GOLDLION
HOLDINGS LIMITED
金利來集團有限公司

STOCK CODE 股份代號 : 00533

2018
Interim Report
中期報告

CHAIRMAN'S STATEMENT

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.

CHAIRMAN'S STATEMENT *(continued)*

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.

CHAIRMAN'S STATEMENT *(continued)*

BUSINESS REVIEW *(continued)*

Apparel Business *(continued)*

China Mainland and Hong Kong SAR Markets *(continued)*

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.

CHAIRMAN'S STATEMENT *(continued)*

BUSINESS REVIEW (continued)

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 authorized 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.

CHAIRMAN'S STATEMENT *(continued)*

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.

CHAIRMAN'S STATEMENT *(continued)*

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.

ACKNOWLEDGEMENT

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

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

Hong Kong, 16th August 2018

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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羅兵咸永道

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 8 to 32, which comprises the condensed consolidated interim balance sheet of Goldlion Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30th June 2018 and the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material aspects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16th August 2018

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30th June 2018 and 31st December 2017

	Note	Unaudited 30th June 2018 HK$'000	Audited 31st December 2017 HK$'000
ASSETS			
Non-current assets			
Land use rights	7	50,470	44,607
Property, plant and equipment	7	180,035	177,320
Investment properties	7	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	8	145,483	138,301
Inventories		159,727	261,407
Trade receivables	9	72,638	102,839
Prepayments, deposits and other receivables	10	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	11	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	12	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

The notes on pages 13 to 32 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30th June 2018

		Unaudited Six months ended 30th June 2018	30th June 2017
	Note	*HK$'000*	*HK$'000*
Turnover	*6*	783,156	702,725
Cost of sales	*14*	(325,297)	(288,319)
Gross profit		457,859	414,406
Other gains	*13*	51,645	46,624
Selling and marketing costs	*14*	(218,518)	(203,121)
Administrative expenses	*14*	(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	*15*	(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	*17*	17.42	15.05

The notes on pages 13 to 32 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2018

	Unaudited Six months ended 30th June 2018	30th June 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

The notes on pages 13 to 32 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2018

	Unaudited			
	Share capital *HK$'000*	Other reserves *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
Balance at 1st January 2017	1,101,358	192,101	2,396,669	3,690,128
Profit for the period	–	–	147,852	147,852
Other comprehensive income	–	41,454	–	41,454
Total comprehensive income for the period	–	41,454	147,852	189,306
Transactions with owners of the Company				
Dividend relating to 2016	–	–	(127,675)	(127,675)
Total transactions with owners of the Company	–	–	(127,675)	(127,675)
Balance at 30th June 2017	1,101,358	233,555	2,416,846	3,751,759
Balance at 1st January 2018	1,101,358	313,434	2,532,342	3,947,134
Profit for the period	–	–	171,096	171,096
Other comprehensive income	–	3,230	–	3,230
Total comprehensive income for the period	–	3,230	171,096	174,326
Transactions with owners of the Company				
Dividend relating to 2017	–	–	(122,764)	(122,764)
Total transactions with owners of the Company	–	–	(122,764)	(122,764)
Balance at 30th June 2018	1,101,358	316,664	2,580,674	3,998,696

The notes on pages 13 to 32 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 30th June 2018

		Unaudited Six months ended 30th June 2018	30th June 2017
	Note	*HK$'000*	*HK$'000*
Cash flows from operating activities			
Cash generated from operations		213,048	164,363
Income tax paid		(48,898)	(36,333)
Net cash generated from operating activities		164,150	128,030
Cash flows from investing activities			
Additions to investment properties	*7*	(3,238)	–
Purchase of property, plant and equipment	*7*	(19,054)	(6,570)
Proceeds from disposals of property, plant and equipment		1,481	286
Decrease/(increase) in bank deposits with maturity over 3 months		104,599	(4,278)
Interest received		13,469	11,570
Net cash generated from investing activities		97,257	1,008
Cash flows from financing activity			
Dividends paid to owners of the Company		(122,764)	(127,675)
Net cash used in financing activity		(122,764)	(127,675)
Net increase in cash and cash equivalents		138,643	1,363
Cash and cash equivalents at 1st January		283,292	231,721
Effect of foreign exchange rate changes		274	7,876
Cash and cash equivalents at 30th June		422,209	240,960

The notes on pages 13 to 32 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

1. General information

Goldlion Holdings Limited (the "Company") and its subsidiaries (together the "Group") distribute and manufacture garments, leather goods and accessories, license the brand name, and hold and develop properties for investment and development purposes.

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.

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

This condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors (the "Board") on 16th August 2018.

This condensed consolidated interim financial information has not been audited.

The financial information relating to the year ended 31st December 2017 that is included in the condensed consolidated interim financial information 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. 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).

2. Basis of preparation and 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". The 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 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

2. *Basis of preparation and accounting policies* *(continued)*

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(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 3 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.

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

3. *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 3(b)(i) and 3(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)

	As at 31st December 2017	HKFRS 9	HKFRS 15	As at 1st January 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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

(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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

3. *Changes in accounting policies* *(continued)*

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

(i) HKFRS 9 "Financial instruments" — Impact of adoption *(continued)*

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 3(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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(continued)

3. 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(continued)

3. *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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

3. *Changes in accounting policies* *(continued)*

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

(i) HKFRS 15 "Revenue from contracts with customers" — Impact of adoption *(continued)*

The standard replaces HKAS 18 "Revenue" and HKAS 11 "Construction contracts" and related interpretations. The new accounting policies are set out in note 3(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.

(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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

3. 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 *(continued)*

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.

4. Financial risk management

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 condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31st December 2017.

There have been no changes in risk management policies since year end.

5. Critical accounting estimates and judgements

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st December 2017.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

6. *Operating segments*

	Six months ended 30th June 2018	Six months ended 30th June 2017
	HK$'000	*HK$'000*
Analysis of turnover by category		
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

The Group reports the result of its operating segments based on the internal reports reviewed by the chief operating decision maker that are used to make strategic decisions.

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 of each of the Group's reportable segments:

(1) Apparel in China Mainland and Hong Kong SAR — Distribution and manufacturing of garments, leather goods and accessories and licensing of the brand name in China Mainland and Hong Kong SAR;

(2) Apparel in Singapore and Malaysia — Distribution and manufacturing of garments, leather goods and accessories in Singapore and Malaysia;

(3) Property investment and development — Investment in and development of properties in China Mainland and Hong Kong SAR.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(continued)

6. *Operating segments* *(continued)*

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

	Six months ended 30th June 2018				
	Apparel in China Mainland and Hong Kong SAR	**Apparel in Singapore and Malaysia**	**Property investment and development**	**Eliminations**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	659,310	32,599	91,247	–	783,156
Inter-segment sales	1,756	–	4,635	(6,391)	–
	661,066	32,599	95,882	(6,391)	783,156
Segment results	130,949	(4,159)	111,400		238,190
Unallocated costs					(30,659)
Profit before income tax					207,531
Income tax expense					(36,435)
Profit for the period					171,096

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(continued)

6. *Operating segments* (continued)

	Six months ended 30th June 2017				
	Apparel in China Mainland and Hong Kong SAR	**Apparel in Singapore and Malaysia**	**Property investment and development**	**Eliminations**	**Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	581,957	32,573	88,195	–	702,725
Inter-segment sales	–	–	3,917	(3,917)	–
	581,957	32,573	92,112	(3,917)	702,725
Segment results	112,988	(9,159)	105,393		209,222
Unallocated costs					(24,870)
Profit before income tax					184,352
Income tax expense					(36,500)
Profit for the period					147,852

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 CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

7. *Capital expenditure*

	Land use rights *HK$'000*	Property, plant and equipment *HK$'000*	Investment properties *HK$'000*	Total *HK$'000*
Opening net book amount as at 1st January 2017	42,549	165,745	2,484,052	2,692,346
Additions	–	6,570	–	6,570
Disposals	–	(156)	–	(156)
Reversal	–	–	(158)	(158)
Transfer	2,108	11,592	(11,970)	1,730
Amortization and depreciation *(note 14)*	(890)	(10,278)	–	(11,168)
Impairment charges *(note 14)*	–	(55)	–	(55)
Fair value gains *(note 13)*	–	–	46,624	46,624
Exchange differences	579	1,676	28,192	30,447
Closing net book amount as at 30th June 2017	44,346	175,094	2,546,740	2,766,180
Opening net book amount as at 1st January 2018	44,607	177,320	2,650,249	2,872,176
Additions	4,704	14,350	3,238	22,292
Disposals	–	(1,389)	–	(1,389)
Transfer	2,150	284	–	2,434
Amortization and depreciation *(note 14)*	(923)	(10,974)	–	(11,897)
Reversal of impairment charges *(note 14)*	–	223	–	223
Fair value gains *(note 13)*	–	–	51,645	51,645
Exchange differences	(68)	221	(142)	11
Closing net book amount as at 30th June 2018	50,470	180,035	2,704,990	2,935,495

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

8. *Property under development held for sale*

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

	As at 30th June 2018	As at 31st December 2017
	HK$'000	*HK$'000*
Land use rights	117,963	118,934
Development costs	27,520	19,367
	145,483	138,301

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 construction works of the project after 18th June 2014 and the delay completion of the project after 24th January 2017 may be subject to a penalty. Due to the fact that handover of the land has been delayed 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$145,483,000 (31st December 2017: HK$138,301,000).

The Group's capital commitments in respect of property under development held for sale are disclosed in note 18(a) below.

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 30th June 2018	As at 31st December 2017
	HK$'000	*HK$'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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

10. Prepayments, deposits and other receivables

	As at 30th June 2018	As at 31st December 2017
	HK$'000	*HK$'000*
Purchase deposits *(note)*	17,525	10,688
Prepayments	8,821	4,554
General deposits	13,340	10,434
Interest receivable	9,331	10,053
VAT recoverable	981	555
Others	5,732	7,114
Total of prepayments, deposits and other receivables	55,730	43,398

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.

11. Share capital

	2018		2017	
	Number of shares	Share capital	Number of shares	Share capital
	(thousands)	*HK$'000*	*(thousands)*	*HK$'000*
Ordinary shares, issued and fully paid:				
At 1st January and 30th June	982,114	1,101,358	982,114	1,101,358

12. Trade payables

Trade payables are aged as follows:

	As at 30th June 2018	As at 31st December 2017
	HK$'000	*HK$'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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

13. Other gains

	Six months ended 30th June 2018	Six months ended 30th June 2017
	HK$'000	*HK$'000*
Fair value gains on investment properties *(note 7)*	51,645	46,624

14. Expenses by nature

	Six months ended 30th June 2018	Six months ended 30th June 2017
	HK$'000	*HK$'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 *(note 7)*	923	890
Depreciation of property, plant and equipment *(note 7)*	10,974	10,278
(Reversal of)/impairment of property, plant and equipment *(note 7)*	(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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(continued)

15. 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 30th June 2018	Six months ended 30th June 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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

16. Dividend

	Six months ended 30th June 2018	Six months ended 30th June 2017
	HK$'000	*HK$'000*
Interim dividend of 6.5 HK cents (2017: 6.0 HK cents) per ordinary share	63,837	58,927

The final dividend for the year ended 31st December 2017 of 12.5 HK cents (2016 final: 13.0 HK cents) per ordinary share, totalling HK$122,764,000 was paid in June 2018 (2016 final: HK$127,675,000).

At a meeting held on 16th August 2018, the Directors declared an interim dividend of 6.5 HK cents per share. This interim dividend has not been reflected as a dividend payable in the condensed consolidated interim financial information but will be reflected as an appropriation of retained earnings for the year ending 31st December 2018.

17. 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

18. Commitments

(a) Capital commitments

	As at 30th June 2018	As at 31st December 2017
	HK$'000	*HK$'000*
Property, plant and equipment		
Contracted but not provided for	5,635	8,486
Investment properties		
Contracted but not provided for	50,209	2,519
Property under development held for sale		
Contracted but not provided for	11,156	5,848
Authorized but not contracted for	930,000	–
	941,156	5,848

(b) At 30th June 2018, the Group had future aggregate minimum lease payments receivable and payable under non-cancellable operating leases as follows:

	As at 30th June 2018	As at 31st December 2017
	HK$'000	*HK$'000*
Rental receivables		
— not later than one year	118,536	123,434
— later than one year and not later than five years	108,996	134,882
— later than five years	–	348
	227,532	258,664
Rental payables		
— not later than one year	16,673	10,361
— later than one year and not later than five years	19,392	12,292
	36,065	22,653

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(continued)

19. 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 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 at 30th June 2018. The remaining 31.83% of the Company's issued shares are widely held.

The following transactions were carried out with related parties:

			Six months ended	
			30th June 2018	**30th June 2017**
		Note	*HK$'000*	*HK$'000*
(a)	Sales of services:			
	Rental received from related companies	*(i)*	600	569
	Building management fees received from related companies	*(ii)*	314	190
(b)	Purchase of services:			
	Professional fees paid to a related company	*(iii)*	160	160

Notes:

(i) Rental was received from Guangzhou World Trade Center Club Company Limited ("GWTCCL") and Guangdong World Trade Crape Myrtle Culture and Tourism Development Limited ("GWTCM") for leases of business centers and facilities therein located at Goldlion Digital Network Centre in Guangzhou, and from China Hong Kong Digital Audiovisual Management Company Limited ("CHKDAM") for lease of a unit located at Goldlion Holdings Centre in Hong Kong. Rental was charged at rates based on the relevant lease agreements entered. Mr. Tsang Chi Hung has indirect beneficial interest in GWTCCL, GWTCM and CHKDAM as he is a major shareholder of the holding company of GWTCCL, GWTCM and CHKDAM. Madam Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in these transactions as Mr. Tsang Chi Hung is a son of Madam Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(continued)

19. *Related party transactions* *(continued)*

Notes: (continued)

(ii) Building management fees were received under normal commercial terms from GWTCCL and GWTCM for the provision of building management services for business centers at Goldlion Digital Network Centre, and from CHKDAM for the provision of building management services for a unit located at Goldlion Holdings Centre in Hong Kong. Mr. Tsang Chi Hung has indirect beneficial interest in GWTCCL, GWTCM and CHKDAM as he is a major shareholder of the holding company of GWTCCL, GWTCM and CHKDAM. Madam Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in these transactions as Mr. Tsang Chi Hung is a son of Madam Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.

(iii) Equitas Capital Limited acted as financial advisor to the Group during the period for which professional fee of HK$160,000 (six months ended 30th June 2017: HK$160,000) was paid by the Company. Mr. Ng Ming Wah, Charles, a non-executive Director of the Company, is the managing director and a principal shareholder of Equitas Capital Limited.

(c) Period-end balances arising from purchase of services

	As at 30th June 2018	**As at 30th June 2017**
	HK$'000	*HK$'000*
Accruals		
— Equitas Capital Limited	160	160

(d) Key management compensation amounted to HK$24,208,000 for the six months ended 30th June 2018 (six months ended 30th June 2017: HK$20,236,000).

SUPPLEMENTARY INFORMATION

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.

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.

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.

During the six months ended 30th June 2018, no options had been granted or remained outstanding under the New Option Scheme or any other share option scheme of the Company.

SUPPLEMENTARY INFORMATION *(continued)*

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 30th June 2018, the interests and short positions of each Director and Chief Executive in the shares, underlying shares and debentures of the Company and its associated companies (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:

Ordinary shares of the Company at 30th June 2018

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

Notes:

(a) The shareholdings disclosed by 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.

(b) 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.

Save as disclosed above, as at 30th June 2018, 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.

SUPPLEMENTARY INFORMATION *(continued)*

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)*

Save as disclosed above, at no time during the six months ended 30th June 2018 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 underlying or other associated corporation.

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 30th June 2018, 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. These interests are in addition to those disclosed above in respect of the Directors and the Chief Executive.

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 positions	613,034,750	62.42%
		Short positions	–	–
Top Grade Holdings Limited *(note)*	Ordinary shares	Long positions	613,034,750	62.42%
		Short positions	–	–
Silver Disk Limited *(note)*	Ordinary shares	Long positions	160,616,000	16.35%
		Short positions	–	–
Tsang Hin Chi Charities (Management) Limited	Ordinary shares	Long positions	53,880,750	5.49%
		Short positions	–	–
FMR LLC	Ordinary shares	Long positions	56,601,331	5.76%
		Short positions	–	–

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.

SUPPLEMENTARY INFORMATION *(continued)*

CORPORATE GOVERNANCE

The Company has complied with the Code Provisions in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules on 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 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 report, 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.

BOARD OF DIRECTORS

As at the date of this report, 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.

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