairman

Hong Kong, 16th March 2018

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

TO THE MEMBERS OF GOLDLION HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

OPINION

What we have audited

The consolidated financial statements of Goldlion Holdings Limited (the "Company") and its subsidiaries ("the Group") set out on pages 71 to 133, which comprise:

- the consolidated balance sheet as at 31st December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

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

- Carrying value of inventory
- Valuation of investment properties

Key Audit Matter	How our audit addressed the Key Audit Matter
Carrying value of inventory	
Refer to note 12 to the consolidated financial statements The Group held inventory of HK$261 million as at 31st December 2017. When assessing the carrying value of inventory at each period end, the Group consistently applies a provisioning methodology for slow moving inventory based on inventory ageing and makes specific provision for obsolete inventory. We focused on this area because the estimation of provision percentages applied to different aged inventory categories and the estimation of specific provision for obsolete inventory involved high-level of judgement based on historical experience of selling products of similar nature through various sales channels as well as expectation of future sales under current market condition. These estimations are also subject to uncertainty as a result of change of market trends, customer taste and competitor actions.	We examined the basis of the methodology with respect to inventory provision and evaluated, amongst others, the outcome of management's estimations in prior year, analysis and assessment made by management with respect to slow moving and obsolete inventory. We also evaluated the assumptions and estimates applied by management to determine the provisioning percentages applicable to individual ageing category of inventory by testing the accuracy of historical information involved, comparing with current year and historical sales trends of similar products and performing sensitivity analysis on changes of major assumptions of future sales, such as sales margin. We tested the accuracy of the ageing profile of the inventory used in the calculation of provision. We performed a recalculation of the inventory provision and the net realizable value using the ageing profile of the inventory as at 31st December 2017 and the provision percentages determined by management. Based on the procedures described, we considered management's judgement and estimates, which formed the basis of the carrying value of inventory, were reasonable and acceptable.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to note 8 to the consolidated financial statements The Group held investment properties of HK$2,650 million as at 31st December 2017 which were stated at fair values. The fair value gains from the investment properties for the year ended 31st December 2017 approximates to HK$92 million. We focused on this area because the aggregate carrying amounts represented approximately 67% of net assets of the Group as at 31st December 2017 and the fair values are dependent on the methodologies used and are sensitive to changes of inputs used in the valuations. Fair values of the Group's investment properties are supported by valuation performed by an independent professional valuer. The valuer adopted the income approach which largely used unobservable inputs such as rental values and gross reversionary yields.	We assessed the competency, capability and objectivity of the independent external valuer by considering their qualifications, relevant experience and relationship with the Group. We involved our internal valuation specialist in our discussion with the external valuer to understand the rationale of the chosen valuation methods and the assumptions applied; and based on which we assessed the appropriateness of the methodologies used and the reasonableness of assumptions applied, where applicable, we further compared, on a sample basis, the data inputs and assumptions used in the valuation models, such as gross reversionary yields and rental values, to market and industry data. Based on the procedures described, we considered the methodologies used and key assumptions applied in the valuation of the Group's investment properties were reasonable.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: *(continued)*

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Yuen Kwok Kin Andrew.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16th March 2018

CONSOLIDATED BALANCE SHEET

As at 31st December 2017

	Note	As at 31st December 2017 HK$'000	As at 31st December 2016 HK$'000
ASSETS			
Non-current assets			
Land use rights	6	**44,607**	42,549
Property, plant and equipment	7	**177,320**	165,745
Investment properties	8	**2,650,249**	2,484,052
Available-for-sale financial assets	9	**5,900**	5,600
Deferred income tax assets	19	**70,751**	56,136
		2,948,827	2,754,082
Current assets			
Property under development held for sale	11	**138,301**	122,982
Inventories	12	**261,407**	211,537
Trade receivables	14	**102,839**	72,574
Prepayments, deposits and other receivables	14	**43,398**	44,324
Tax recoverable		**1,190**	256
Bank deposits	15	**1,028,966**	970,502
Cash and cash equivalents	15	**283,292**	231,721
		1,859,393	1,653,896
Total assets		**4,808,220**	4,407,978
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	16	**1,101,358**	1,101,358
Other reserves	17	**2,845,776**	2,588,770
Total equity		**3,947,134**	3,690,128

CONSOLIDATED BALANCE SHEET

As at 31st December 2017

	Note	As at 31st December 2017 HK$'000	As at 31st December 2016 HK$'000
LIABILITIES			
Non-current liabilities			
Other payables and accruals	18	**869**	5,235
Deferred income tax liabilities	19	**418,668**	372,196
		419,537	377,431
Current liabilities			
Trade payables	18	**73,924**	33,124
Other payables and accruals	18	**339,423**	289,678
Current income tax liabilities		**28,202**	17,617
		441,549	340,419
Total liabilities		**861,086**	717,850
Total equity and liabilities		**4,808,220**	4,407,978

On behalf of the Board

Dr. Tsang Hin Chi
Chairman

Mr. Tsang Chi Ming, Ricky
Deputy Chairman and Chief Executive Officer

The notes on pages 77 to 133 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2017

	Note	2017 HK$'000	2016 HK$'000
Turnover	5	**1,602,786**	1,472,264
Cost of sales	21	**(696,946)**	(608,908)
Gross profit		**905,840**	863,356
Other gains	20	**91,722**	171,342
Selling and marketing costs	21	**(438,074)**	(405,976)
Administrative expenses	21	**(171,567)**	(176,597)
Operating profit		**387,921**	452,125
Interest income		**20,253**	24,599
Profit before income tax		**408,174**	476,724
Income tax expense	26	**(85,899)**	(87,880)
Profit for the year attributable to owners of the Company		**322,275**	388,844
		HK cents	HK cents
Earnings per share for profit attributable to owners of the Company during the year			
– Basic and diluted	28	**32.81**	39.59

The notes on pages 77 to 133 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2017

	2017 HK$'000	2016 HK$'000
Profit for the year	**322,275**	388,844
Other comprehensive income		
Item that will not be reclassified subsequently to profit or loss		
Revaluation of investment property upon reclassification from land use rights, and property, plant and equipment	**1,730**	–
– deferred tax arising from revaluation thereof	**(434)**	–
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of overseas subsidiaries	**120,037**	(115,984)
Other comprehensive income for the year	**121,333**	(115,984)
Total comprehensive income for the year attributable to owners of the Company	**443,608**	272,860

The notes on pages 77 to 133 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2017

	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1st January 2016	1,101,358	308,085	2,209,158	3,618,601
Comprehensive income				
Profit for the year	–	–	388,844	388,844
Other comprehensive income				
Currency translation differences	–	(115,984)	–	(115,984)
Total comprehensive income for the year	–	(115,984)	388,844	272,860
Final dividend relating to 2015	–	–	(137,496)	(137,496)
Interim dividend relating to 2016	–	–	(63,837)	(63,837)
Total transactions with owners in their capacity as owners	–	–	(201,333)	(201,333)
Balance at 31st December 2016	1,101,358	192,101	2,396,669	3,690,128
Balance at 1st January 2017	**1,101,358**	**192,101**	**2,396,669**	**3,690,128**
Comprehensive income				
Profit for the year	**–**	**–**	**322,275**	**322,275**
Other comprehensive income				
Revaluation of investment property upon reclassification from land use rights, and property, plant and equipment	**–**	**1,296**	**–**	**1,296**
Currency translation differences	**–**	**120,037**	**–**	**120,037**
Total other comprehensive income for the year	**–**	**121,333**	**–**	**121,333**
Total comprehensive income for the year	**–**	**121,333**	**322,275**	**443,608**
Final dividend relating to 2016	**–**	**–**	**(127,675)**	**(127,675)**
Interim dividend relating to 2017	**–**	**–**	**(58,927)**	**(58,927)**
Total transactions with owners in their capacity as owners	**–**	**–**	**(186,602)**	**(186,602)**
Balance at 31st December 2017	**1,101,358**	**313,434**	**2,532,342**	**3,947,134**

The notes on pages 77 to 133 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2017

	Note	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Cash generated from operations	29	**307,468**	293,962
Income tax paid		**(61,776)**	(51,215)
Net cash generated from operating activities		**245,692**	242,747
Cash flows from investing activities			
Purchases of land use rights	6	**–**	(15,357)
Purchases of property, plant and equipment	7	**(16,770)**	(11,608)
Additions to investment properties	8	**(1,562)**	(1,389)
Additions to available-for-sale financial assets	9	**–**	(5,600)
Proceeds from disposals of property, plant and equipment	29(a)	**442**	182
Increase in bank deposits with maturity over 3 months		**(31,606)**	(20,761)
Interest received		**19,488**	28,334
Net cash used in investing activities		**(30,008)**	(26,199)
Cash flows from financing activities			
Dividends paid to owners of the Company		**(186,602)**	(201,333)
Net cash used in financing activities		**(186,602)**	(201,333)
Net increase in cash and cash equivalents		**29,082**	15,215
Cash and cash equivalents at 1st January		**231,721**	236,741
Effect of foreign exchange rate changes		**22,489**	(20,235)
Cash and cash equivalents at 31st December	15	**283,292**	231,721

The notes on pages 77 to 133 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 10 to the financial statements.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 7th floor, Goldlion Holdings Centre, 13–15 Yuen Shun Circuit, Siu Lek Yuen, Shatin, Hong Kong SAR.

The Company is listed on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 16th March 2018.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basis and the significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st December.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and requirements of the Hong Kong Companies Ordinance (Cap. 622). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are especially significant to the consolidated financial statements are disclosed in note 4.

(a) Amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1st January 2017:

- Amendment to HKAS 7, "Disclosure initiative". This amendment requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

- Amendment to HKAS 12, "Recognition of deferred tax assets for unrealized losses". This amendment clarifies how to account for deferred tax assets related to debt instruments measured at fair value.

- Amendment from annual improvements to HKFRSs 2014–2016 Cycle, on HKFRS 12, "Disclosure of interests in other entities".

The amendments do not have a significant impact on the Group's consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) The following new standards, new interpretations and amended standards have been issued but are not effective for the financial year beginning on 1st January 2017 and have not been early adopted by the Group

		Effective for accounting periods beginning on or after
HKAS 28 (Amendment)	Long-term interests in an associate or joint ventures	1st January 2019
HKAS 40 (Amendment)	Transfers of investment property	1st January 2018
HKFRS 2 (Amendment)	Classification and measurement of share-based payment transactions	1st January 2018
HKFRS 4 (Amendment)	Applying HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts"	1st January 2018
HKFRS 9	Financial instruments	1st January 2018(i)
HKFRS 9 (Amendment)	Prepayment features with negative compensation	1st January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	Not yet established by HKICPA
HKFRS 15	Revenue from contracts with customers	1st January 2018(ii)
HKFRS 15 (Amendment)	Clarifications to HKFRS 15	1st January 2018
HKFRS 16	Leases	1st January 2019(iii)
HKFRS 17	Insurance contracts	1st January 2021
HKFRSs (Amendments)	Annual improvements 2014–2016 cycle	1st January 2018
HKFRSs (Amendments)	Annual improvements 2015–2017 cycle	1st January 2019
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1st January 2018
HK (IFRIC) 23	Uncertainty over income tax treatments	1st January 2019

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) The following new standards, new interpretations and amended standards have been issued but are not effective for the financial year beginning on 1st January 2017 and have not been early adopted by the Group *(continued)*

The above new standards, new interpretations and amended standards are not expected to have a material impact on the consolidated financial statements of the Group, except those set out below:

(i) HKFRS 9 "Financial instruments"

Nature of change

HKFRS 9 "Financial instruments" addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1st January 2018:

The equity investment that is currently classified as available-for-sale will satisfy the conditions for classification as at fair value through other comprehensive income ("FVOCI") and the debt instruments currently classified as loans and receivables meet the conditions for classification at amortized cost under HKFRS 9. Hence there will be no change to the accounting for these assets. Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets. However, gains or losses realized on the sale of financial assets at FVOCI will no longer be transferred to the income statement on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings. For the year ended 31st December 2017, no gains were recognized in the income statement in relation to the disposal of available-for-sale financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 "Financial instruments: Recognition and measurement" and have not been changed. The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at FVOCI, contract assets under "HKFRS 15 Revenue from contracts with customers", lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) The following new standards, new interpretations and amended standards have been issued but are not effective for the financial year beginning on 1st January 2017 and have not been early adopted by the Group *(continued)*

(i) HKFRS 9 "Financial instruments" (continued)

Date of adoption by the Group

HKFRS 9 is mandatory for financial years starting on or after 1st January 2018. The new standard is not expected to be applied by the Group until the financial year ending 31st December 2018.

(ii) HKFRS 15 "Revenue from contracts with customers"

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management is currently assessing the effects of applying the new standard on the Group's financial statements and anticipates that the application of HKFRS 15 may result in the identification of separate performance obligations in relation to revenue contracts which could affect the timing of the recognition of revenue going forward. However, they do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amount of revenue recognized in the respective reporting periods. More detailed assessments will be carried out by the Group to estimate the impact of the new rules on the Group's financial statements.

Date of adoption by the Group

HKFRS 15 is mandatory for financial years starting on or after 1st January 2018. The new standard is not expected to be applied by the Group until the financial year ending 31st December 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(b) The following new standards, new interpretations and amended standards have been issued but are not effective for the financial year beginning on 1st January 2017 and have not been early adopted by the Group *(continued)*

(iii) HKFRS 16 "Leases"

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$22,653,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Date of adoption by the Group

The new standard is mandatory for financial years commencing on or after 1st January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in the income statement.

Translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognized in other comprehensive income.

(c) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, are recognized in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation *(continued)*

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to the income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognized in the income statement.

2.5 Property, plant and equipment

Land and buildings comprise mainly factories, retail outlets and offices other than investment properties as mentioned in note 2.7. Leasehold land classified as finance lease and all other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Leasehold land classified as a finance lease commences amortization from the time when the land interest becomes available for its intended use. Amortization on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold land classified as a finance lease	Remaining lease term
Buildings	2% to 5%
Plant and machinery	10% to 20%
Furniture and fixtures	20% to 33%
Computers	20% to 33%
Motor vehicles	20% to 25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Land use rights

Land use rights are stated at cost less accumulated amortization and accumulated impairment losses. Cost mainly represents consideration paid for the rights to use the land on which plants and buildings are situated for a period of between 40 to 70 years from the dates the respective rights were granted. Amortization of land use right is calculated on a straight-line basis over the period of the rights.

2.7 Investment properties

Investment properties, principally comprising leasehold land, land use right and buildings, are held for long-term rental yields or for capital appreciation or both, and are not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Land held under operating leases is classified and accounted for as investment properties when the rest of the definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

Investment properties are measured initially at their costs, including related transaction costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other gains.

2.8 Impairment of investments in subsidiaries and non-financial assets

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment. All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Property under development held for sale

Property under development held for sale is stated at the lower of cost and net realizable value. Development cost of property comprises cost of land use rights, construction costs and professional fees incurred during the development period. Upon completion, the property is transferred to completed property held for sale.

Net realizable value takes into account the price ultimately expected to be realized, less applicable variable selling expenses and the anticipated costs to completion.

Property under development held for sale is classified as current asset unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.10 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.11 Financial assets

The Group classifies its financial assets into loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. The Group determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise of "trade and other receivables" and "cash and cash equivalents" (notes 2.12 and 2.13).

(b) Available-for-sale financial assets

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Financial assets *(continued)*

Both loans and receivables and available-for sale financial assets are initially recognized at fair value plus directly attributable transaction costs at acquisition. Loans and receivables are subsequently carried at amortized cost using the effective interest method. Available-for-sale financial assets are subsequently carried at fair value. Gains or losses arising from changes in the fair value of available-for-sale financial assets are recognized as follows:

- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortized cost of the security are recognized in the income statement and other changes in the carrying amount are recognized in other comprehensive income.

- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive income are reclassified to the income statement as "gains and losses from investment securities".

Interest on available-for-sale securities and loans and receivables calculated using the effective interest method is recognized in the income statement as part of other income.

Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the Group's right to receive payments is established.

Financial assets and liabilities are offset and the net amount reported in the balance sheet where there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement – is removed from equity and recognized in the income statement. Impairment losses on equity instruments that were recognized in the income statement are not reversed through the income statement in a subsequent period. In the case of loans and receivables, the impairment policy is set out in note 2.12.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within administrative expenses. When a trade receivable is deemed uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

2.13 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

2.14 Share capital

Ordinary shares are classified as equity. Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of the Company.

2.15 Trade and other payables

Trade and other payables are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The deferred tax liability in relation to investment properties that are measured at fair value is determined assuming the properties will be recovered entirely through use and through sale for investment properties in the PRC and other region respectively.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognized until the time of leave.

(b) Profit sharing and bonus plans

The expected costs of profit sharing and bonus payments are recognized as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within the next twelve months and are measured at the amounts expected to be paid when they are settled.

(c) Pension obligations

The Group operates defined contribution retirement schemes which are available for all qualified employees in Hong Kong and Singapore. The assets of the schemes are held separately from those of the Group in independently administered funds. For the retirement schemes for Hong Kong and Singapore employees, monthly contributions made by the Group and the employees are calculated as a fixed percentage of the employees' basic salaries or a fixed sum for each employee where appropriate. Contributions to these schemes by the Group are expensed as incurred and/or are reduced by contributions forfeited by employees who leave the schemes prior to vesting fully in the Group's contributions.

The Group also participates in the employee pension schemes operated by the municipal governments of various cities in China Mainland and is required to make annual contributions to these schemes. The municipal governments are responsible for the entire pension obligations payable to retired employees. The only obligation of the Group is to pay the ongoing required contributions under these schemes. The contributions are charged to the income statement as incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods – wholesale

Sales of goods are recognized when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(b) Sales of goods – retail

Sales of goods are recognized when a group entity sells a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue is stated without deduction of credit card fees payable for the transaction. Such fees are included in selling and marketing costs.

(c) Sales of properties

Revenue from sales of properties is recognized when a group entity has delivered the relevant properties to the purchaser and collectibility of related receivable is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under current liabilities.

(d) Rental income from investment properties

Rental income from investment properties is recognized on a straight-line basis over the periods of the respective leases.

(e) Licensing income and building management fee

Licensing income and building management fee income are recognized on an accrual basis in accordance with the substance of the relevant agreements.

2.19 Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for land use rights, are charged to the income statement on a straight-line basis over the period of the lease.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders for final dividend and Board of Directors for interim dividend.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the value of an asset, liability or highly probable forecast transaction denominated in foreign currency will fluctuate because of changes in foreign exchange rates. The Group operates in various regions and is exposed to foreign exchange risk primarily arising from bank deposits, cash and cash equivalents, trade receivables and interest receivables which are denominated in Renminbi and Singapore dollar, and net investments in foreign subsidiaries in China Mainland and Singapore.

At 31st December 2017, if Hong Kong dollar had weakened/strengthened by 5% against Renminbi with all other variables held constant, post-tax profit for the year would have been HK$4,125,000 (2016: HK$2,567,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Renminbi denominated bank deposits, cash and cash equivalents, trade receivables and interest receivables.

Management believes that a 6% appreciation/depreciation of Singapore dollar against Hong Kong dollar would not have a material effect on the Group's post-tax profit for the year. Therefore, no sensitivity analysis for Singapore dollar is presented.

(ii) Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flows associated with a financial instrument will fluctuate because of changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates, except for the interest income derived from bank deposits. Apart from bank deposits, the Group has no significant interest bearing assets or liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk is managed on a group basis and individual basis. Credit risk arises from cash and cash equivalents and deposits with banks, credit exposures to wholesale and retail customers and other parties, including outstanding receivables and deposits and other receivables. Impairment provisions are made for losses that have been incurred at the balance sheet date.

The Group limits its exposure to credit risk by rigorously selecting its counterparties including the deposit-takers and debtors and by diversification. Bank deposits are placed only with major and sizeable banks approved by the Board from time to time and there is no significant concentration risk to a single counterparty.

The Group mitigates its exposure to risks relating to trade receivables by its established procedures in granting credit only to customers with sound credit track records. Sales to retail customers are settled in cash or using major credit cards. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

As at 31st December 2017, the financial assets of the Group that are exposed to credit risk and their maximum exposures are as follows:

	As at 31st December 2017		As at 31st December 2016	
	Carrying amount in balance sheet HK$'000	**Maximum exposure to credit risk HK$'000**	Carrying amount in balance sheet HK$'000	Maximum exposure to credit risk HK$'000
Financial assets:				
Trade receivables	**102,839**	**102,839**	72,574	72,574
Deposits and other receivables	**28,156**	**28,156**	26,333	26,333
Bank deposits and cash and cash equivalents	**1,312,258**	**1,312,205**	1,202,223	1,202,108

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities. Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The Company employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required and monitoring the working capital of the Group to ensure that all liabilities due and known funding requirements could be met. There were no available banking facilities as at 31st December 2017 (2016: HK$18,900,000).

The table below analyzes the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal the carrying balances, as the impact of discounting is not significant.

	2017 **HK$'000**	2016 HK$'000
Trade payables and other payables		
Less than 1 year	**146,829**	93,950

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Write-down of inventories to net realizable value

Net realizable value of inventories is the estimated selling prices in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of change in customer taste and competitor actions in response to severe industry cycle. The Group reassesses these estimates at each balance sheet date.

(b) Estimate of fair value of investment properties

The fair values of investment properties are determined by using valuation techniques. Details of the judgements and assumptions involved are disclosed in note 8.

(c) Income taxes

The Group is subject to income taxes in a number of different jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

(d) Useful lives and residual values of property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will increase the depreciation charge prospectively where useful lives are less than previously estimated lives. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

(e) Provision for sales return

Sales return provisions are recorded based on the estimated return of goods. The Group estimates the sales return provision based on accumulated experience and the terms in the sales contracts with distributors. Management reassesses the provision at each balance sheet date to ensure the current provision is still appropriate.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

4.2 Critical judgements in applying the entity's accounting policies

Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to properties but also to other assets used in the production or supply process.

Certain properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the portions are accounted for separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgement.

5 OPERATING SEGMENTS

The Group has three reportable segments. The segments are managed separately as each business offers different products and services and requires different marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

Apparel in China Mainland and Hong Kong SAR – Distribution and manufacturing of garments, leather goods and accessories and licensing of brand name in China Mainland and Hong Kong SAR.

Apparel in Singapore and Malaysia – Distribution and manufacturing of garments, leather goods and accessories in Singapore and Malaysia.

Property investment and development – Investment in and development of properties in China Mainland and Hong Kong SAR.

The Group reports the results of its operating segments based on the internal reports reviewed by the chief operating decision maker for the purpose of making strategic decisions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

5 OPERATING SEGMENTS *(continued)*

(a) An analysis of the Group's reportable segment profit before income tax and other selected financial information for the year by operating segment is as follows:

	2017					
	Apparel in China Mainland and Hong Kong SAR HK$'000	Apparel in Singapore and Malaysia HK$'000	Property investment and development HK$'000	Segment total HK$'000	(Elimination)/ unallocated HK$'000	Group HK$'000
Turnover	1,360,552	66,007	176,227	1,602,786	–	1,602,786
Inter-segment sales	3,282	–	8,433	11,715	(11,715)	–
	1,363,834	66,007	184,660	1,614,501	(11,715)	1,602,786
Segment results	277,964	(19,531)	201,464	459,897		459,897
Unallocated costs						(51,723)
Profit before income tax						408,174
Income tax expense						(85,899)
Profit for the year						322,275
Interest income	4,822	114	8,281	13,217	7,036	20,253
Depreciation of property, plant and equipment	13,482	1,789	3,374	18,645	2,059	20,704
Amortization of land use rights	1,586	–	180	1,766	–	1,766
Reversal of provision for onerous contract	–	(3,729)	–	(3,729)	–	(3,729)
Reportable segment assets:						
Property, plant and equipment	96,161	16,871	20,966	133,998	43,322	177,320
Investment properties	–	–	2,650,249	2,650,249	–	2,650,249
Deferred income tax assets	–	–	–	–	70,751	70,751
Property under development held for sale	–	–	138,301	138,301	–	138,301
Inventories	241,317	20,090	–	261,407	–	261,407
Bank deposits and cash and cash equivalents	361,214	16,676	592,155	970,045	342,213	1,312,258
Others	146,686	13,730	29,050	189,466	8,468	197,934
Reportable segment liabilities:						
Trade payables	67,449	6,070	405	73,924	–	73,924
Other payables and accruals	249,970	7,080	58,192	315,242	25,050	340,292
Current income tax liabilities	–	–	–	–	28,202	28,202
Deferred income tax liabilities	–	–	–	–	418,668	418,668
Capital expenditure	12,628	1,816	3,888	18,332	–	18,332

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

5 OPERATING SEGMENTS *(continued)*

(a) An analysis of the Group's reportable segment profit before income tax and other selected financial information for the year by operating segment is as follows: *(continued)*

	2016					
	Apparel in China Mainland and Hong Kong SAR HK$'000	Apparel in Singapore and Malaysia HK$'000	Property investment and development HK$'000	Segment total HK$'000	(Elimination)/ unallocated HK$'000	Group HK$'000
Turnover	1,204,973	77,475	189,816	1,472,264	–	1,472,264
Inter-segment sales	–	–	7,075	7,075	(7,075)	–
	1,204,973	77,475	196,891	1,479,339	(7,075)	1,472,264
Segment results	260,690	(26,023)	292,108	526,775		526,775
Unallocated costs						(50,051)
Profit before income tax						476,724
Income tax expense						(87,880)
Profit for the year						388,844
Interest income	4,374	116	7,526	12,016	12,583	24,599
Depreciation of property, plant and equipment	12,180	3,156	7,770	23,106	–	23,106
Amortization of land use rights	1,420	–	663	2,083	–	2,083
Impairment of property, plant and equipment	–	2,945	–	2,945	–	2,945
Provision for onerous contract	–	8,769	–	8,769	–	8,769
Reportable segment assets:						
Property, plant and equipment	74,859	15,974	69,147	159,980	5,765	165,745
Investment properties	–	–	2,484,052	2,484,052	–	2,484,052
Deferred income tax assets	–	–	–	–	56,136	56,136
Property under development held for sale	–	–	122,982	122,982	–	122,982
Inventories	181,475	30,062	–	211,537	–	211,537
Bank deposits and cash and cash equivalents	254,854	16,912	490,515	762,281	439,942	1,202,223
Others	116,175	14,486	27,473	158,134	7,169	165,303
Reportable segment liabilities:						
Trade payables	24,218	7,915	991	33,124	–	33,124
Other payables and accruals	204,259	12,574	53,773	270,606	24,307	294,913
Current income tax liabilities	–	–	–	–	17,617	17,617
Deferred income tax liabilities	–	–	–	–	372,196	372,196
Capital expenditure	21,642	3,004	3,708	28,354	–	28,354

Central costs (mainly costs of support functions that centrally provide services to all of the operating segments) are included as unallocated costs. Taxation charge is not allocated to reportable segments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

5 OPERATING SEGMENTS *(continued)*

(b) Geographical information

The Group's income from external customers is derived from the following geographical areas:

	2017 **HK$'000**	2016 HK$'000
China Mainland	**1,493,175**	1,342,333
Hong Kong SAR	**43,604**	52,456
Singapore and Malaysia	**66,007**	77,475
	1,602,786	1,472,264

The Group's non-current assets (excluding deferred income tax assets) by geographical location are detailed below:

	2017 **HK$'000**	2016 HK$'000
China Mainland	**1,859,648**	1,730,714
Hong Kong SAR	**1,001,557**	951,258
Singapore and Malaysia	**16,871**	15,974
	2,878,076	2,697,946

(c) Information about major customers

In 2017 and 2016, the revenue from the Group's largest customer amounted to less than 10 per cent of the Group's total revenue.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

5 OPERATING SEGMENTS *(continued)*

(d) Analysis of turnover by category

	2017 HK$'000	2016 HK$'000
Sales of goods	**1,324,163**	1,182,762
Rental income from investment properties	**140,786**	151,672
Building management fees	**35,441**	38,144
Licensing income	**102,396**	99,686
	1,602,786	1,472,264

6 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analyzed as follows:

	2017 HK$'000	2016 HK$'000
At 1st January	**42,549**	30,894
Exchange differences	**1,715**	(1,619)
Additions	**–**	15,357
Transfer from investment properties	**3,349**	–
Transfer to investment properties	**(1,240)**	–
Amortization of prepaid operating lease payment (note 21)	**(1,766)**	(2,083)
At 31st December	**44,607**	42,549

Amortization expense of HK$1,766,000 (2016: HK$2,083,000) has been included in administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

7 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Computers HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1st January 2016						
Cost	311,319	55,656	92,825	45,001	30,396	535,197
Accumulated depreciation	(157,670)	(55,446)	(74,698)	(39,180)	(24,093)	(351,087)
Net book amount	153,649	210	18,127	5,821	6,303	184,110
Year ended 31st December 2016						
Opening net book amount	153,649	210	18,127	5,821	6,303	184,110
Additions	2,679	122	4,897	1,262	2,648	11,608
Disposals	–	–	(3)	(1)	(5)	(9)
Reclassification	–	–	62	(62)	–	–
Impairment charge	–	–	(2,945)	–	–	(2,945)
Depreciation	(12,431)	(214)	(5,544)	(2,094)	(2,823)	(23,106)
Exchange differences	(2,656)	(7)	(794)	(245)	(211)	(3,913)
Closing net book amount	141,241	111	13,800	4,681	5,912	165,745
At 31st December 2016						
Cost	305,598	52,912	93,956	44,021	28,825	525,312
Accumulated depreciation	(164,357)	(52,801)	(80,156)	(39,340)	(22,913)	(359,567)
Net book amount	141,241	111	13,800	4,681	5,912	165,745
Year ended 31st December 2017						
Opening net book amount	**141,241**	**111**	**13,800**	**4,681**	**5,912**	**165,745**
Additions	**–**	**322**	**12,500**	**1,917**	**2,031**	**16,770**
Disposals	**–**	**–**	**(19)**	**(23)**	**(203)**	**(245)**
Reclassification	**–**	**–**	**378**	**(378)**	**–**	**–**
Transfer from investment properties	**17,171**	**–**	**–**	**–**	**–**	**17,171**
Transfer to investment properties	**(5,580)**	**–**	**–**	**–**	**–**	**(5,580)**
Depreciation	**(12,261)**	**(348)**	**(4,249)**	**(1,260)**	**(2,586)**	**(20,704)**
Exchange differences	**2,802**	**6**	**905**	**250**	**200**	**4,163**
Closing net book amount	**143,373**	**91**	**23,315**	**5,187**	**5,354**	**177,320**
At 31st December 2017						
Cost	**324,211**	**56,107**	**107,217**	**47,750**	**28,992**	**564,277**
Accumulated depreciation	**(180,838)**	**(56,016)**	**(83,902)**	**(42,563)**	**(23,638)**	**(386,957)**
Net book amount	**143,373**	**91**	**23,315**	**5,187**	**5,354**	**177,320**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

7 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Depreciation expense of HK$658,000 (2016: HK$1,757,000) has been expensed in cost of sales, HK$1,697,000 (2016: HK$966,000) in selling and marketing costs and HK$18,349,000 (2016: HK$20,383,000) in administrative expenses.

The management has reviewed the carrying values of the property, plant and equipment and there was no impairment charge for the year ended 31st December 2017 (2016: HK$2,945,000). The recoverable amounts of the assets were determined on the value-in-use basis.

8 INVESTMENT PROPERTIES

	2017 HK$'000	2016 HK$'000
At 1st January	**2,484,052**	2,395,188
Additions	**1,562**	1,389
Transfer from land use rights, and property, plant and equipment	**8,550**	–
Transfer to land use rights, and property, plant and equipment	**(20,520)**	–
Fair value gains (note 20)	**91,722**	171,342
Exchange differences	**84,883**	(83,867)
At 31st December	**2,650,249**	2,484,052

The Group's interests in investment properties are analyzed as follows:

	2017 HK$'000	2016 HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**175,400**	169,000
Leases of between 10 to 50 years	**780,900**	736,300
Outside Hong Kong, held on:		
Leases of over 50 years	**27,411**	22,176
Leases of between 10 to 50 years	**1,666,538**	1,556,576
	2,650,249	2,484,052

The periods of operating leases whereby the Group leases out its investment properties range from 1 month to 108 months.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

8 INVESTMENT PROPERTIES *(continued)*

Independent valuations of the Group's investment properties were performed by the independent professional valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, to determine the fair values of the investment properties as at 31st December 2017 and 2016 respectively. The fair value gains were included in "Other gains" in income statement (note 20). The following table analyzes the investment properties carried at fair value, by valuation method.

Fair value hierarchy

	Fair value measurements at 31st December 2017 using		
Description	**Quoted prices in active markets for identical assets (Level 1) HK$'000**	**Significant other observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**
Recurring fair value measurements			
Investment properties:			
– Hong Kong	**–**	**–**	**956,300**
– China Mainland	**–**	**–**	**1,693,949**

	Fair value measurements at 31st December 2016 using		
Description	Quoted prices in active markets for identical assets (Level 1) HK$'000	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000
Recurring fair value measurements			
Investment properties:			
– Hong Kong	–	–	905,300
– China Mainland	–	–	1,578,752

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between level 1, 2 and 3 during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

8 INVESTMENT PROPERTIES *(continued)*

Fair value measurements using significant unobservable inputs (Level 3)

	Hong Kong HK$'000	China Mainland HK$'000	Total HK$'000
At 1st January 2017	**905,300**	**1,578,752**	**2,484,052**
Additions	**–**	**1,562**	**1,562**
Transfer from land use rights, and property, plant and equipment	**–**	**8,550**	**8,550**
Transfer to land use rights, and property, plant and equipment	**–**	**(20,520)**	**(20,520)**
Fair value gains	**51,000**	**40,722**	**91,722**
Exchange differences	**–**	**84,883**	**84,883**
At 31st December 2017	**956,300**	**1,693,949**	**2,650,249**

	Hong Kong HK$'000	China Mainland HK$'000	Total HK$'000
At 1st January 2016	815,550	1,568,782	2,384,332
Additions	486	903	1,389
Transfer into Level 3	–	10,856	10,856
Fair value gains	89,264	82,078	171,342
Exchange differences	–	(83,867)	(83,867)
At 31st December 2016	905,300	1,578,752	2,484,052

Valuation techniques

The valuations were based on income capitalization approach (term and reversionary method) which largely used unobservable inputs (e.g. market rent, yield, etc.) and taking into account the significant adjustment on term yield to account for the risk upon reversionary after expiry of current lease and adjustment on rental value to account for the actual location, type and quality of the properties and supported by the terms of any existence lease, other contracts and external evidence such as current market rents for similar properties (Level 3 approach).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

8 INVESTMENT PROPERTIES *(continued)*

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31st December 2017 HK$'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties – China Mainland	**1,693,949**	Income approach (term and reversionary method)	Rental value	RMB36-700/m^2	The higher the assumed rental value, the higher the fair value
			Gross reversionary yield	3% to 8% p.a.	The higher the assumed reversionary yield, the lower the fair value
Investment properties – Hong Kong	**956,300**	Income approach (term and reversionary method)	Rental value	HK$85-140/$m^2$	The higher the assumed rental value, the higher the fair value
			Gross reversionary yield	4.5% to 5% p.a.	The higher the assumed reversionary yield, the lower the fair value

Description	Fair value at 31st December 2016 HK$'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties – China Mainland	1,578,752	Income approach (term and reversionary method)	Rental value	RMB36-660/m^2	The higher the assumed rental value, the higher the fair value
			Gross reversionary yield	3% to 8% p.a.	The higher the assumed reversionary yield, the lower the fair value
Investment properties – Hong Kong	905,300	Income approach (term and reversionary method)	Rental value	HK$80-136/$m^2$	The higher the assumed rental value, the higher the fair value
			Gross reversionary yield	4.5% to 5% p.a.	The higher the assumed reversionary yield, the lower the fair value

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 HK$'000	2016 HK$'000
At 1st January	**5,600**	–
Additions	**–**	5,600
Exchange differences	**300**	–
At 31st December	**5,900**	5,600

The valuation falls within level 3 of the fair value measurement hierarchy. The Group's available-for-sale financial assets are unquoted and denominated in Renminbi.

10 SUBSIDIARIES

The following is a list of principal subsidiaries, which in the opinion of the Directors, are significant to the results and net assets of the Group:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Group's equity interest 2017	Group's equity interest 2016
Goldlion (China) Limited (2)	PRC Limited liability company	Distribution and manufacturing of garments in the PRC	US$18,000,000	**100%**	100%
Goldlion Clothes Making Company Limited (2)	PRC Limited liability company	Distribution and manufacturing of garments in the PRC	US$6,934,000	**100%**	100%
Goldlion Enterprise (Singapore) Pte Limited	Singapore Limited liability company	Distribution of garments in Singapore	10,000 ordinary shares of S$100 each	**100%**	100%
Goldion Distribution (M) Sdn. Bhd.	Malaysia Limited liability company	Distribution of garments in Malaysia	1,200,000 ordinary shares of MYR1 each	**100%**	100%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

10 SUBSIDIARIES *(continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Group's equity interest 2017	Group's equity interest 2016
Goldlion (Far East) Limited	Hong Kong Limited liability company	Distribution of garments and property holding in Hong Kong, and licensing of brand name in the PRC	2 ordinary shares and 500,000 non-voting deferred shares	**100%**	100%
Goldlion Group (BVI) Limited (1)	British Virgin Islands Limited liability company	Investment holding in Hong Kong	10,000 ordinary shares of US$1 each	**100%**	100%
Goldlion (Guangdong) Limited	Hong Kong Limited liability company	Investment holding in Hong Kong	2 ordinary shares	**100%**	100%
Guangzhou Goldlion Investment Consultancy Company Limited (2)	PRC Limited liability company	Property holding in the PRC	HK$10,000,000	**100%**	100%
Hallman Properties Limited	British Virgin Islands Limited liability company	Investment holding in the British Virgin Islands	50,000 ordinary shares of US$1 each	**100%**	100%
Renard Investments Limited	British Virgin Islands Limited liability company	Property holding in Hong Kong	2 ordinary shares of HK$1 each and 59,999,998 redeemable shares of HK$1 each	**100%**	100%
Meizhou Silver Dip Property Management Limited (2)	PRC Limited liability company	Property management in the PRC	RMB595,000	**100%**	100%
Shenyang Goldlion Commercial Mansion Limited (2)	PRC Limited liability company	Property holding in the PRC	RMB70,000,000	**100%**	100%
Rich Smart Resources Limited	Hong Kong Limited liability company	Property holding in Hong Kong	2 ordinary shares	**100%**	100%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

10 SUBSIDIARIES *(continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Group's equity interest 2017	2016
Smart View Investment Limited	Hong Kong Limited liability company	Investment holding in Hong Kong	2 ordinary shares	**100%**	100%
Meizhou Goldlion Properties Development Limited (2)	PRC Limited liability company	Property holding and development in the PRC	HK$50,000,000	**100%**	100%
Guangzhou Silver Dip Property Management Company Limited (2)	PRC Limited liability company	Property management in the PRC	HK$1,000,000	**100%**	100%
Shenyang Sliver Dip Property Management Company Limited (2)	PRC Limited liability company	Property management in the PRC	HK$1,000,000	**100%**	100%
Guangzhou Goldlion City Properties Company Limited (2)	PRC Limited liability company	Property holding in the PRC	RMB360,681,188	**100%**	100%
Joint Corporation Limited	Hong Kong Limited liability company	Investment holding in Hong Kong	1 ordinary share	**100%**	100%
Guangzhou Goldlion E-commerce Company Limited (2)	PRC Limited liability company	Distribution of garments in the PRC	HK$1,000,000	**100%**	100%
Meizhou Goldlion Leather Investment Company Limited (2)	PRC Limited liability company	Investment holding in the PRC	RMB5,100,000	**100%**	100%

(1) Subsidiary held directly by the Company

(2) English names of the subsidiaries are direct translations of their Chinese registered names

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

11 PROPERTY UNDER DEVELOPMENT HELD FOR SALE

The Group's interests in property under development held for sale are analyzed as follows:

	2017 HK$'000	2016 HK$'000
Land use rights	**118,934**	114,730
Development costs	**19,367**	8,252
	138,301	122,982

The property under development held for sale is located in Meixian Area, China Mainland. Under the said Land Use Rights Grant Contract entered between the Meixian Bureau of Land and the Group on 24th January 2014, the delay in commencing and completion of construction works of the project after 18th June 2014 and 24th January 2017 respectively may be subject to a penalty. Due to the fact the precondition for construction of the land has yet to be fulfilled and after taking into account of an independent legal advice, the Directors are of the view that the imposition of a penalty by the relevant authority is remote.

The amount of property under development held for sale expected to be completed and realized within the Group's normal operating cycle is HK$138,301,000 (2016: HK$122,982,000).

12 INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	**4,439**	3,794
Work in progress	**13,768**	18,639
Finished goods	**243,200**	189,104
	261,407	211,537

The cost of inventories recognized as expense and included in cost of sales amounted to HK$617,755,000 (2016: HK$548,698,000) (note 21).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

13 FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	2017 HK$'000	2016 HK$'000
Financial assets – Loans and receivables, at amortized cost		
Trade receivables (note 14)	**102,839**	72,574
Deposits and other receivables (note 14)	**28,156**	26,333
Bank deposits and cash and cash equivalents (note 15)	**1,312,258**	1,202,223
	1,443,253	1,301,130
Financial assets – Available-for-sale, at fair value		
Available-for-sale financial assets (note 9)	**5,900**	5,600
Total	**1,449,153**	1,306,730
Financial liabilities, at amortized cost		
Trade payables (note 18)	**73,924**	33,124
Other payables	**72,905**	60,826
Total	**146,829**	93,950

The carrying amounts of the financial assets and financial liabilities approximate their fair values due to their short maturities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

14 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**102,839**	72,574
Less: provision for impairment	**–**	–
Trade receivables – net	**102,839**	72,574
Purchase deposits (note)	**10,688**	12,132
Prepayments	**4,554**	5,859
General deposits	**10,434**	8,319
Interest receivable	**10,053**	9,288
VAT recoverable	**555**	2,905
Others	**7,114**	5,821
Total of prepayments, deposits and other receivables	**43,398**	44,324

Note: Purchase deposits represent the amounts paid by the Group in advance to suppliers mainly for the apparel operation in its ordinary course of business.

Prepayments, deposits and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The Group does not hold any collateral as security.

The Group's sales are on cash on delivery, letter of credit or credit terms ranging from 30 days to 90 days after delivery. At 31st December 2017, an ageing analysis of the trade receivables based on invoice date was as follows:

	2017 HK$'000	2016 HK$'000
1–30 days	**90,056**	63,534
31–90 days	**6,030**	5,539
Over 90 days	**6,753**	3,501
	102,839	72,574

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers dispersed in China Mainland and Singapore. The credit quality of trade receivables neither past due nor impaired has been assessed by reference to historical information about the counterparty default rates. The existing counterparties have not defaulted in the past.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

14 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

As of 31st December 2017, trade receivables of HK$14,035,000 (2016: HK$16,557,000) were past due but not considered impaired. The ageing analysis of these trade receivables is as follows:

	2017 **HK$'000**	2016 HK$'000
Overdue up to 3 months	**12,349**	13,388
Overdue over 3 months and up to 6 months	**791**	1,778
Overdue over 6 months	**895**	1,391
	14,035	16,557

The carrying amounts of the Group's trade receivables, prepayments, deposits and other receivables are denominated in the following currencies:

	2017 **HK$'000**	2016 HK$'000
Renminbi	**124,089**	95,298
Singapore dollar	**13,730**	14,486
Hong Kong dollar	**8,418**	7,114
	146,237	116,898

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

14 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

Movements on the provision for impairment of trade receivables are as follows:

	2017 HK$'000	2016 HK$'000
At 1st January	–	30
Unused amounts reversed	–	(28)
Exchange differences	–	(2)
At 31st December	–	–

The provision for impaired receivables was included in administrative expenses in the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

During the year, the following loss was recognized in the income statement in relation to impaired receivables.

	2017 HK$'000	2016 HK$'000
Impairment loss – individually impaired receivables	**1,764**	–

15 BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2017 HK$'000	2016 HK$'000
Cash at bank and in hand	**216,205**	142,002
Bank deposits with maturity less than 3 months	**67,087**	89,719
Cash and cash equivalents as stated in the consolidated cash flow statement	**283,292**	231,721
Bank deposits with maturity over 3 months	**1,028,966**	970,502
Bank deposits and cash and cash equivalents as stated in the balance sheet	**1,312,258**	1,202,223
Maximum exposure to credit risk	**1,312,205**	1,202,108

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

15 BANK DEPOSITS AND CASH AND CASH EQUIVALENTS *(continued)*

Bank deposits and cash and cash equivalents in the balance sheet are denominated in the following currencies:

	2017 **HK$'000**	2016 HK$'000
Renminbi	**919,588**	697,549
Singapore dollar	**16,676**	16,912
Hong Kong dollar	**375,994**	487,762
	1,312,258	1,202,223

The conversion of bank balances and cash of the Group denominated in Renminbi into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the Chinese government.

16 SHARE CAPITAL

	2017		2016	
	Number of shares (thousands)	**Share capital HK$'000**	Number of shares (thousands)	Share capital HK$'000
Ordinary shares, issued and fully paid:				
At 1st January and 31st December	**982,114**	**1,101,358**	982,114	1,101,358

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

17 RESERVES

	Capital reserve HK$'000	Revaluation reserve HK$'000	Other reserves[i] HK$'000	Exchange reserve HK$'000	Sub-total HK$'000	Retained earnings HK$'000	Total reserves HK$'000
Balance at 1st January 2017	(34,204)	8,221	99,393	118,691	192,101	2,396,669	2,588,770
Profit for the year	–	–	–	–	–	322,275	322,275
Revaluation of investment property upon reclassification from land use rights, and property, plant and equipment	–	1,296	–	–	1,296	–	1,296
Currency translation differences	–	–	–	120,037	120,037	–	120,037
Total comprehensive income	–	1,296	–	120,037	121,333	322,275	443,608
2016 final dividend paid	–	–	–	–	–	(127,675)	(127,675)
2017 interim dividend paid	–	–	–	–	–	(58,927)	(58,927)
Balance at 31st December 2017	(34,204)	9,517	99,393	238,728	313,434	2,532,342	2,845,776
Representing:							
Reserves	(34,204)	9,517	99,393	238,728	313,434	2,409,578	2,723,012
2017 final dividend proposed	–	–	–	–	–	122,764	122,764
	(34,204)	9,517	99,393	238,728	313,434	2,532,342	2,845,776

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

17 RESERVES *(continued)*

	Capital reserve HK$'000	Revaluation reserve HK$'000	Other reserves(i) HK$'000	Exchange reserve HK$'000	Sub-total HK$'000	Retained earnings HK$'000	Total reserves HK$'000
Balance at 1st January 2016	(34,204)	8,221	99,393	234,675	308,085	2,209,158	2,517,243
Profit for the year	–	–	–	–	–	388,844	388,844
Currency translation differences	–	–	–	(115,984)	(115,984)	–	(115,984)
Total comprehensive income	–	–	–	(115,984)	(115,984)	388,844	272,860
2015 final dividend paid	–	–	–	–	–	(137,496)	(137,496)
2016 interim dividend paid	–	–	–	–	–	(63,837)	(63,837)
Balance at 31st December 2016	(34,204)	8,221	99,393	118,691	192,101	2,396,669	2,588,770
Representing:							
Reserves	(34,204)	8,221	99,393	118,691	192,101	2,268,994	2,461,095
2016 final dividend proposed	–	–	–	–	–	127,675	127,675
	(34,204)	8,221	99,393	118,691	192,101	2,396,669	2,588,770

(i) Other reserves are attributable to certain subsidiaries established in China Mainland. These reserves, comprising a general reserve fund and an enterprise development fund, are set aside in accordance with the relevant statutory requirements in China Mainland. The amount set aside is determined by the directors of these subsidiaries at their financial year end. The fund can only be used to make up losses incurred, increase registered capital or used for collective welfare of employees.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

18 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2017 HK$'000	2016 HK$'000
Trade payables (note a)	**73,924**	33,124
Other payables and accruals (note b)	**340,292**	294,913
Less: non-current portion		
Other payables and accruals	**(869)**	(5,235)
Current portion	**339,423**	289,678

Notes:

(a) At 31st December 2017, the ageing analysis of the trade payables based on invoice date was as follows:

	2017 HK$'000	2016 HK$'000
1–30 days	**59,813**	25,230
31–90 days	**4,976**	6,111
Over 90 days	**9,135**	1,783
	73,924	33,124

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
Renminbi	**67,835**	25,186
Singapore dollar	**6,070**	7,915
Hong Kong dollar	**19**	23
	73,924	33,124

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

18 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS *(continued)*

Notes: *(continued)*

(b) Nature of other payables and accruals is as follows:

	2017 HK$'000	2016 HK$'000
Receipt in advance from customers	**57,142**	51,833
Rental deposits received	**42,522**	39,687
Deferred revenue	**141,654**	112,881
Accruals and others	**98,974**	90,512
	340,292	294,913

19 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	2017 HK$'000	2016 HK$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**(38,668)**	(29,910)
– Deferred income tax assets to be recovered within 12 months	**(32,083)**	(26,226)
	(70,751)	(56,136)
Deferred income tax liabilities:		
– Deferred income tax liabilities to be recovered after more than 12 months	**418,668**	372,196
	418,668	372,196
Deferred income tax liabilities (net)	**347,917**	316,060

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

19 DEFERRED INCOME TAX *(continued)*

The gross movement on the deferred income tax account of the Group is as follows:

	2017 HK$'000	2016 HK$'000
At 1st January	**316,060**	299,641
Charged to consolidated income statement (note 26)	**14,471**	32,712
Charged to other comprehensive income	**434**	–
Exchange differences	**16,952**	(16,293)
At 31st December	**347,917**	316,060

Deferred income tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefit through the future taxable profits is probable. The Group has unrecognized tax losses of HK$818,915,000 (2016: HK$768,496,000), of which HK$514,498,000 (2016: HK$489,184,000), HK$52,061,000 (2016: HK$45,890,000) and HK$40,571,000 (2016: HK$21,636,000) are subject to agreement by the Inland Revenue Department in Hong Kong and the relevant tax authorities in the PRC and Singapore, respectively, to carry forward against future taxable income. HK$766,854,000 of unrecognized tax losses (2016: HK$722,605,000) have no expiry date and the remaining losses will expire at various dates up to and including 2022.

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred income tax liabilities

	Accelerated taxation depreciation		Fair values gains		Dividend withholding tax		Others		Total	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
At 1st January	**124,335**	123,843	**231,411**	222,645	**25,689**	21,422	**7,539**	8,982	**388,974**	376,892
Exchange differences	**7,060**	(6,843)	**12,334**	(11,962)	**1,526**	(1,328)	**190**	(70)	**21,110**	(20,203)
Charged/(credited) to consolidated income statement	**6,900**	7,335	**10,373**	20,728	**8,730**	5,595	**2,782**	(1,373)	**28,785**	32,285
Charged to other comprehensive income	**–**	–	**434**	–	**–**	–	**–**	–	**434**	–
At 31st December	**138,295**	124,335	**254,552**	231,411	**35,945**	25,689	**10,511**	7,539	**439,303**	388,974

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

19 DEFERRED INCOME TAX *(continued)*

Deferred income tax assets

	Provisions		Tax losses		Others		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1st January	**(39,963)**	(37,487)	**–**	(270)	**(32,951)**	(39,494)	**(72,914)**	(77,251)
Exchange differences	**(2,303)**	2,102	**–**	–	**(1,855)**	1,808	**(4,158)**	3,910
(Credited)/charged to consolidated income statement	**(9,359)**	(4,578)	**–**	270	**(4,955)**	4,735	**(14,314)**	427
At 31st December	**(51,625)**	(39,963)	**–**	–	**(39,761)**	(32,951)	**(91,386)**	(72,914)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2017	2016
	HK$'000	HK$'000
Deferred income tax assets	**(70,751)**	(56,136)
Deferred income tax liabilities	**418,668**	372,196
	347,917	316,060

20 OTHER GAINS

	2017	2016
	HK$'000	HK$'000
Fair value gains on investment properties	**91,722**	171,342

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

21 EXPENSES BY NATURE

	2017 HK$'000	2016 HK$'000
Cost of inventories sold	**617,755**	548,698
Provision for impairment of inventories	**40,408**	19,814
Direct operating expenses arising from investment properties that generated rental income	**38,125**	38,639
Operating lease rentals – land and buildings	**89,742**	92,543
Amortization of land use rights (note 6)	**1,766**	2,083
Depreciation of property, plant and equipment (note 7)	**20,704**	23,106
Impairment of property, plant and equipment (note 7)	**–**	2,945
Staff costs including directors' emoluments (note 22)	**230,006**	214,708
Auditors' remuneration – audit services	**3,785**	3,757
Advertising and promotion expenses	**129,408**	116,209
Write off of trade receivables	**1,764**	–
(Reversal of)/provision for onerous contract	**(3,729)**	8,769
Net exchange (gain)/loss	**(301)**	7,231
Other expenses	**137,154**	112,979
	1,306,587	1,191,481
Representing:		
Cost of sales	**696,946**	608,908
Selling and marketing costs	**438,074**	405,976
Administrative expenses	**171,567**	176,597
	1,306,587	1,191,481

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

22 STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	2017 HK$'000	2016 HK$'000
Staff costs		
– Wages and salaries	**191,275**	178,421
– Retirement benefit costs (note 23)	**38,731**	36,287
	230,006	214,708

23 RETIREMENT BENEFIT COSTS

	2017 HK$'000	2016 HK$'000
Defined contribution schemes for:		
Hong Kong employees (note (a))	**977**	921
Singapore employees (note (b))	**4,327**	4,678
China Mainland employees (note (c))	**33,427**	30,688
	38,731	36,287

Notes:

(a) Under the Mandatory Provident Fund (the "MPF") scheme, both the employer and employee have to contribute 5% of the employee's relevant income or HK$1,500, whichever is lower, as mandatory contribution. The employer and employee may further contribute certain percentage of the employee's relevant income, as voluntary contribution.

The amount represents contributions paid and payable by the Group to the MPF scheme totalling HK$977,000 (2016: HK$921,000) without any forfeited contributions (2016: nil). The forfeited contributions represent contributions to the retirement scheme prior to the MPF scheme for those employees who leave prior to vesting fully on the employer's contributions. There was no contribution payable (2016: nil) to the MPF scheme at the year end. There were no unutilized forfeited contributions at year end (2016: nil).

(b) Contributions paid and payable by the Group to the schemes amounted to HK$4,327,000 (2016: HK$4,678,000). Contributions totalling HK$529,000 (2016: HK$548,000) payable to the schemes at the year end were included in other payables. There were no unutilized forfeited contributions at year end (2016: nil).

(c) This represents gross contributions made by the Group to employee pension schemes operated by the municipal governments of various cities in the PRC. There was no contribution payable (2016: nil) to the municipal governments at year end.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

24 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

(a) Directors' and Chief Executive's emoluments

Pursuant to section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefit of Directors) Regulation (Cap. 622G) and the Listing Rules, the remuneration of every Director and the Chief Executive for the year ended 31st December 2017:

	2017					
Name	**Fees HK$'000**	**Salary HK$'000**	**Discretionary bonuses HK$'000**	**Estimated money value of other benefits(1) HK$'000**	**Employer's contribution to a retirement benefit scheme HK$'000**	**Total HK$'000**
Director						
Dr. Tsang Hin Chi	**–**	**3,902**	**6,575**	**1,029**	**–**	**11,506**
Madam Wong Lei Kuan	**–**	**1,951**	**1,644**	**35**	**–**	**3,630**
Mr. Ng Ming Wah, Charles	**300**	**–**	**–**	**–**	**–**	**300**
Dr. Lau Yue Sun	**300**	**–**	**–**	**–**	**–**	**300**
Mr. Li Ka Fai, David	**300**	**–**	**–**	**–**	**–**	**300**
Mr. Nguyen, Van Tu Peter	**300**	**–**	**–**	**–**	**–**	**300**
Director and Chief Executive						
Mr. Tsang Chi Ming, Ricky	**–**	**4,388**	**4,110**	**7**	**18**	**8,523**

	2016					
Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Estimated money value of other benefits(1) HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
Director						
Dr. Tsang Hin Chi	–	3,901	6,346	1,338	–	11,585
Madam Wong Lei Kuan	–	1,950	1,586	29	–	3,565
Mr. Ng Ming Wah, Charles	300	–	–	–	–	300
Dr. Lau Yue Sun	300	–	–	–	–	300
Mr. Li Ka Fai, David	300	–	–	–	–	300
Mr. Nguyen, Van Tu Peter	300	–	–	–	–	300
Director and Chief Executive						
Mr. Tsang Chi Ming, Ricky	–	4,398	3,966	10	18	8,392

Note:

(1) Estimated money value of other benefits includes medical benefit.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

24 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

(b) Directors' retirement benefits

During the year, no retirement benefits were paid to or receivable by the Directors in respect of their services as Directors of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiary undertaking through defined benefit pension plans (2016: nil).

(c) Directors' termination benefits

During the year, no payments or benefits in respect of termination of Directors' services were paid or made, directly or indirectly, to the Directors; nor are any payable (2016: nil).

(d) Consideration provided to third parties for making available Directors' services

During the year, no consideration was provided to or receivable by third parties for making available Directors' services (2016: nil).

(e) Information about loans, quasi-loans and other dealings in favor of Directors, controlled bodies corporate by and connected entities with such Directors

During the year, there are no loans, quasi-loans or other dealings in favor of the Directors, their controlled body corporates and connected entities (2016: nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2016: nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

25 EMOLUMENTS OF SENIOR MANAGEMENT

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year includes two (2016: three) Directors whose emoluments are reflected in the analysis presented in note 24(a) above. The emoluments payable to the remaining three (2016: two) individuals during the year are as follows:

	2017 **HK$'000**	2016 HK$'000
Basic salaries, housing and other allowances	**11,281**	9,094
Bonuses	**5,729**	2,968
Retirement benefit costs	**527**	475
	17,537	12,537

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
Emolument bands		
HK$3,500,001 – HK$4,000,000	**1**	–
HK$4,000,001 – HK$4,500,000	**–**	1
HK$4,500,001 – HK$5,000,000	**1**	–
HK$8,000,001 – HK$8,500,000	**–**	1
HK$9,000,001 – HK$9,500,000	**1**	–

(b) Other than disclosed in notes 24(a) and 25(a) above, no emoluments have been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. None of the Directors or the five highest paid individuals waived or agreed to waive any emoluments during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

25 EMOLUMENTS OF SENIOR MANAGEMENT *(continued)*

(c) Emoluments of senior management

Other than the emoluments of Directors and five highest paid individuals disclosed in notes 24(a) and 25(a) respectively, the emoluments of the senior management fell within the following bands:

	Number of individuals	
	2017	2016
Emolument bands		
HK$1,000,001 – HK$1,500,000	**–**	1
HK$1,500,001 – HK$2,000,000	**1**	2
HK$2,000,001 – HK$2,500,000	**–**	1
HK$2,500,001 – HK$3,000,000	**2**	–

26 INCOME TAX EXPENSE

	2017 HK$'000	2016 HK$'000
Hong Kong profits tax:		
Current year	**733**	1,560
Over-provision in prior year	**(42)**	(27)
	691	1,533
Taxation outside Hong Kong:		
Current year	**70,587**	53,614
Under-provision in prior years	**150**	21
	70,737	53,635
Deferred income tax (note 19)	**14,471**	32,712
Total income tax expense	**85,899**	87,880

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

26 INCOME TAX EXPENSE *(continued)*

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year.

Taxation on profits generated in the PRC has been calculated on the estimated assessable profit for the year at the rate of 25% (2016: 25%). Taxation on profits outside Hong Kong and the PRC has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	2017 HK$'000	2016 HK$'000
Profit before income tax	**408,174**	476,724
Calculated at a tax rate of 16.5%	**67,349**	78,659
Effect of different taxation rates in other countries	**8,261**	11,235
Income not subject to tax	**(10,474)**	(22,799)
Expenses not deductible for tax purposes	**2,533**	6,141
Utilization of unrecognized tax losses	**(35)**	(4)
Tax losses not recognized	**9,477**	8,938
Withholding tax on profits retained by the PRC subsidiaries	**8,730**	5,595
Derecognition of previously recognized deferred income tax assets	**–**	73
Others	**58**	42
Total income tax expense	**85,899**	87,880

Corporate withholding income tax on dividend distribution

Under the CIT Law, corporate withholding income tax is levied on the foreign investor incorporated in Hong Kong for dividends which arise from profits of foreign investment enterprises earned after 1st January 2008 at a tax rate of 5%.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

27 DIVIDENDS

	2017 HK$'000	2016 HK$'000
2016 interim dividend, paid, of 6.5 HK cents per ordinary share	–	63,837
2016 final dividend, paid, of 13.0 HK cents per ordinary share	–	127,675
2017 interim dividend, paid, of 6.0 HK cents per ordinary share	58,927	–
2017 final dividend, proposed, of 12.5 HK cents per ordinary share (note)	122,764	–
	181,691	191,512

Note:

At a meeting held on 16th March 2018, the Directors declared a final dividend of 12.5 HK cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2017.

28 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the number of ordinary shares in issue during the year.

	2017	2016
Profit attributable to owners of the Company (HK$'000)	322,275	388,844
Number of shares in issue	982,114,035	982,114,035
Basic earnings per share (HK cents)	32.81	39.59

(b) Diluted

The calculation of diluted earnings per share is based on the Group's profit attributable to owners of the Company of HK$322,275,000 (2016: HK$388,844,000) and the number of ordinary shares in issue of 982,114,035 (2016: 982,114,035) during the year.

Diluted earnings per share equals basic earnings per share as there were no potential dilutive ordinary shares in issue during the years ended 31st December 2017 and 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

29 CASH GENERATED FROM OPERATIONS

Reconciliation of profit before income tax to cash generated from operations:

	2017 HK$'000	2016 HK$'000
Profit before income tax	**408,174**	476,724
Adjustments for:		
– Amortization of land use rights (note 6)	**1,766**	2,083
– Depreciation of property, plant and equipment (note 7)	**20,704**	23,106
– Impairment of property, plant and equipment (note 7)	**–**	2,945
– (Reversal of)/provision for onerous contract	**(3,729)**	8,769
– Provision for impairment of inventories	**40,408**	19,814
– Reversal of impairment of trade receivables	**–**	(28)
– Interest income	**(20,253)**	(24,599)
– Gains on disposals of property, plant and equipment (note 29(a))	**(197)**	(173)
– Fair value gains on investment properties	**(91,722)**	(171,342)
– Write off of trade receivables	**1,764**	–
Changes in working capital:		
– Property under development held for sale	**(8,731)**	(2,293)
– Inventories	**(100,285)**	(21,451)
– Trade receivables, prepayments, deposits and other receivables	**(30,338)**	10,692
– Trade payables, other payables and accruals	**89,907**	(30,285)
Net cash generated from operations	**307,468**	293,962

Note:

(a) Disposals of property, plant and equipment

	2017 HK$'000	2016 HK$'000
Net book amount	**245**	9
Gains on disposals of property, plant and equipment	**197**	173
Proceeds received	**442**	182

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

30 COMMITMENTS

(a) Capital commitments

Capital expenditure of the Group at the balance sheet date but not yet incurred is as follows:

	2017 HK$'000	2016 HK$'000
Property, plant and equipment		
Contracted but not provided for	**8,486**	52
Investment property		
Contracted but not provided for	**2,519**	271
Property under development held for sale		
Contracted but not provided for	**5,848**	10,876

(b) At 31st December 2017, the Group had future aggregate minimum lease payments receivable and payable under non-cancellable operating leases as follows:

	2017 HK$'000	2016 HK$'000
Rental receivables		
– not later than one year	**123,434**	119,374
– later than one year and not later than five years	**134,882**	119,473
– later than five years	**348**	3,882
	258,664	242,729
Rental payables		
– not later than one year	**10,361**	11,706
– later than one year and not later than five years	**12,292**	15,861
	22,653	27,567

Payment obligations in respect of operating leases on properties with rentals vary with gross revenues are not included as future minimum lease payments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

31 RELATED PARTY TRANSACTIONS

The Company is controlled by the Tsang Family (comprising Dr. Tsang Hin Chi, Madam Wong Lei Kuan, Mr. Tsang Chi Ming, Ricky and the other direct descendants of Dr. Tsang Hin Chi and Madam Wong Lei Kuan) which, together with 5.49% of the Company's issued shares held by Tsang Hin Chi Charities (Management) Limited, collectively controlled approximately 68.17% of the Company's issued shares. The remaining 31.83% of the issued shares are widely held.

In addition to those disclosed elsewhere in the financial statements, the following significant transactions were carried out with related parties:

		2017 **HK$'000**	2016 HK$'000
(a)	Sales of services		
	Rental and building management fees received from related companies	**1,537**	1,537

Note:

Rental and management fees were received from Guangzhou World Trade Center Club Company Limited ("GWTCCL") for lease of a business center and facilities therein located at Goldlion Digital Network Centre amounting to HK$994,000 and from China Hong Kong Digital Audiovisual Management Company Limited ("CHKDAM") for lease of a unit located at Goldlion Holdings Centre in Hong Kong amounting to HK$543,000 respectively. Rental and management fees were charged at rate based on the relevant lease agreements entered into. Mr. Tsang Chi Hung has an indirect beneficial interest in CHKDAM and GWTCCL as he is a major shareholder of the holding company of CHKDAM and GWTCCL. Dr. Tsang Hin Chi, Madam Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in these transactions as Mr. Tsang Chi Hung is a son of Dr. Tsang Hin Chi and Madam Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.

		2017 **HK$'000**	2016 HK$'000
(b)	Purchases of services		
	Professional fees paid to a related company	**320**	320

Note:

Equitas Capital Limited acted as financial advisor to the Group for which professional fees of HK$320,000 was paid by the Company during the year. Mr. Ng Ming Wah, Charles, a non-executive Director of the Company, is the managing director and the principal shareholder of Equitas Capital Limited.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

31 RELATED PARTY TRANSACTIONS *(continued)*

(c) Key management compensation

	2017 HK$'000	2016 HK$'000
Salaries, directors' emoluments and other short-term employee benefits	**44,863**	43,703
Retirement benefit costs	**581**	628
	45,444	44,331

(d) Year-end balances arising from purchases of goods and services

	2017 HK$'000	2016 HK$'000
Accruals		
– Equitas Capital Limited	**160**	160

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

32 BALANCE SHEET OF THE COMPANY

		As at 31st December 2017 HK$'000	As at 31st December 2016 HK$'000
ASSETS			
Non-current assets			
Investment in a subsidiary		**10**	10
Current assets			
Amount due from a subsidiary		**1,486,330**	1,377,077
Prepayments		**173**	–
Cash and cash equivalents		**2,492**	2,397
		1,488,995	1,379,474
Total assets		**1,489,005**	1,379,484
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**1,101,358**	1,101,358
Retained earnings	note (a)	**386,437**	276,916
Total equity		**1,487,795**	1,378,274
LIABILITIES			
Current liabilities			
Accruals		**1,210**	1,210
Total equity and liabilities		**1,489,005**	1,379,484

On behalf of the Board

Dr. Tsang Hin Chi
Chairman

Mr. Tsang Chi Ming, Ricky
Deputy Chairman and Chief Executive Officer

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2017

32 BALANCE SHEET OF THE COMPANY *(continued)*

Note:

(a) Retained earnings movement of the Company

	Retained earnings HK$'000
At 1st January 2017	**276,916**
2016 final dividend paid	**(127,675)**
2017 interim dividend paid	**(58,927)**
Profit for the year	**296,123**
At 31st December 2017	**386,437**
Representing:	
Reserves	**263,673**
2017 final dividend proposed	**122,764**
	386,437
At 1st January 2016	482,195
2015 final dividend paid	(137,496)
2016 interim dividend paid	(63,837)
Loss for the year	(3,946)
At 31st December 2016	276,916
Representing:	
Reserves	149,241
2016 final dividend proposed	127,675
	276,916

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31st December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Profit attributable to owners of the Company	**322,275**	388,844	401,872	421,042	414,579
Assets and liabilities					
Total assets	**4,808,220**	4,407,978	4,342,882	4,400,743	4,412,805
Total liabilities	**(861,086)**	(717,850)	(724,281)	(826,108)	(973,294)
Total equity	**3,947,134**	3,690,128	3,618,601	3,574,635	3,439,511

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