GOLDLION HOLDINGS LIMITED
金 利 來 集 團 有 限 公 司

(Incorporated in Hong Kong under the Hong Kong Companies Ordinance)
(Stock code: 533)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE 2018

RESULTS

The Board of Directors (the "Board") announces the unaudited condensed consolidated interim results of Goldlion Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the six months ended 30th June 2018 as follows:

Condensed Consolidated Interim Income Statement
For the six months ended 30th June 2018

		Unaudited	
		Six months ended	
		30.6.2018	**30.6.2017**
	Note	HK$'000	HK$'000
Turnover	3	783,156	702,725
Cost of sales	5	(325,297)	(288,319)
Gross profit		457,859	414,406
Other gains	4	51,645	46,624
Selling and marketing costs	5	(218,518)	(203,121)
Administrative expenses	5	(96,202)	(82,693)
Operating profit		194,784	175,216
Interest income		12,747	9,136
Profit before income tax		207,531	184,352
Income tax expense	6	(36,435)	(36,500)
Profit for the period attributable to owners of the Company		171,096	147,852
Earnings per share		*HK cents*	*HK cents*
- Basic and diluted	7	17.42	15.05

Condensed Consolidated Interim Statement of Comprehensive Income
For the six months ended 30th June 2018

	Unaudited Six months ended	
	30.6.2018	**30.6.2017**
	HK$'000	HK$'000
Profit for the period	171,096	147,852
Other comprehensive income		
Items 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	2,434	1,730
Change in fair value of financial assets at fair value through other comprehensive income	1,564	-
Income tax relating to these items	(1,000)	(434)
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of overseas subsidiaries	232	40,158
Other comprehensive income for the period	3,230	41,454
Total comprehensive income for the period attributable to owners of the Company	174,326	189,306

Condensed Consolidated Interim Balance Sheet
As at 30th June 2018

	Note	As at 30.6.2018 (Unaudited) HK$'000	As at 31.12.2017 (Audited) HK$'000
ASSETS			
Non-current assets			
Land use rights		50,470	44,607
Property, plant and equipment		180,035	177,320
Investment properties		2,704,990	2,650,249
Available-for-sale financial assets		-	5,900
Financial assets at fair value through other comprehensive income		7,464	-
Deferred income tax assets		77,035	70,751
		3,019,994	2,948,827
Current assets			
Property under development held for sale		145,483	138,301
Inventories		159,727	261,407
Trade receivables	9	72,638	102,839
Prepayments, deposits and other receivables		55,730	43,398
Tax recoverable		1,910	1,190
Bank deposits		924,367	1,028,966
Cash and cash equivalents		422,209	283,292
		1,782,064	1,859,393
Total assets		**4,802,058**	**4,808,220**
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		1,101,358	1,101,358
Reserves		2,897,338	2,845,776
Total equity		3,998,696	3,947,134
LIABILITIES			
Non-current liabilities			
Other payables and accruals		97	869
Deferred income tax liabilities		427,055	418,668
		427,152	419,537
Current liabilities			
Trade payables	10	27,091	73,924
Contract liabilities		204,666	-
Other payables and accruals		129,140	339,423
Current income tax liabilities		15,313	28,202
		376,210	441,549
Total liabilities		803,362	861,086
Total equity and liabilities		**4,802,058**	**4,808,220**

Notes:

1. Principal accounting policies

This condensed consolidated interim financial information for the six months ended 30th June 2018 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants, and applicable requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2017, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The financial information relating to the year ended 31st December 2017 that is included in this preliminary announcement of interim results for the six months ended 30th June 2018 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31st December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor has reported on those financial statements for the year ended 31st December 2017. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

The accounting policies applied by the Group are consistent with those of the annual financial statements for the year ended 31st December 2017, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers

The impact of the adoption of these standards and the new accounting policies are disclosed in note 2 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

(b) Impact of standard issued but not yet applied by the Group

(i) HKFRS 16 "Leases"

HKFRS 16 was issued in May 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.

1. Principal accounting policies (*continued*)

(b) Impact of standard issued but not yet applied by the Group *(continued)*

(i) HKFRS 16 "Leases" *(continued)*

The accounting for lessors will not significantly change.

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 approximately HK$36,065,000. 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.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1st January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

2. Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 "Financial instruments" ("HKFRS 9") and HKFRS 15 "Revenue from contracts with customers" ("HKFRS 15") on the Group's financial information and the new accounting policies that have been applied from 1st January 2018, where they are different to those applied in prior periods.

(a) Impact on the financial information

As explained in notes 2(b)(i) and 2(c)(i) below, HKFRS 9 and HKFRS 15 were generally adopted by the Group without restating comparative information. As a result of the changes in the Group's accounting policies, certain reclassifications and adjustments are therefore not reflected in the consolidated balance sheet as at 31st December 2017, but are recognized in the opening consolidated balance sheet on 1st January 2018.

The following tables show the adjustments recognized for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standard below.

Condensed consolidated interim balance sheet (extract)

	At 31.12.2017 HK$'000	HKFRS 9 HK$'000	HKFRS 15 HK$'000	At 1.1.2018 HK$'000
Non-current assets				
Available-for-sale financial assets	5,900	(5,900)	-	-
Financial assets at fair value through other comprehensive income	-	5,900	-	5,900
Current liabilities				
Other payables and accruals	339,423	-	(184,507)	154,916
Contract liabilities	-	-	184,507	184,507

2. Changes in accounting policies *(continued)*

(b) Adoption of HKFRS 9 "Financial instruments"

(i) HKFRS 9 "Financial instruments" - Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 "Financial instruments: Recognition and measurement" ("HKAS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1st January 2018 resulted in changes in accounting policies and adjustments to the amounts recognized in the consolidated financial statements. The new accounting policies are set out in note 2(b)(ii) below. In accordance with the transition provisions in HKFRS 9 (7.2.15), comparative figures have not been restated.

Classification and measurement

On 1st January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this classification are as follows:

- *Equity investments previously classified as available-for-sale financial assets*

  The Group elected to present in other comprehensive income ("OCI") changes in the fair value of its equity investments previously classified as available-for-sale financial assets, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of HK$5,900,000 were reclassified from available-for-sale financial assets to financial assets at fair value through other comprehensive income ("FVOCI") on 1st January 2018.

Other than that, there were no changes to the classification and measurement of financial instruments.

Impairment of financial assets

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. The Group has trade receivables and other receivables that are subject to HKFRS 9's new ECL model.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The Group applies the HKFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. Impairment on other receivables is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition.

The Group established ECL model based on historical settlement records, past experience and available forward-looking information. The Group has concluded that the impact of ECL on financial assets is insignificant as at 1st January 2018.

2. Changes in accounting policies *(continued)*

(b) Adoption of HKFRS 9 “Financial instruments” *(continued)*

(ii) HKFRS 9 “Financial instruments” - Summary of significant accounting policies

The following describes the Group’s updated financial instruments policy to reflect the adoption of HKFRS 9:

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Group’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the consolidated income statement.

The Group subsequently measures all equity investments at fair value. Where the Group’s management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated income statement. Dividends received from such investments continue to be recognized in the consolidated income statement as other income when the Group’s right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in “other income and gains - net” in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at FVOCI are not reported separately from other changes in fair value.

2. Changes in accounting policies *(continued)*

(b) Adoption of HKFRS 9 "Financial instruments" *(continued)*

(ii) HKFRS 9 "Financial instruments" - Summary of significant accounting policies *(continued)*

Impairment of financial assets

From 1st January 2018, the Group assesses on a forward looking basis the ECL associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment on other receivables is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL.

(c) Adoption of HKFRS 15 "Revenue from contracts with customers"

(i) HKFRS 15 "Revenue from contracts with customers" - Impact of adoption

HKFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the Group's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The adoption of HKFRS 15 has resulted in changes in accounting policies and adjustments to the amounts recognized in the consolidated financial statements. In accordance with the transition provisions in HKFRS 15, the Group elected to use a modified retrospective approach which allows the Group to recognize the accumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings in the 2018 financial year. Thus the comparative figures have not been restated.

The standard replaces HKAS 18 "Revenue" and HKAS 11 "Construction contracts" and related interpretations. The new accounting policies are set out in note 2(c)(ii) below. The impacts of the adoption of HKFRS 15 are as follows:

Presentation of contract liabilities

"Receipt in advance from customers" and "deferred revenue" which were previously included in other payables and accruals, amounting to HK$42,853,000 and HK$141,654,000 respectively as at 1st January 2018, are now included under contract liabilities to reflect the terminology of HKFRS 15.

Timing of revenue recognition

The adoption of HKFRS 15 does not have a significant impact on when the Group recognizes revenue from sales of goods.

2. Changes in accounting policies *(continued)*

(c) Adoption of HKFRS 15 "Revenue from contracts with customers" *(continued)*

(ii) HKFRS 15 "Revenue from contracts with customers" - Summary of significant accounting policies

The following describes the Group's updated revenue recognition policy to reflect the adoption of HKFRS 15:

Sale of goods - wholesale

The Group manufactures and sells a range of garments, leather goods and accessories to distributors. Sales are recognized when control of the products has transferred, being when the products are delivered to the distributors.

The goods are often sold with volume discounts based on aggregate sales. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. A liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present. Sales return provisions are recorded based on the contracted return of goods. The Group estimates the sales return provision based on accumulated experience and the terms in the sales contracts with distributors.

Sale of goods - retail

The Group sells garments, leather goods and accessories through chain of retail stores and e-commerce platform. Revenue from the sale of goods is recognized when a group entity sells and has delivered a product to the customer and the Group received sales and acceptance confirmations. Payment of the transaction price is due immediately when the customer purchases the goods.

Rental income from investment properties

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

Licensing income and building management fee

Licensing income and building management fee are recognized in the accounting period in which the services are rendered.

3. Turnover and segment information

The Group is principally engaged in the distribution and manufacturing of garments, leather goods and accessories, licensing of the brand name, and property investment and development. Turnover recognized during the period is as follows:

	Six months ended 30.6.2018 HK$'000	Six months ended 30.6.2017 HK$'000
Sales of goods	644,152	569,733
Gross rental income from investment properties	73,204	70,408
Building management income	18,043	17,787
Licensing income	47,757	44,797
	783,156	702,725

An analysis of the Group's segment information by operating segment is as follows:

	Six months ended 30.6.2018 Segment turnover HK$'000	Six months ended 30.6.2017 Segment turnover HK$'000	Six months ended 30.6.2018 Segment results HK$'000	Six months ended 30.6.2017 Segment results HK$'000
Operating segments				
Apparel in China Mainland and Hong Kong SAR	661,066	581,957	130,949	112,988
Apparel in Singapore and Malaysia	32,599	32,573	(4,159)	(9,159)
Property investment and development	95,882	92,112	111,400	105,393
Inter-segment sales	(6,391)	(3,917)	-	-
	783,156	702,725	238,190	209,222
Unallocated costs			(30,659)	(24,870)
Profit before income tax			207,531	184,352
Income tax expense			(36,435)	(36,500)
Profit for the period			171,096	147,852

4. Other gains

	Six months ended 30.6.2018 HK$'000	30.6.2017 HK$'000
Fair value gains on investment properties	51,645	46,624

5. Expenses by nature

	Six months ended 30.6.2018 HK$'000	30.6.2017 HK$'000
Cost of inventories sold	299,138	262,291
Provision for impairment for inventories	7,158	8,275
Direct operating expenses arising from investment properties that generated rental income	18,768	17,565
Amortization of land use rights	923	890
Depreciation of property, plant and equipment	10,974	10,278
(Reversal of)/impairment of property, plant and equipment	(223)	55
Staff costs including directors' emoluments	128,621	107,652
Advertising and promotion expenses	54,364	63,392
Other expenses	120,294	103,735
	640,017	574,133
Representing:		
Cost of sales	325,297	288,319
Selling and marketing costs	218,518	203,121
Administrative expenses	96,202	82,693
	640,017	574,133

6. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the period.

Taxation on profits generated in the PRC has been calculated on the estimated assessable profit for the period at the rate of 25% (2017: 25%). Taxation on profits outside Hong Kong and the PRC has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of income tax charged to the condensed consolidated interim income statement represents:

	Six months ended	
	30.6.2018	**30.6.2017**
	HK$'000	HK$'000
Current tax		
- Hong Kong	239	740
- PRC enterprise income tax	35,050	29,531
- Overseas taxation	-	21
Deferred income tax	1,146	6,208
Total income tax expense	36,435	36,500

7. Earnings per share

The calculation of earnings per share is based on profit attributable to owners of the Company of HK$171,096,000 (six months ended 30th June 2017: HK$147,852,000) and the number of ordinary shares in issue of 982,114,035 (six months ended 30th June 2017: 982,114,035) during the period.

Diluted earnings per share equals basic earnings per share as there were no potential dilutive ordinary shares in issue during the six months ended 30th June 2018 and 2017.

8. Dividend

	Six months ended	
	30.6.2018	**30.6.2017**
	HK$'000	HK$'000
Interim dividend of 6.5 HK cents (2017: 6.0 HK cents) per ordinary share	63,837	58,927

9. Trade receivables

The Group grants credit terms to customers ranging from cash on delivery, letter of credit or 30 to 90 days after delivery. An analysis of the trade receivables, net of provision, by age is as follows:

	As at 30.6.2018 HK$'000	**As at 31.12.2017** HK$'000
1-30 days	53,404	90,056
31-90 days	9,073	6,030
Over 90 days	10,161	6,753
	72,638	102,839

10. Trade payables

Trade payables are aged as follows:

	As at 30.6.2018 HK$'000	**As at 31.12.2017** HK$'000
1-30 days	18,387	59,813
31-90 days	6,428	4,976
Over 90 days	2,276	9,135
	27,091	73,924

INTERIM DIVIDEND

The Directors have recommended the payment of an interim dividend of 6.5 HK cents per share (2017: 6.0 HK cents per share) for the year ending 31st December 2018, totalling HK$63,837,000 (2017: HK$58,927,000), which is expected to be payable on or about 18th September 2018 to shareholders whose names appear on the Register of Members as at 7th September 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

Turnover and gross profit

During the period under review, the Group recorded a turnover of HK$783,156,000, representing an increase of 11% from HK$702,725,000 of the same period last year. The increase was mainly attributable to the appreciation of 5% in the Renminbi ("RMB") exchange rate from that of the same period last year, as well as the growth in sales of the e-commerce business in China Mainland. For other major operations, there is no significant difference in the relevant turnover compared to that of the same period last year.

Gross profit for the period was HK$457,859,000, representing an increase of about 10%, from HK$414,406,000 of the same period last year. The increase was approximately the same as the increase in total turnover. The overall gross profit margin was 58.5%, slightly lower than 59% of the same period last year by about 0.5 percentage point. Gross profit margin for the apparel business in China Mainland was 52.7%, which also dropped by about 0.5 percentage point. However, if excluding the impact of the increase in impairment provision for inventories in China Mainland by about HK$2,661,000, the gross profit margin would be broadly comparable with that of the same period last year.

Operating expenses and operating profit

Selling and marketing costs for the period were HK$218,518,000, increased by 8% from the same period last year. Apart from the appreciation of RMB, the increase was mainly attributable to the growth in sales in the e-commerce business in China Mainland, resulted in the increase in the relevant expenses (mainly including e-commerce platform commission, promotion expenses, transportation and packaging expenses). Percentage of selling and marketing costs to the overall turnover was 27.9%, decreased by about 1 percentage point from 28.9% of the same period last year.

Administrative expenses for the period were HK$96,202,000, increased by 16% from HK$82,693,000 of the same period last year. Apart from the appreciation of RMB for the period, the increment was also attributable to the rise in manpower costs resulted from the increases in headcount and accrual for staff bonus following the growth in profit.

During the period, the Group recorded fair value gains on investment properties of HK$51,645,000, compared with HK$46,624,000 of the same period last year.

Operating profit for the period amounted to HK$194,784,000, compared with HK$175,216,000 of the same period last year, representing an increase of 11%. The operating profit margin was approximately 24.9%, which was broadly comparable with that of the same period last year.

Profit attributable to owners of the Company

In response to the above factors, profit attributable to owners of the Company for the period was HK$171,096,000, increased by 16% from HK$147,852,000 of the same period last year.

Profit for the period would be HK$120,856,000 if fair value gains after tax on investment properties of HK$50,240,000 were excluded. Such profit marked an increase of 14% from HK$106,409,000 of the same period last year if the fair value gains after tax on investment properties of HK$41,443,000 were excluded.

BUSINESS REVIEW

Apparel Business

China Mainland and Hong Kong SAR Markets
Enjoying not only a steady economic growth but also a steady appreciation in the RMB, the Chinese economy as a whole was in a good condition during the period under review. This in turn created an improved environment for the Group's operation.

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 period amounted to HK$611,553,000, representing a year-on-year increase of approximately 14%, or approximately 8% in RMB. The increase was mainly attributable to sales from e-commerce.

Regarding our wholesaling operation, there was not yet any notable improvement in the sales of the Group's distributors and their business confidence still needed to be strengthened. Despite the registered growth in order amount during the period, the increase in accrual for inventory return allowance resulted in a year-on-year decrease of about 3% in RMB for the sales to distributors.

Business for our self-operated retail shops was generally stable. Sales of self-operated retail shops (excluding factory outlets) rose by approximately 2% in RMB when compared with the corresponding period last year. In terms of comparable store sales, Guangzhou topped with a growth of about 10% whereas Chongqing fell by about 8%. In the meantime, the Group is reviewing its operation in Chongqing for appropriate adjustment.

To clear products returned from distributors, the Group's factory outlets have boosted the sale of off-season stocks to a proportion of 65% in the first half of the year. The proportion of special selected items therefore decreased accordingly. In spite of this, the overall performance was not affected and sales growth of approximately 2% in RMB was recorded during the period. However, since the profit margin of off-season stocks was relatively low, the overall performance of our factory outlets compared less favorably with that of last year.

At the end of the period, the Group's apparel products were sold through approximately 950 retail outlets in China, among which around 100 were self-operated (including 35 factory outlets). During the period, our retail outlets remained stable and the total number was comparable with that at the end of last year.

E-commerce remained the main driving force of the Group's sales growth during the period under review. Focus was placed on the sale of special selected items, which accounted for approximately 90% of the Group's total e-commerce sales. Relatively high in salability, special selected items have brought about an increase of 22% in RMB for e-commerce sales during the period. The share of e-commerce in the Group's China Mainland apparel sales also rose to about 34% accordingly.

During the review period, the Group continued to expand its custom-ordering business that aims to produce custom-made corporate uniforms mainly for the Mainland clientele. As a result, relevant sales in RMB achieved for the first half of the year rose by 114%. Since this business unit is only at a development stage, it contributed less than 5% to the Group's overall apparel sales in the China Mainland market.

The period also saw the Group continuing to grant licenses for distribution of shoes, leather goods, undergarments, woollen sweaters and casual wear in the China Mainland market. Business was generally stable throughout the entire period. Largely because of the appreciation of the RMB, licensing income grew year-on-year by approximately 7% for the first half of the year to stand at HK$47,757,000. However, the income was 2% lower than same period last year in terms of RMB.

Singapore and Malaysia Markets
The Group's apparel business in Singapore and Malaysia had been on a decline for three years. To address the problem, measures were taken last year to readjust operational strategies and to restructure the local management teams. As a result, overall condition stabilized during the first half of the year although performance was not yet satisfactory.

Sales for the review period amounted to HK$32,599,000, which is comparable with that of last year on account of the appreciating Singapore dollar. In terms of local currencies, sales dropped by approximately 3%. The decrease was mainly attributable to the closure of a number of loss-making shops since the second half of last year. To relieve inventory pressure that had been building up in the previous two years, the Group also had to offer bigger discounts to help clear off-season stocks.

Owing to the relatively significant changes in the portfolio of the local outlets, comparability of remaining comparable retail outlets in Singapore is relatively low. In local currency, sales of these outlets grew by about 16%. After rationalizing the low-performing shops, there were a total of 6 Goldlion shops and 19 counters in Singapore at the end of the reporting period, or down by two when compared with the end of last year. Over in Malaysia, there were a total of 14 counters, or down by one when compared with the end of last year.

The gross profit margin for these local markets during the review period was approximately 47.8%, higher than the 39.7% of the same period last year. This was mainly attributable to the reversal of inventory provision amounting to HK$2,108,000 (provision of HK$1,671,000 of the same period last year).

Inclusive of the reversal of provision for impairment losses for the leases and decoration of certain loss-making shops of HK$1,910,000 (reversal of HK$4,203,000 for the corresponding period last year), operating loss for the Singapore and Malaysia markets for the review period stood at HK$4,159,000, which was lower than the amount of HK$9,159,000 of the same period last year. If excluding the reversal of provisions for stocks and impairment losses mentioned above, operating loss stood at HK$8,177,000, which was lower than the amount of HK$11,691,000 of the same period last year.

Property Investment and Development

The Group's investment property portfolio had no significant changes and continued to remain stable since the end of last year. Fair value gains on investment properties recognized by the Group after independent professional valuations amounted to HK$51,645,000. The gains originated mainly from the Group's property holdings in Hong Kong, especially the Goldlion Holdings Centre in Shatin. The fair value gains of the same period last year were HK$46,624,000.

Rental income and building management fees for the period amounted to HK$73,204,000 and HK$18,043,000 respectively, representing a year-on-year increase of approximately 3% in total. This was mainly attributable to the appreciation of the RMB by about 5% over the same period last year.

Leasing of the Group's Goldlion Digital Network Centre in Tianhe District, Guangzhou, remained relatively stable. Owing to a gap between leases for some of the premises, occupancy rate fell to around 87%. Rental income and building management fees in RMB for the period registered a year-on-year decrease of approximately 4%.

In Shenyang, leasing of Goldlion Commercial Building continued to be healthy with overall occupancy rate maintained at 100%. With turnover rental higher than that for the previous period, rental income and building management fees in RMB for the year increased by approximately 8%.

In Hong Kong, overall rental income and building management fees from the Group's Goldlion Holdings Centre in Shatin increased year-on-year by approximately 4%. This was mainly attributable to an upward adjustment in rental for new leases entered into since the middle of last year. At the end of the period, all the premises in the property were leased out. At present, planning for revitalization is still underway and there is not yet any timetable. Turning to the property at No. 3 Yuk Yat Street, To Kwa Wan, Hong Kong, large-scale refurbishment is in progress. Total expenditure for the works is estimated to be approximately HK$50,000,000 and the project is expected to be completed before early next year.

Regarding the piece of land with a site area of approximately 75,949 square meters in Meixian, tenders are being invited from prospective main contractors. Works are expected to commence by the end of the year when the main contract will be awarded. The project will be carried out in two phases and is expected to be completed around the year 2022. This primarily residential development aims to provide nearly 1,000 residential units in 12 high-rise buildings together with about 50 low-rise units, as well as carparks and shops. Initial forecast of the total capital expenditure for the whole project is approximately HK$930,000,000 and is expected to be paid by the Group's internal resources and funds received in advance from sales of properties.

PROSPECTS

The Chinese economy as a whole is expected to continue growing at a steady pace, contributing to a stronger consumer sentiment and a better business environment. However, the continuing aggravation of the trade war between China and the USA may impact China's economic growth negatively and the Group will handle the relating risks carefully.

With business of our distributors in China Mainland expected to stabilize in the second half of the year, the Group will provide appropriate support to boost their sales. The possibility of taking over individual low-performing distributors is not excluded, however. At the Group's 2019 spring and summer collections sales fair held in late July, initial figures show that the order amount was comparable with that of the corresponding season last year. The orders will be delivered during the first half of the coming year.

As a result of the upturn in China's retail apparel market, the Group's self-operated retail shops and factory outlets are likely to reap the benefits in the second half of the year. Concurrently, sales through e-commerce are likely to remain good since such transactions tend to cluster in the second half of any given year.

To reverse the present losing trend in Singapore, the Group will continue adjusting its operational strategies in the local market in the hope of boosting sales, reducing operational costs and improving operational cost-effectiveness.

As for property investment, the Group will continue to enhance the leasing potential of its properties on hand for maintaining a stable rental income. At the same time, efforts will be made to ensure that the refurbishment of the property at No. 3 Yuk Yat Street, To Kwa Wan, Hong Kong, will be completed and the construction works for the Meixian development project will commence as scheduled.

FINANCIAL POSITION

As at 30th June 2018, the Group had cash and bank balances of approximately HK$1,346,576,000, which was HK$34,318,000 higher than that at the end of last year. During the period, the Group recorded a net cash inflow from operating activities of HK$164,150,000 and received interest income of HK$13,469,000. The Group also paid dividends of HK$122,764,000 and purchased fixed assets of HK$22,292,000. As at 30th June 2018, the Group did not have any bank loans or overdrafts.

As at 30th June 2018, the Group's current assets and liabilities were HK$1,782,064,000 and HK$376,210,000 respectively, with current ratio at approximately 4.7. Total current liabilities were 9.5% of the average capital and reserves attributable to owners of the Company of HK$3,972,915,000.

As at 30th June 2018, the Group did not have any significant contingent liabilities and there were no charges on any of the Group's assets. The Group has incurred capital commitments of HK$50,209,000 mainly for the refurbishment of its investment property at No. 3 Yuk Yat Street, To Kwa Wan, Hong Kong. The Group has also authorized the total capital expenditure to the extent of HK$930,000,000 for the Meixian property development project.

HUMAN RESOURCES

At 30th June 2018, the Group had approximately 1,830 employees. Staff costs during the first six months of the year including directors' emoluments amounted to HK$128,621,000. The Group ensures that employees' remuneration packages are competitive and are determined mainly on factors including job nature, market conditions and individual performance, qualification and experience. The Group also provides other benefits to its employees and training as and when required.

CLOSURE OF REGISTER OF MEMBER

For the purpose of determining shareholders' entitlement to the proposed dividend, the Register of Members of the Company will be closed on 6th September 2018 and 7th September 2018 (two days), during which period no transfer of shares will be registered.

In order to qualify for the above-mentioned interim dividend, all transfers accompanied by the relevant shares certificates must be lodged by 4:30 p.m. on Wednesday, 5th September 2018 with the Company's Registrars, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

CORPORATE GOVERNANCE

The Company has 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") for the six months ended 30th June 2018. In respect of Code Provision A.2.1, the positions of the Chairman of the Board and the Chief Executive Officer are held by the same individual, namely, Mr. Tsang Chi Ming, Ricky, following Dr. Tsang Hin Chi's retirement from the position of Chairman of the Board and resignation as an executive Director on 16th April 2018. As Mr. Tsang Chi Ming, Ricky has acted as the Deputy Chairman and Chief Executive Officer for more than ten years and has deep understanding of the Group's businesses, the Board believes that holding the positions of both Chairman and Chief Executive Officer by Mr. Tsang Chi Ming, Ricky provides the Group with more effective planning and execution of long term business strategies and enhances efficiency in decision-making. The Board also believes that an effective corporate governance structure of the Group has been in place to ensure an appropriate monitoring of Management.

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. During the six months ended 30th June 2018, all the Directors have complied with the relevant requirements under the Model Code regarding their dealing in the securities of the Company.

AUDIT COMMITTEE

The Company has formed an Audit Committee to review and supervise the financial reporting process and internal control procedures of the Group. As at the date of this announcement, the Audit Committee has four members comprising Mr. Li Ka Fai, David (Chairman), Mr. Nguyen, Van Tu Peter (Deputy Chairman) and Dr. Lau Yue Sun, all of them being independent non-executive Directors, and Mr. Ng Ming Wah, Charles, being a non-executive Director of the Company.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the Group's unaudited interim financial information for the six months ended 30th June 2018. At the request of the Board of Directors, the Company's external auditor, PricewaterhouseCoopers, has carried out a review of this unaudited interim financial information in accordance with Hong Kong Standard on Review Engagements 2410 issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE COMPANY AND THE STOCK EXCHANGE

The interim results announcement is published on the website of the Company (www.goldlion.com) and the Stock Exchange (www.hkexnews.hk). The 2018 interim report, containing all the information required by Appendix 16 to the Listing Rules, will be dispatched to shareholders and made available on the above websites in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the directors of the Company comprise Mr. Tsang Chi Ming, Ricky and Madam Wong Lei Kuan as executive Directors; Mr. Ng Ming Wah, Charles as a non-executive Director; and Dr. Lau Yue Sun, Mr. Li Ka Fai, David and Mr. Nguyen, Van Tu Peter as independent non-executive Directors.

By order of the Board
Kam Yiu Kwok
Company Secretary

Hong Kong, 16th August 2018