GOLDLION Holdings Limited

金利來集團有限公司

Stock Code 股份代號：00533

2018

Annual Report 年報

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Chairman and Chief Executive Officer:

Mr. Tsang Chi Ming, Ricky J.P.

Executive Director:

Madam Wong Lei Kuan

Non-executive Director:

Mr. Ng Ming Wah, Charles

Independent Non-executive Directors:

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

COMPANY SECRETARY

Mr. Kam Yiu Kwok

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

SOLICITORS

Woo, Kwan, Lee & Lo

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

PRINCIPAL BANKERS

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

REGISTRARS

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46th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
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REGISTERED OFFICE

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13-15 Yuen Shun Circuit
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FINANCIAL HIGHLIGHTS

FINANCIAL POSITION

As at 31st December 2018, the Group had cash and bank balances of approximately HK$1,329,937,000, which was HK$17,679,000 higher than that at the end of last year. During the year, the Group recorded a net cash inflow from operating activities of HK$283,996,000 and received interest income of HK$25,916,000. However, the Group also paid dividends of HK$186,601,000 and increased fixed assets of HK$70,818,000. Besides, changes in foreign exchange rate during the year resulted in a decrease in cash and bank balances of HK$37,406,000. As at 31st December 2018, the Group did not have any bank loans or overdrafts.

As at 31st December 2018, the Group's current assets and current liabilities were HK$1,953,817,000 and HK$505,727,000 respectively, with a current ratio at 3.9. Total current liabilities were 12.5% of the average capital and reserves attributable to owners of the Company of HK$4,042,907,000.

As at 31st December 2018, the Group did not have any material contingent liabilities and had not charged any of the Group's assets. The Group has incurred capital commitments in relation to investment property of HK$18,142,000 in which HK$11,954,000 is for the refurbishment of its investment property at No. 3 Yuk Yat Street, To Kwa Wan, Hong Kong. As at 31st December 2018, the total capital expenditure authorized but not contracted for the Meixian property development project was HK$870,000,000. The Group subsequently entered into the main construction contract amounting to HK$688,000,000 in mid-March 2019.

DISTRIBUTION NETWORK IN CHINA MAINLAND

NUMBER OF GOLDLION SALES OUTLET

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

CHAIRMAN'S STATEMENT

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

GROUP RESULTS

Turnover and gross profit

During the year under review, the Group recorded a turnover of HK$1,681,364,000, representing an increase of approximately 5% over HK$1,602,786,000 of last year. Except for the year-on-year decline in the sales of the apparel business in Singapore, the Group's major businesses recorded an increase in turnover.

Gross profit for the year was HK$977,426,000, representing an increase of about 8% from HK$905,840,000 of last year. The overall gross profit margin was 58.1%, up by about 1.6 percentage points from 56.5% of last year. This was mainly due to the reversal of provision for impairment of inventories of HK$842,000 for the year, against a provision for impairment of HK$40,408,000 over last year. Gross profit margin for the apparel business in China Mainland was 52.3%, representing an increase of 1.5 percentage points. If excluding the impact of provision for impairment of inventories, the gross profit margin for the Mainland operation would be 52.4%, slightly lower than that of last year by about 1.3 percentage points mainly due to the offer of higher discounts for clearance of off-season stocks.

Operating expenses and operating profit

Selling and marketing costs for the year were HK$432,179,000, slightly dropped by HK$5,895,000 or 1% from last year. Administrative expenses were recorded at HK$203,437,000, representing an increase of 19% over HK$171,567,000 of last year. Apart from the exchange loss of HK$6,877,000 caused by the Renminbi exchange rate fluctuation during the year, this was also attributable to the increase in rental expenses by HK$7,055,000 resulted from the rental of new warehouses in China (for transferring the Guangzhou Yuan Village warehousing property to investment property), and the rise in manpower costs as well as the accrual of staff bonus following the growth in profit.

CHAIRMAN'S STATEMENT

During the year, the Group recorded fair value gains on investment properties of HK$91,921,000, compared with HK$91,722,000 of last year.

Operating profit for the year amounted to HK$433,731,000, compared with HK$387,921,000 of last year, representing an increase of 12%. The operating profit margin was approximately 25.8%, higher than 24.2% of last year, which was mainly due to the improvement in the overall gross profit.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the year was HK$376,244,000, increased by 17% from HK$322,275,000 of last year. Profit for the year would be HK$287,556,000 if fair value gains after tax on investment properties of HK$88,688,000 were excluded. Such profit marked an increase of 19% from HK$240,734,000 of last year if fair value gains after tax on investment properties of HK$81,541,000 were excluded.

FINAL DIVIDEND

The Directors have recommended the payment of a final dividend of 13.0 HK cents per share (2017: 12.5 HK cents per share) for the year ended 31st December 2018, totalling HK$127,675,000 (2017: HK$122,764,000). Subject to the shareholders' approval at the forthcoming annual general meeting, the final dividend will be paid on or about 5th June 2019 to shareholders whose names appear on the Register of Members as at 24th May 2019.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

Apparel Business

China Mainland and Hong Kong SAR Markets

After experiencing favorable condition and steady growth in China Mainland in the first half of 2018, retail suffered a setback amid uncertainties posed by trade tensions with the US and fluctuations in the stock markets in the second half of the year. Operating environment took a turn for the worse as a result. For the year as a whole, overall turnover in China Mainland amounted to HK$1,322,328,000, representing a year-on-year increase of approximately 5%. The increase was mainly attributable to sales from wholesaling.

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.

Regarding our wholesaling operation, there was not yet any significant growth in the sales of the Group's distributors and their business confidence still needed to be strengthened. In the absence of major return and exchange arrangements, growth in both order amount and sales of products for the coming season at the end of the year resulted in a year-on-year increase of about 9% for sales to distributors.

Business for our self-operated retail shops was impacted by the dampened consumer sentiment in the second half of the year and the warm weather towards the end of the year. For the year as a whole, sales of self-operated retail shops (excluding factory outlets) dropped by approximately 2%. Except for Chongqing where sales decreased by about 10%, business remained stable in all other areas. In the meantime, the Group is restructuring and modifying its operation in Chongqing.

To clear products returned from distributors, the Group's factory outlets have boosted the sale of off-season stocks to a proportion of 70% while lowering the proportion of special selected items accordingly. As a result, annual sales decreased by approximately 3%. 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 year, the Group's apparel products were sold through approximately 945 retail outlets in China, among which 104 were self-operated (including 36 factory outlets). During the year under review, our retail outlets remained stable and the total number was comparable with that at the end of last year.

Growth in the Group's e-commerce began to turn moderate during the review year. Focus was placed on the sale of special selected items, which continued to account for approximately 90% of the Group's total e-commerce sales. With a year-on-year growth of approximately 3%, e-commerce made up 30% of the Group's China Mainland apparel sales.

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. Annual sales rose by approximately 27%. Since this business unit is still at a development stage, it contributed about 4% to the Group's overall apparel sales in the China Mainland market.

The year 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 growth in e-commerce sales and in turn recognition of e-commerce turnover license fees, licensing income grew year-on-year by approximately 13% to stand at HK$115,530,000.

Singapore and Malaysia Markets

The overall performance of the Group's apparel business in Singapore and Malaysia began to stabilize during the year under review. Total sales amounted to HK$62,268,000, representing a year-on-year decrease of approximately 6%. The decrease was mainly attributable to the closure of a number of loss-making shops since last year and the need 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 was relatively low with sales accounting for 60% of total sales. Sales by these comparable retail outlets grew by approximately 10%. Following the closure of low-performing shops, there were a total of 5 Goldlion shops and 18 counters in Singapore, or down by four when compared with the end of last year. Over in Malaysia, there were a total of 13 counters, or down by two when compared with the end of last year.

The gross profit margin for these local markets during the review year was approximately 45.4%, which was higher than the 40.1% for the previous year. This was mainly attributable to the reversal of inventory provision amounting to HK$2,520,000 (against the provision of HK$2,813,000 last year).

Inclusive of the reversal of provision for impairment losses for the leases and decoration of certain loss-making shops of HK$3,187,000 (reversal of HK$5,465,000 for last year), operating loss for the Singapore and Malaysia markets for the review year stood at HK$9,771,000, which was lower than the amount of HK$19,531,000 of last year. Excluding the reversal of provisions for stocks and impairment losses mentioned above, operating loss stood at HK$15,478,000, which was also lower when compared with the amount of HK$22,183,000 of last year.

Property Investment and Development

Except for the transfer of the properties at Yuan Village in Guangzhou and two units in Singapore from warehousing properties to investment properties by the end of the year, the Group's investment property portfolio had no significant changes since the end of last year.

Fair value gains on investment properties recognized by the Group after independent professional valuations amounted to HK$91,921,000. The gains originated mainly from the Group's property holdings in Hong Kong, especially the Goldlion Holdings Centre in Shatin. Last year's fair value gains stood at HK$91,722,000.

Rental income and building management fees for the year amounted to HK$144,600,000 and HK$36,638,000 respectively, representing a year-on-year increase of approximately 3% in total.

Leasing of the Group's Goldlion Digital Network Centre in Tianhe, Guangzhou, remained stable. The rental income and building management fees were largely comparable with those of last year. Owing to a gap between leases for some of the premises, occupancy rate fell to around 89%. For this reason, no growth was registered in spite of the increased overall rental.

In Shenyang, leasing of Goldlion Commercial Building continued to remain good with overall occupancy rate maintained at 100%. With turnover rental higher than that of last year, rental income and building management fees increased by approximately 8%.

CHAIRMAN'S STATEMENT

In Hong Kong, leasing of the Group's Goldlion Holdings Centre in Shatin was equally good. Overall rental income and building management fees increased year-on-year by approximately 10%. This was mainly attributable to a general upward adjustment in rental for new leases entered into since the middle of last year. At the end of the year, 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 was completed in early 2019. Total expenditure for the works amounted to approximately HK$52,000,000. The property is currently for lease.

Regarding the piece of land with a site area of approximately 75,949 square meters in Meixian, selection of the main contractor for relevant construction works by tender has already completed. The Group has entered into the main construction contract amounting to HK$688,000,000 in mid-March 2019 and works are expected to commence soon. The entire project will be carried out in two phases and is initially expected to be completed around the year 2022. This primarily residential development comprises 11 high-rise buildings and 26 low-rise ones, as well as ancillary facilities. At the end of the year, the capital expenditure authorized but not contracted for this project was HK$870,000,000, including the main construction contract of HK$688,000,000. Relevant expenditure is expected to be paid by the Group's internal resources and funds received in advance from sales of properties.

PROSPECTS

Over the past year, dramatic swings in the China Mainland market, prolonged US-China trade disputes, possibly rising interest rates and fluctuations of the RMB all dealt a blow to both consumer confidence and spending. It is therefore prudent for the Group to expect a slowdown in the Chinese economy and a difficult climate for retailers in 2019.

Business of the Group's distributors in China Mainland is not expected to bounce back in the near future, especially with sales of related products impacted by the warm winter in 2018. The Group will continue to provide appropriate support to boost their sales and does not rule out the possibility of taking over individual low-performing distributors. At the Group's 2019 fall and winter collections sales fair held in early March, initial figures reflected the reservation of our distributors in the market outlook and there was an approximately 10% decrease in order amount when compared with the corresponding season last year. The orders will be delivered during the second half of 2019. The Group will also launch replenishment ordering activities to fill the decrease.

Despite the uncertainties facing China's retail market, the Group will continue to consolidate the business of its self-operated retail shops and factory outlets and to strive for sustained business growth. To further reduce the risk of excessive inventories on hand, off-season stocks will continue to be cleared through our factory outlets. While expecting e-commerce sales to keep growing in the coming year, the Group will continue to make more efforts to expand its custom-ordering business.

To reverse the present losing trend in Singapore, operational strategies in the local market will continue to be adjusted. In addition to enhancing operational cost-effectiveness, product variety and quality will be improved to cater more precisely to the demand and expectations of the local consumers.

As for property investment, the Group will continue to enhance the leasing potential of its properties on hand for maintaining a stable rental income. Growth is expected with the property at No. 3 Yuk Yat Street, To Kwa Wan, Hong Kong, starting to generate rental income in the first half of 2019 and the transfer of the Guangzhou Yuan Village property for leasing purposes at the end of last year. Furthermore, the Meixian development project will commence as scheduled.

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, 18th March 2019

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2018

INVESTMENT PROPERTIES

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

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2018

INVESTMENT PROPERTIES *(continued)*

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

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2018

INVESTMENT PROPERTIES *(continued)*

Property	Description	Lot Number	Type	Lease term
China Mainland *(continued)*				
7. Unit 07 on Level 24, Units 07 and 08 on Level 26 and Unit 07 on Level 28, 577 Tianhe North Road, Units 07 and 08 on Level 25, Unit 07 on Level 27 and Unit 07 on Level 28, 581 Tianhe North Road, Concord New World Garden, Tianhe District, Guangzhou, Guangdong Province	The property comprises 8 domestic units in the multi-storey residential estate built in 2003. The property has a gross floor area of 754 sq.m..	–	Residential	The land use right is held for a term of 70 years from 12th April 1999.
8. Unit 03 on Level 10, Glorious City Garden, 852 Dongfeng East Road, Yue Xiu District, Guangzhou, Guangdong Province	The property comprises a residential unit in one of the 32-storey buildings of the estate built in 2001. The property has a gross floor area of 158 sq.m..	–	Residential	The land use right is held for a term of 70 years from 7th July 1998.
9. Units C11, C12, C18-101, C18-102A, C18-102B, C20-101, D01, D26 and E17 on Level 1, Units C18, C19, C20-101, D27, D30, E25 and E26 on Level 2, and Unit C18 on Level 3, Goldlion Fashion Walk, Jiangnan Binfang Da Dao, Meizhou Ze, Guangdong Province	The property comprises units in a commercial podium built in 2008. The property has a gross floor area of 4,432 sq.m..	140209020490 and 140209020608-1	Commercial	The land use right is held for a term of 40 years for commercial use.
10. Units 05 and 06 on Level 1, Block B3, Yuanda Shopping Plaza, 1333 Qunli Disi Da Dao, Daoli District, Harbin, Heilongjiang Province	The property comprises 2 adjoining units located on Level 1 of Block B3 of a complex built in 2013. The property has a gross floor area of 228 sq.m..	–	Commercial	The land use right is held for commercial use up to 29th January 2051.

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2018

INVESTMENT PROPERTIES *(continued)*

Property	Description	Lot Number	Type	Lease term
China Mainland *(continued)*				
11. Unit A-03 on Levels 1 and 2, Zone A-2 Dongcheng Center, Dongcheng District, Dongguan, Guangdong Province	The property comprises a shop unit located on Level 1 and Level 2 of a complex built in 2006. The property has a gross floor area of 534 sq.m..	–	Commercial	The land use right is held for commercial use up to 31st December 2062.
12. Levels 2 to 6, Yuan Village Building, 36 & 38 Keyun Road, Tianhe District, Guangzhou, Guangdong Province	The property comprises the 2nd to 6th levels of a 6-storey factory building built in 1998. The property has a gross floor area of 12,117 sq.m..	–	Industrial	The land use right is held for a term of 50 years from 12th January 1998.
Singapore				
13. Units 02 and 03 on Level 4, Goldlion Building, 161 Kampong Ampat	The property comprises 2 units of a 6-storey industrial and warehouse building. The property has a gross floor area of 833 sq.m..	Mukim 24 Kalang Lot 5994/U4 to U6 and 5994/U10 to U12	Industrial	Freehold

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2018

PROPERTIES HELD FOR OWN USE

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

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2018

PROPERTIES HELD FOR OWN USE *(continued)*

Property	Description	Lot Number	Type	Lease term
China Mainland *(continued)*				
5. Level 1, Yuan Village Building, 36 & 38 Keyun Road, Tianhe District, Guangzhou, Guangdong Province	The property comprises the 1st level of a 6-storey factory building built in 1998. The property has a gross floor area of 2,423 sq.m..	–	Industrial	The land use right is held for a term of 50 years from 12th January 1998.
6. Block A, B, C and D, Goldlion Industrial Centre, 8 Jiangnan Binfang Da Dao, Meizhou Ze, Guangdong Province	The property comprises 3 factory buildings (Block A, B and D) and an integrated building (Block C) which were completed in 1995 to 2006 respectively. The property has a gross floor area of 38,623 sq.m..	140209020608	Industrial	The land use right is held for a term up to 26th August 2043.
7. Units D1-601 and 602, Units D2-501 and 601 and car parking spaces D2-103 and 107, Goldlion City Garden, and Unit C20 on Level 3, Goldlion Fashion Walk, Jiangnan Binfang Da Dao, Meizhou Ze, Guangdong Province	The property comprises residential and commercial units built in 2008. The property has a gross floor area of 1,333 sq.m..	140209020490 and 140209020608-1	Residential/ Commercial	The land use right is held for a term of 70 years for residential use and 40 years for commercial use.
8. Unit 16 on Level 20, Building B, Far East International Plaza, 317 Xian Xia Road, Changning District, Shanghai	The property comprises an office unit of a 31-storey plus 2 basements commercial building completed in 1999. The property has a gross floor area of 174 sq.m..	–	Office	The land use right is held for a term commencing on 6th March 2002 and expiring on 19th August 2045.

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2018

PROPERTIES HELD FOR OWN USE *(continued)*

Property	Description	Lot Number	Type	Lease term
China Mainland *(continued)*				
9. Unit 17 on Level 11, Bright China Chang An Building, 7 Jianguomenni Avenue, Dongcheng District, Beijing	The property comprises an office unit of a 17-storey plus 4 basements commercial building completed in 1996. The property has a gross floor area of 266 sq.m..	–	Office	The land use right is held for a term up to 1st December 2043.
10. Unit 5 on Level 43, 28 Mingquan Road, Yuzhong District, Chongqing	The property comprises an office unit of a 58-storey commercial building. The property has a gross floor area of 225 sq.m..	–	Office	The land use right is held for a term up to 20th December 2044.
Singapore				
11. Units 01 to 03 on Level 2 and Unit 01 on Level 4, Goldlion Building, 161 Kampong Ampat	The property comprises 4 units of a 6-storey industrial and warehouse building. The property has a gross floor area of 1,690 sq.m..	Mukim 24 Kalang Lot 5994/U4 to U6 and 5994/U10 to U12	Industrial	Freehold

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2018

PROPERTIES UNDER DEVELOPMENT HELD FOR SALE

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CORPORATE RESPONSIBILITY

Goldlion Holdings Limited is delighted to announce the Environmental, Social and Governance (ESG) Report. The reporting boundary is limited to our principal businesses of the Group including apparel distribution and manufacturing, property investments and office operations in Hong Kong, China Mainland, Singapore and Malaysia unless otherwise specified. This report aims at adequate reflection of the efforts and achievements of the Group in the aspect of ESG in 2018.

This report covers the period from 1st January 2018 to 31st December 2018, and includes contents dating back to previous reporting periods. We have carried out respect to environmental protection, employee development, community investment and equipped with the corporate governance through this report and was prepared in accordance with the "comply or explain" provisions set out in the Appendix 27 "Environmental, Social and Governance Reporting Guide" of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The disclosure contents of this Report have been confirmed by the Board.

The Group strives to be performing its social responsibility and gives back to the community. Leveraging its competitive edge and resources, the Group makes positive impact to the environment, our communities and our people. We value talent and offer employees diverse opportunities to advance their careers and act proactively to mitigate environmental impacts of our operations.

Looking ahead, we will continue to work with our employees, business partners, customers, and fellow citizens in the communities towards delivering on our goals on fulfilling our environmental and social responsibilities.

We welcome feedbacks on our ESG approach and performance. For any suggestion or opinion, please send it to the Group through its communication channels.

A. ENVIRONMENTAL

The Group is committed to reducing its impact on the environment. We make efforts in applying the "4Rs" which are Reduce, Reuse, Recycle, and Replace into a wide range of our activities. We gathered quantitative data on the Group's 2018 environmental performance and outlined our strategies and actions for reducing the Group's environmental footprint.

Due to the regional coverage of the Group's business, it is important to manage environmental impacts attributable to its local operational activities to minimize these impacts if possible. Our subsidiaries in the People's Republic of China (the "PRC") are operating in full compliance to the national and local environmental protections laws and regulation, including:

- the Environmental Protection Law of the PRC;
- the Water Pollution Prevention and Control Law;
- the Atmospheric Pollution Prevention and Control Law of the PRC;
- the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Wastes;
- the Regulations on the Administration of Construction Project Environmental Protection; and
- the Regulation on the Administration of Collection and Use of Pollutant Discharge Fees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL *(continued)*

I. Emissions

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

Air Emissions

Air pollution is one of the biggest threats to human health. According to the World Health Organization (WHO), outdoor and indoor air pollution cause respiratory and other diseases, this can be fatal.

There are air pollutants that are generated during the apparel manufacturing process. However, the majority of our products are manufactured by external suppliers and only a small portion of our products (mainly ties, leather goods and corporate uniforms) are made by our Meizhou factories. As such, the Group's direct contribution to the air pollutants is considered to be immaterial.

The Group took the initiative to examine the issue of air emission across its operation, and as discussed, the result indicated no significant impact could be reported. Due to its business nature, and besides the consumption of minimal of gas for cooking in the kitchen, the Group did not involve in any combustion process or industrial activities that could lead to direct air pollutant emission to the atmosphere.

However, exhaust gas is emitted when our products are delivered to different locations by various vehicles.

With respect to the Group's air emissions, in 2018, the Group emitted 28.3 kg (2017: 20.9 kg) of nitrogen oxides (NOx) where the logistic fleet of the Group accounts for the major generation, 1.1 kg (2017: 0.9 kg) of sulphur oxides (SOx) and 2.1 kg (2017: 1.5 kg) of particulate matter (PM) into the air.

The Group has a fleet of light trucks that is mainly used for transporting goods. In order to meet the business needs, the Guangzhou warehouse was relocated to a more remote location in August 2018 and therefore increased the use of these trucks. This is the main reason of the higher air emissions during the year.

As some of the equipment in our Meizhou factories was running on diesel fuel, it accounts for the majority of the Group's NOx and PM emission recorded in 2018.

Air Emissions Reduction

To reduce air emissions as well as travelling cost and time, we encourage our employees to make conference calls and use electronic channels for communications whenever possible. If a business trip is required, we encourage our employees to group few trips in one or take the train instead of the plane so that we can reduce our air pollution caused by planes.

Living a simple life encompasses adopting an environmentally friendly lifestyle, a lifestyle where one has a genuine desire, and takes action to protect the environment. We organize training seminars, encouraging and educating our employees about green living, and let our employees explore ways to save energy, recycle, reuse as well as reduce waste and air emissions.

A. ENVIRONMENTAL *(continued)*

I. Emissions *(continued)*

Reducing Carbon Footprint

The Group believes it is important to monitor and manage its greenhouse gas (GHG) emissions, which is expressed as tons of carbon dioxide equivalent (tCO_2e). In 2018, the Group emitted 6,829 tCO_2e (restated amount for 2017: 8,151 tCO_2e). Expressed in terms of intensity, based on the measuring units 'per employee' and 'per square meter', the intensity of the Group's greenhouse gas emissions was 3.78 tCO_2e per employee (restated amount for 2017: 4.39 tCO_2e per employee) and 0.08 tCO_2e per square meter (restated amount for 2017: 0.08 tCO_2e per square meter). (Note: certain figures in this paragraph for 2017 have been re-calculated and restated)

Mainly due to our reduction effort in emissions source such as energy use, comparing with last year, this year 2018 we demonstrated decreases in the absolute amount of GHG emissions and in the intensity of total GHG emissions per employee.

We recorded both direct and indirect GHG emissions. The largest contributor to our GHG emissions was the electricity that we consumed at our investment properties, production plant and offices (Scope 2: Electricity Indirect GHG Emissions). Operation of diesel vehicles in Singapore and PRC regions, our fleet of light trucks and diesel boilers used in Meizhou factories also contributed to the GHG emissions (Scope 1: Direct GHG Emissions).

The Group noted the need to help combating global warming and therefore reduced its emission via adopting key strategies including recycling and the use of energy-efficient equipment and appliances with lower impact to the environment. The Group has also encouraged its employees to increase the greenery in and around its offices. Comparing with 2017, the Scope 2 indirect emissions reduced almost 20% due to the effective electricity saving measures the Group implemented including the use of LED and responsible practices by our employees in 2018. Besides, Scope 1 and 3 GHG emissions in 2018 show reduction as well comparing with those of 2017 due to the reduced use of diesel and reduced paper and water consumption. (Note: Scope 3 emissions covered in this report include paper waste, water intake and wastewater discharge based on emissions reference in HKEx's How to prepare an ESG Report? – Appendix 2: Reporting Guidance on Environmental KPIs)

Managing Wastage

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

2018 Waste Disposal Statistics

The Group keeps track of its hazardous waste. The Group did not produce significant amount of hazardous waste in 2018 because the majority of the manufacturing that was carried out by the Group during the year was outsourced to external suppliers. All of our suppliers were required to comply with government laws and regulations pertaining to environmental protection and emissions control. With respect to waste disposal, our suppliers have confirmed their waste disposals have met the government's standards.

In 2018, the non-hazardous wastes are mainly 125.4 tons (2017: 289.1 tons) of carton box. The significant reduction in the use of carton box was partly resulted from the lower production volume in our Meizhou factories, and the packaging materials reduction initiatives including optimization of the packaging sizes and reduction in packaging layers.

In 2018, total wastes collected for recycling summed up to 75.8 tons, where 63.8 tons are paper, 7.6 tons are metal including aluminum, 3.8 tons are clothes/garments, 0.4 tons are plastics and 0.2 tons are toners.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL *(continued)*

I. Emissions *(continued)*

Managing Wastage *(continued)*

2018 Waste Disposal Statistics (continued)

The waste that the Group generated in 2018 comprised of papers, plastics, fabric scraps, wooden pallets, fluorescent tubes and some non-recyclable wastes. During the year, the recyclable items were collected from our production plant and investment properties. The items that were collected the most for recycling in 2018 were papers, plastics and fabric scraps.

The renovation of our investment property at No. 3 Yuk Yat Street during the year did not produce a significant amount of wasting materials.

Sourcing More Sustainable Raw Materials

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

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

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

Solid Waste Reduction

Designing Apparels that Create Less Material Wastage

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

Educating Customers on Apparel Reuse

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

Reducing Usage of Plastic Bottles

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

Reuse and Recycling

We are always striving to minimize our impact on the environment. In 2018, we continued to work on reuse and recycling.

We encourage our employees to reuse a variety of reusable items including stationery, plastic bags, paper bags and office papers instead of treating them as waste. To reduce the amount of paper used, we encourage them to reuse the blank side of office papers and two-side printing before the papers are collected for recycling.

In 2018, our recycling covered recyclable items including plastic and metal wastes, glass bottles, toners, clothes and papers.

A. ENVIRONMENTAL *(continued)*

II. Use of Resources

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

Energy Consumption Management

During the year, the Group directly consumed 9,693 MWh (2017: 10,749 MWh) of electricity, 134 kL (2017: 166 kL) of diesel and 68 kL (2017: 56 kL) of petrol. In 2018, the Group's electricity intensity was 5.4 MWh per employee (2017: 6.0 MWh per employee) and 112 kWh per square meter (2017: 112 kWh per square meter).

Energy-Saving Programs

In 2018, we conducted an energy audit in our Goldlion Digital Network Centre in Guangzhou, one of our key investment properties, to assess the energy consumption pattern and benchmark our energy performance, the benchmark study showed that the current consumption falls into a reasonable range. We worked with the external experts to explore possible measures and evaluate feasibility to implement for energy saving. All major consumption areas had been studied including the HVAC system, LED lighting, lift and heat exchange, etc. It serves as a solid and scientific basis for our development in energy saving actions.

Based on the results from the audit report, there are recommendation for improvement, which are mainly focusing on energy saving and its measures. The management has carefully studied the suggestions and will implement if appropriate.

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

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

The key components of our energy-saving programs are:

- Turn off the air conditioners during non-essential hours of the day;
- Switch off all electronic devices during lunch hours and when leaving office;
- Procure equipment with proficient energy label grade whenever it's possible;
- Set computers on energy saving modes; and
- Use LED lighting.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL *(continued)*

II. Use of Resources *(continued)*

Water Management

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

In 2018, the Group consumed 110,935 m^3 (2017: 110,377 m^3) of water. In terms of intensity, the Group's water consumption intensity was 61.4 m^3 per employee (2017: 59.5 m^3 per employee) and 1.3 m^3 per square meter (2017: 1.1 m^3 per square meter). Most of the water was used for the water-cooled chiller system at the Group's investment properties mainly commercial buildings. The Meizhou factories were also responsible for a portion of the water the Group consumed during the year.

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

Water Conservation Initiatives

We strive to only use the amount of water that is needed in our operations. In effort to reduce our water consumption, we have developed the following water conservation initiatives.

(i) Producing Apparels that Require Less Water

As the majority of the Group's apparel manufacturing is carried out externally by our suppliers, we work closely with our suppliers to reduce our indirect water usage. To reduce our indirect usage of water, we analyze all stages of the manufacturing process to pinpoint the areas where water consumption can be reduced. For example, our purchasing team chooses the types of raw material that require less water usage before, during and after the manufacturing process from our suppliers.

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

(ii) Using Rainwater for Gardening

We collect rainwater for watering our plants and gardens in order to reduce the amount of freshwater consumed by the Group.

Controls over Wastewater Treatment and Discharge

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

A. ENVIRONMENTAL *(continued)*

II. Use of Resources *(continued)*

Packaging Materials

During 2018, the Group's total packaging materials used for finished products were 0.4 tons (2017: 1.2 tons) of plastic, mainly plastic bags and plastic wrappings, and 125.4 tons (2017: 289.1 tons) of cardboard paper boxes. Both of them achieved a significant reduction when comparing with those of 2017. It was mainly caused by the lower production volume in our Meizhou factories as well as the effectiveness of our packaging materials reduction initiatives.

Our packaging material suppliers use degradable materials to produce some of our packaging materials. To reduce wastage of our packaging materials, we use the optimal amounts of materials for our packaging needs and provide our customers the optimal size of bag that just fits the purchased items.

III. The Environment and Natural Resources

To minimize our impact on the environment, we have continued to update our employees the needs for environmental protection. We demonstrated to employees during our training sessions the different ways employees can recycle, reuse and protect natural resources. Also, the Meizhou factories were certified with ISO 14001 Environmental Management System to adopt systematic approach in managing environmental aspects in our factories and align our practices to international standard.

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

Our consolidated data on resource consumption indicated the following:

Environmental KPIs	Unit	2018
Total greenhouse gas (GHG) emissions	tonne CO_2e	6,828.8
Scope 1 – Direct emissions and removals	tonne CO_2e	536.3
Scope 2 – Energy indirect emissions	tonne CO_2e	6,194.9
Scope 3 – Other indirect emissions (limited scope*)	tonne CO_2e	97.5
Total Electricity consumption	kWh	9,693,172.7
Total Petrol consumption	L	68,156.9
Total Diesel consumption	L	134,387.8
Water consumption	m^3	110,934.6
Total hazardous waste produced	tonne	N/A
Total non-hazardous waste produced	tonne	75.8
Total packaging material	tonne	125.7

* No collection of Scope 3 emission data from business travel by plane during the year

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL

I. Employment and Labour Practices

Employment

Providing Employees a Rewarding Career

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

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

(i) Employment Statistics

At 31st December 2018, the Group's workforce comprised about 1,850 employees (2017: 1,860). The change in employee number is mainly due to the restructuring and rescaling our retail shops and operations in Singapore during the year. In terms of the gender breakdown, 73% of the Group's total workforce comprised of female employees and 27% comprised of male employees (2017: 72% and 28% respectively). With respect to the geographical location of the Group's employees, about 89% (2017: 88%) of the Group's employees were in China Mainland, about 2% (2017: 2%) were in Hong Kong and the remaining 9% (2017: 10%) were in Singapore and Malaysia. In terms of the age distribution, about 16% (2017: 22%) of the Group's employees were aged below 30, about 73% (2017: 69%) were aged from 30 to 50 and the remaining 11% (2017: 9%) were aged above 50. All of our employees were aged 18 or above.

(ii) Employee Turnover Rate by Geographical Region and Gender

In 2018, overall the Group's employee turnover rate was approximately 23% (2017: 24%), a further improvement compared to that in the past two years. During the year, employee turnover in China Mainland and Hong Kong was stable while in Singapore was relatively high. Manpower supply in Singapore was always tight causing a higher turnover rate. Looking at the employee turnover based on gender in 2018, female employee turnover was 19% (2017: 23%) while that of male employee was 32% (2017: 29%).

(iii) Maintaining a Good Work-life Balance

One of our goals is to maintain a good work-life balance for our employees. We provide most of our employees a 5-day work week and a total of 40 hours of work per week. A good work-life balance requires adequate resting time and social activities. As such, we organize fun-filled activities for our employees such as Christmas and Lunar New Year parties, annual dinners, monthly birthday celebrations, festival celebration activities, team building and outbound activities, cooking contests, book-reading interest group, family day, sports tournaments and field trips.

(iv) Employee Remuneration

The Group has a fair and consistent employee remuneration policy. We offer our employees competitive pay and comprehensive fringe benefits. Remuneration packages are constructed with reference to the prevailing market level in line with competency, performance, qualification and experience of each individual employee. We further provide performance-based incentives for positions that are tied to the Group's business performance. To ensure the Group's remuneration to employees is competitive within the industry, we carry out market research on a regular basis.

B. SOCIAL *(continued)*

I. Employment and Labour Practices *(continued)*

Employment *(continued)*

Providing Employees a Rewarding Career (continued)

(v) Retirement Benefit Scheme

The Group participates in Mandatory Provident Fund (MPF) Schemes and such contributions are made based on a percentage of the Hong Kong employees' basic salaries and are charged to the profit or loss as they become payable in accordance with the rules of the MPF Scheme.

Employees of the Group's subsidiaries in China Mainland are required to participate in social insurance operated by the local municipal government. These subsidiaries are required to contribute certain percentage of their payroll costs, depending on the location of the subsidiaries.

We participate the Central Provident Fund (CPF) and the Employee Provident Fund (EPF) for our employees in Singapore and Malaysia. Both are compulsory comprehensive savings schemes. CPF is for working Singaporeans and permanent residents primarily to fund their retirement, healthcare, and housing needs. EPF is for individuals employed in the Malaysian private sector. The retirement scheme is fully funded and provides defined contribution type benefits to members.

In 2018, total contributions paid or payable to the pension fund by the Group amounted to HK$41,393,000 (2017: HK$38,731,000) which had been recognized as staff cost expense.

(vi) Employee Advancement

The Group rewards high performance employees with attractive career advancement opportunities. For employees that qualify for advancement, we strive to provide them the chance to deepen and broaden their work experience and not only added responsibilities. When vacancies arise, we believe in providing our employees preferential consideration.

(vii) Equal Opportunities, Diversity and Anti-discrimination

Diversity in the workplace is essential for the growth of the Group. Looking at the big picture, when we hire people that are different from ourselves, we bring to our organization new ideas and other positive attributes that lead us to greater success. Given our positive view on diversity, we reward employees based on merit and performance. The Group is an equal opportunity employer, we committed with a discrimination-free working environment, when hiring new employees or granting internal promotions, we will not be held back on the basis of race, age, gender, disabilities, religion, sexual orientation, marital status, pregnancy or any other discrimination prohibited by applicable laws.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(continued)*

I. Employment and Labour Practices *(continued)*

Health and Safety

The health and safety of our employees have always been our top priorities. The Group complies with the relevant laws and regulations of the countries where it has business operations with respect to health and safety. We promote safety culture throughout the Group. With regard to safety at the workplace, we have implemented safety measures to minimize the occurrence of accidents. We have also established safety practices that have been communicated to our employees via internal communications and in-house safety trainings. In particular, our production site in Meizhou was also certified with OHSAS 18001 Occupational Health and Safety Management System to well structure our standardized approach in health and safety in the site.

a. *Health Measures*

(i) Medical Benefits for Employees

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

(ii) Physical Examinations for Employees

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

(iii) Sports and Fitness

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

(iv) Promoting a Healthy Diet

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

(v) Health Seminar

In 2018, we organized trainings in various health topics. This includes a lunch & learn seminar in Dyslipidemia prevention which is a common problem for office workers living in the city with certain diet habits. During the seminar, specialist taught our employees on how to maintain a good health and prevent suffering from this particular health topic.

B. SOCIAL *(continued)*

I. Employment and Labour Practices *(continued)*

Health and Safety *(continued)*

b. Safety Measures

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

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

(ii) Safety Training for Employees

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

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

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

To provide our employees a safe working environment, we carry out regular examinations and maintenance work on our production and office equipment. We check the production equipment on a regular basis to make sure they are in good working condition. To ensure that the windows operate properly, we have regular checking for the office windows. Also, we employ professional air condition cleaning company to clean the air conditioners at least once a year.

(iv) Health & Safety – 2018 Statistics

The Group recorded 43 losses of working days due to work injury in 2018, among which an accident is involved. The injured employee had a slip and fall while pushing a trolley during work, injuring right shoulder with a muscle sprain/tear, medical treatment was followed for recovery. There were no work-related fatalities at the Group during the year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(continued)*

I. Employment and Labour Practices *(continued)*

Development and Training

a. *Learning Culture*

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

By investing in our employees, we create value for the Group. Well-trained employees translate to a strong workforce that is capable of weathering the storms of change and is able to propel the Group to a higher stage of growth.

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

b. *Internal & External Training*

We provide in-house training as well as training at external educational institutes.

(i) In-house Training

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

– E-Learning Program
We developed for our employees' online system to learn topics which are highly relevant to them. Learning from the comfort of the employee's home is one of the strategies that we have implemented to give our employees more learning opportunities.

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

Throughout our internal training initiatives, we cover various topics to support our human capital development in both the professional aspects and personal aspects, including, but not limited to, topics such as coaching skills, communication and presentation, critical thinking, information security, technical knowledge training, first aid, etc.

B. SOCIAL *(continued)*

I. Employment and Labour Practices *(continued)*

Development and Training *(continued)*

b. Internal & External Training (continued)

(ii) External Training

To supplement our in-house training, we encourage our employees to obtain professional training at external educational institutes. The Group will provide qualifying employees an educational subsidy to fund their external training which have been approved by the Group.

We also offer an array of courses to employees in-house that are taught by reputable, professional educational institutes. The courses are practical and well-structured to meet the needs of our employees, including, but not limited to, knowledge and skills on branding and design, accounting and taxation, communication and management, sales and leadership, etc.

c. New Employee Orientation Training Program

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

We provide our new staff with a half-day briefing course. Topics that are taught in this briefing course include corporate information, office rules and regulations, appraisal system and career development opportunities. The supervisor will provide support and feedback to the new staff to ensure their quick adaptation to their new working environment.

d. Employee Training in 2018

In 2018, 57% of our total workforce received training. Each employee that underwent training in 2018 accumulated approximately 26.1 hours of training.

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

In 2018, 60% of our female employees and 49% of our male employees received training from the Group. In 2018, 78% of our managerial employees and 55% of our non-managerial employees received training from the Group.

(ii) Average Training Hours

The recorded training hours include both traditional classroom training hours and online self-study training hours.

The average training hours completed per female employee who received trainings in 2018 were 30.6 hours and those of male employee were 11.8 hours. The amount of training hours in China Mainland received mostly by female employee which accounts for the difference between the figures for male and female. Overall, the increase in training hours received by employees demonstrates that our learning culture is further embedded throughout our organization under our encouragement.

With respect to the 2018 average training hours completed by employee category, the average training hours completed by each managerial employee and each non-managerial employee that received training from the Group were 14.4 hours and 27.4 hours respectively.

B. SOCIAL *(continued)*

I. Employment and Labour Practices *(continued)*

Labour Standards

The Group strictly accords to its "Child Labour Prohibition Policies and Remedial Procedures" to prohibit any use of child labour, we have an employment screening process that ensures all of its employees are of legal working age at aged 18 or above. Recruitment personnel shall conduct a careful verification on the job applicant's identification card or passport to ensure the actual age of job applicants and to avoid any illegal employment during the recruitment process. Personal information and credentials of job applicants are kept in a secured data system with strict control of access right. Personal data of unsuccessful job applicants will only be used in a later recruitment exercise or a directly related purpose.

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

As a responsible organization, the Group has observed and obeyed the labour laws and regulations of the countries where it operates. We also committed to prohibit any act of forced labour. The Group has never had any occurrences of forced labour. Terms on working hours, rest and leave entitlement, labour protection and termination of employment are included in the employment contract in compliance with Employment Ordinance (Chapter 57 of the Laws of Hong Kong) in Hong Kong operation. The Group is also in compliance with Special Protection for Female and Juvenile Workers, Chapter VII, and Labour Law of the People's Republic of China and Provisions on the Prohibition against the Use of Child Labour (State Council Order No. 364) in its China Mainland operation.

During the year, the Group has not identified any non-compliance in relation to child or forced labour-related laws and regulations. All of the employees of the Group were aged 18 or older.

II. Operating Practices

Supply Chain Management

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

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

B. SOCIAL *(continued)*

II. Operating Practices *(continued)*

Supply Chain Management *(continued)*

a. *Choosing the Right Suppliers*

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

(i) Social and Environmental Considerations

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

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

(ii) Monitoring Suppliers

We have contractual requirements on our suppliers which require the supplier meets relevant regulatory requirements and permits for their operations. We carry out in-depth interviews with potential suppliers and conduct site visits in their factories and other company facilities before it becomes an official supplier of the Group. For companies that are on our suppliers list, we monitor them on a regular basis via face-to-face meetings, interviews and other communications in addition to on-site inspections.

Explicitly, there are two contractual requirements concerning environmental protection prior to the partnership with any supplier.

1. The supplier and its associated upstream suppliers involving our production must possess relevant and valid environmental permits/licenses in compliance with applicable national environmental laws and regulations.

2. The supplier must be an entity established under relevant legal requirements and the followings must be obtained and valid for their operations prior to the sign off of the contract, including, but not limited to, business registration, production license, environmental protection certification, quality certification, safety, fire protection, and sanitation qualification documents.

These are some of the steps we take to monitor our suppliers closely to ensure they meet our standards and criteria.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(continued)*

II. Operating Practices *(continued)*

Supply Chain Management *(continued)*

b. *Our Criteria – High Quality Raw Materials*

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

c. *Number of Suppliers by Geographical Region*

In 2018, the Group had a total of 93 suppliers of which 77 were suppliers from China Mainland and Hong Kong and 16 were suppliers from Southeast Asia. There were no significant changes in number of suppliers during the year.

Product Responsibility

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

a. *Product Quality and Safety*

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

(i) Product Quality Management

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

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

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

B. SOCIAL *(continued)*

II. Operating Practices *(continued)*

Product Responsibility *(continued)*

a. *Product Quality and Safety (continued)*

(ii) Product Safety & Customer Feedback

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

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

b. *After-sales Service for Customers*

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

(i) Handling Product Complaints

In 2018, the Group has received 0.04% of complaints related to products or services, where the majority of these complaints were originated from e-commerce sales channel. Each single complaint case is high concern to us and we value most the feedback from our client by investigating into the case comprehensively.

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

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

(ii) Handling Product Returns

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(continued)*

II. Operating Practices *(continued)*

Product Responsibility *(continued)*

c. Protecting the Group's Intellectual Property Rights

The Group's intellectual property is one of its most valuable assets. As such, we rigorously protect our trademarks and other intellectual property rights. Our work in this area is supported by our in-house legal team and the appropriate external legal services. The major actions that we have taken to protect the Group's rights included trademark opposition, legal proceedings against trademark infringement and strong action against counterfeits. Our contracts with suppliers include terms and conditions for trademarks, patents and copyrights, and have confidentiality provisions in order to protect the Group's intellectual property rights.

d. Customer Data Protection & Privacy

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

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

Anti-corruption

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

The Group has implemented strict internal control system on anti-corruption and anti-fraud especially in relation to purchases, sales, operation and finance and the Group's senior management, where the Audit Committee is authorized by the Board to review the system regularly. Trainings and briefing on anti-money laundering to raise awareness on improprieties, misconduct and malpractice. Employees are not allowed to receive cash or equivalent, and gifts or in-kind services from any business partners to influence business decision. The Group has zero tolerance on corruptive acts and disciplinary action would be taken.

B. SOCIAL *(continued)*

II. Operating Practices *(continued)*

Anti-corruption *(continued)*

a. Preventive Measures

(i) Preventing Bribery

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

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

(ii) Preventing Conflicts of Interest

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

(iii) Channel of Communication

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

b. Whistleblowing Policy and Procedures

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

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

During this year, there were no instigated legal cases regarding corrupt practices, bribery, conflicts of interest, extortion, fraud, money laundering brought against the Group or its employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(continued)*

II. Operating Practices *(continued)*

Community Investment

a. *Being a Caring Corporate Citizen*

The Group is committed to being a caring corporate citizen. We view community investment as an opportunity for our organization to contribute to the society.

As a responsible listed enterprise, the Group engages in community investment activities that do not compromise the interests of shareholders. In the past, we have contributed to good causes through donations, sponsorships and volunteer work.

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

b. *Community Investment Activities*

In 2018, the Group carried out the following community investment activities:

(i) Blood Donation – The Group supported the Guangzhou local government encouragement to invite voluntary blood donors to donate blood. The activity was conducted in December in our Guangzhou premise.

(ii) Used Clothes Recycling and Donation – In partnership with local charitable body "The White Whale", we organized the event to encourage our employees and their families to donate unwanted clothes. The activity involved around 140 volunteers and employees. All collected clothes were in clean and reusable conditions for donation to those in needs or underprivileged in Yunnan and Guizhou.

(iii) Corporate Partner Scheme at The International Institute of Management – In 2018, the Group was invited to be a corporate partner with The International Institute of Management. This partnership is granted by invitation only, to corporations that have demonstrated noticeable achievements as outstanding market leaders and that have a philosophy of good governance and social responsibility while providing promotional support to younger generations of potential leaders.

(iv) Dragon Boat Sponsorship – In March 2018, we, again, renewed our sponsorship of the dragon boat team of Tai Po District Dragon Boat Race Committee. This dragon boat team is based in Tai Po District, New Territories, Hong Kong and we have been continuously supporting this event with sponsorship since 2016.

(v) Pray for Love and Charity Sale – In addition to the Group's large-scale donation in 2018, the Group also supports the "Pray for Love and Charity Sale", which was jointly organized by Clifford Group, Guangzhou Foreign Investment Enterprises Chamber of Commerce, and Clifford's education development committee of Panyu district of Guangzhou. The Group made in kind donation with short-sleeved shirts and T-shirts for sale. The funds were all donated to be used in the "Lunch with Love" initiative by Clifford's education development committee of Panyu district of Guangzhou, where lunch with warmth and nutrient was arranged for underprivileged students from six primary schools located in rural areas in the mountains of northern Guangdong province.

B. SOCIAL *(continued)*

II. Operating Practices *(continued)*

Community Investment *(continued)*

c. Awards and Recognition

In December 2018, Sina Finance organized the annual event of Global Development Forum for China Listed Companies. The Group was awarded with "The Most Socially Responsible Listed Company Award" to honour the contribution of the social support.

d. Donation from Dr. Tsang Hin Chi

The Group's founder and ex-Chairman Dr. Tsang Hin Chi is also a keen supporter of community caring activities. During the year, he continued to use part of the returns from his controlling shareholdings in the Group towards his chosen areas of charity, namely, education, sports, spaceflight and helping the less fortunate.

ESG GUIDE CONTENT INDEX

Disclosure, Aspects, General Disclosure and KPIs	Description	Cross-reference in this Report/ Comment
A. Environmental **Aspect A1: Emissions** **General Disclosure**	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	P.19–22
KPI A1.1	The types of emissions and respective emissions data.	P.20
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P.21
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P.21
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P.21
KPI A1.5	Description of measures to mitigate emissions and results achieved.	P.20–21
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	P.21–22

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG GUIDE CONTENT INDEX *(continued)*

Disclosure, Aspects, General Disclosure and KPIs	Description	Cross-reference in this Report/ Comment
A. Environmental *(continued)*		
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	P.23–25
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	P.23
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	P.24
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	P.23
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	P.24
KPI A2.5	Total packaging material used for finished products.	P.25
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	P.25
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P.25

ESG GUIDE CONTENT INDEX *(continued)*

Disclosure, Aspects, General Disclosure and KPIs	Description	Cross-reference in this Report/ Comment
B. Social		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	P.26–27
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	P.26
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	P.26
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	P.28–29
KPI B2.1	Number and rate of work-related fatalities.	P.29
KPI B2.2	Lost days due to work injury.	P.29
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	P.28–29

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG GUIDE CONTENT INDEX *(continued)*

Disclosure, Aspects, General Disclosure and KPIs	Description	Cross-reference in this Report/ Comment
B. Social *(continued)*		
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	P.30–31
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	P.31
KPI B3.2	The average training hours completed per employee by gender and employee category.	P.31
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	P.32
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	P.32
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	P.32
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	P.32–34
KPI B5.1	Number of suppliers by geographical region.	P.34
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	P.33–34

ESG GUIDE CONTENT INDEX *(continued)*

Disclosure, Aspects, General Disclosure and KPIs	Description	Cross-reference in this Report/ Comment
B. Social *(continued)*		
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	P.34–36
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	P.35
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	P.35
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	P.36
KPI B6.4	Description of quality assurance process and recall procedures.	P.34–35
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	P.36

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG GUIDE CONTENT INDEX *(continued)*

Disclosure, Aspects, General Disclosure and KPIs	Description	Cross-reference in this Report/ Comment
B. Social *(continued)*		
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	P.36–37
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	P.37
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	P.37
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	P.38–39
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	P.38–39
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	P.38–39

CORPORATE GOVERNANCE REPORT

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

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

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

BOARD OF DIRECTORS

Overall Accountability

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

Board Composition

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

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

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

Biographical details of the Directors are set out on pages 61 to 62. Save as Mr. Tsang Chi Ming, Ricky is a son of Madam Wong Lei Kuan, there are no family or other material relationships among the Directors.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(continued)*

Responsibilities and Delegation

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

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

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

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

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

Board Meetings

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

Details of Directors' attendance records in 2018 are set out below:

	Attendance (%)	
Executive Directors		
Dr. Tsang Hin Chi (resigned with effect from 16th April 2018)	(1/1)	100%
Mr. Tsang Chi Ming, Ricky	(4/4)	100%
Madam Wong Lei Kuan	(3/4)	75%
Non-executive Director		
Mr. Ng Ming Wah, Charles	(4/4)	100%
Independent Non-executive Directors		
Dr. Lau Yue Sun	(4/4)	100%
Mr. Li Ka Fai, David	(4/4)	100%
Mr. Nguyen, Van Tu Peter	(4/4)	100%

BOARD OF DIRECTORS *(continued)*

Board Meetings *(continued)*

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

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

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

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

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

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

Chairman and Chief Executive Officer

In respect of the requirement under Code Provision A.2.1, the positions of the Chairman 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 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.

In addition, out of the six Board members, there are one non-executive Director and three independent non-executive Directors on the Board offering their experience, expertise, independent advice and views from different perspectives. The Board is therefore of the view that there are adequate balance of power and safeguards.

The Chairman is primarily responsible for leading the Board and ensuring that it functions effectively and smoothly. Directors are encouraged to participate actively in all Board and committee meetings of which they are members.

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

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(continued)*

Appointments, Re-election and Removal of Directors

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

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

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

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

The Nomination Committee held two meetings during the year to review the structure, size and composition of the Board. It also discussed the nomination of retiring Directors at the annual general meeting and other relevant matters. The attendance records were as follows:

Members	Attendance (%)	
Dr. Lau Yue Sun (Chairman)	(2/2)	100%
Mr. Li Ka Fai, David	(2/2)	100%
Mr. Nguyen, Van Tu Peter	(2/2)	100%
Mr. Ng Ming Wah, Charles	(2/2)	100%
Mr. Tsang Chi Ming, Ricky	(2/2)	100%

BOARD OF DIRECTORS *(continued)*

Training and Support for Directors

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

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

	Type of trainings
Executive Directors	
Dr. Tsang Hin Chi (resigned with effect from 16th April 2018)	B
Mr. Tsang Chi Ming, Ricky	A, B
Madam Wong Lei Kuan	A, B
Non-executive Director	
Mr. Ng Ming Wah, Charles	A, B
Independent Non-executive Directors	
Dr. Lau Yue Sun	A, B
Mr. Li Ka Fai, David	A, B
Mr. Nguyen, Van Tu Peter	A, B

A: attending seminars and/or conferences

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

Compliance with Model Code

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

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

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

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

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

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

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

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

The Remuneration Committee held two meetings during the year and the attendance records were as follows:

Members	**Attendance (%)**	
Mr. Nguyen, Van Tu Peter (Chairman)	(2/2)	100%
Dr. Lau Yue Sun	(2/2)	100%
Mr. Li Ka Fai, David	(2/2)	100%
Mr. Ng Ming Wah, Charles	(2/2)	100%
Mr. Tsang Chi Ming, Ricky	(2/2)	100%

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

Audit Committee

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(continued)*

Audit Committee *(continued)*

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

Overall Responsibility

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

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

Risk Management Strategy

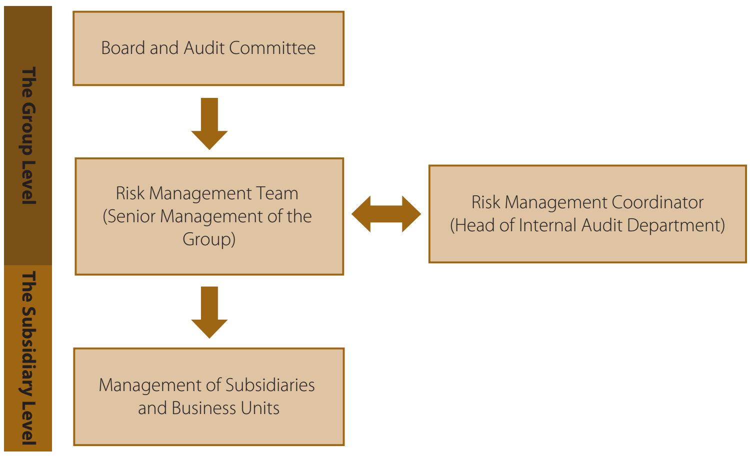
Effective risk management plays a vital role facilitating the Group to attain its vision and mission. In the long run, it raises the value for all stakeholders across the spectrum. Our risk management strategy includes:

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

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

Risk Management Structure

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



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

Board and Audit Committee

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

Risk Management Team (Senior Management of the Group)

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

Risk Management Coordinator (Head of Internal Audit Department)

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

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

Risk Management Structure *(continued)*

Management of Subsidiaries and Business Units

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

Risk Management Process

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

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

During the year, the Group coordinated the management of all major business units to walk through the risk management cycle. As a result of the above mentioned cycle, the Group identified certain major risks of which market competitiveness and control of distributorship are among the top.

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

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

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

Internal Controls

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

Internal Controls *(continued)*

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

During the year, the Audit Committee, as delegated by the Board, has conducted an annual review on the adequacy and effectiveness of the Group's internal controls, including financial, operational and compliance controls as well as risk management functions for the calendar year 2018. The Audit Committee and the Board were not aware of any areas of concern that would have a material impact on the Group's financial position or results of operations and considered the risk management and internal control systems to be generally effective and adequate including the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit and financial reporting functions.

External Auditors and their Remuneration

The external audit function provides an objective assessment of the financial information presented by the management, and is considered one of the essential elements to ensure effective corporate governance. A statement by the Company's external auditors, PricewaterhouseCoopers, in respect of their reporting responsibilities is set out in the Independent Auditor's Report on page 69.

During the year, total auditors' remuneration in relation to statutory audit work of the Group amounted to HK$4,482,000, of which a sum of HK$4,080,000 was paid to PricewaterhouseCoopers. The remuneration for PricewaterhouseCoopers and its affiliated firms, for services rendered is broken down below:

	HK$
Statutory audit and interim review fee	4,080,000
Tax consulting services	74,000
Other consulting services	583,000
Total	4,737,000

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS *(continued)*

The 2018 annual general meeting was held on 18th May 2018. The attendance records of the Directors at the meeting were as follows:

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

Convening a General Meeting on Requisition by Shareholders

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

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

During the year ended 31st December 2018, the Company has not made any changes to its Articles of Association. The latest version of the same is available on the websites of the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements of Goldlion Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st December 2018.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 11 to the financial statements.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 77.

The Directors declared an interim dividend of 6.5 HK cents (2017: 6.0 HK cents) per ordinary share, totalling HK$63,837,000 (2017: HK$58,927,000), which was paid on 18th September 2018.

The Directors recommend the payment of a final dividend of 13.0 HK cents (2017: 12.5 HK cents) per ordinary share totalling HK$127,675,000 (2017: HK$122,764,000) in respect of the year ended 31st December 2018. Subject to the shareholders' approval at the Annual General Meeting to be held on 17th May 2019, the final dividend will be paid on or about 5th June 2019 to shareholders whose names appear on the register of members as at 24th May 2019.

BUSINESS REVIEW

The business review of the Group for the year ended 31st December 2018 is set out in the section headed "Chairman's Statement" on pages 6 to 10.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$490,000 (2017: HK$200,000).

PRINCIPAL PROPERTIES

Details of the principal properties of the Group held for investment, own use and development purposes at 31st December 2018 are set out on pages 11 to 18.

SHARES ISSUED IN THE YEAR

Details of the shares issued in the year ended 31st December 2018 are set out in note 18 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2018, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap. 622), amounted to HK$394,732,000 (2017: HK$386,437,000).

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the last five financial years is set out on page 144.

DIRECTORS

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

Executive Directors:

Dr. TSANG Hin Chi (retired as Chairman and resigned as Executive Director on 16th April 2018)
Mr. TSANG Chi Ming, Ricky (re-designated as Chairman on 16th April 2018)
Madam WONG Lei Kuan

Non-executive Director:

Mr. NG Ming Wah, Charles

Independent Non-executive Directors:

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

In accordance with Article 101 of the Company's Articles of Association, Mr. TSANG Chi Ming, Ricky and Dr. LAU Yue Sun retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Dr. TSANG Hin Chi retired from the position of Chairman and resigned as an Executive Director of the Company on 16th April 2018. Dr. TSANG Hin Chi has confirmed that he has no disagreement with the Board and nothing relating to the affairs of the Company needed to be brought to the attention of the shareholders of the Company.

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

DIRECTORS OF THE COMPANY'S SUBSIDIARIES

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

DIRECTORS' SERVICE CONTRACTS

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

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

Executive Directors

Mr. Tsang Chi Ming, Ricky, J.P., aged 52, is the Chairman and Chief Executive Officer of the Group. Mr. Tsang joined the Group in 1989 and was appointed as an executive Director in 2001 and as the Chief Executive Officer in 2005. Mr. Tsang is re-designated as Chairman on 16th April 2018. He has extensive commercial experience and is a member of the National Committee of the C.P.P.C.C.. Mr. Tsang is also vice chairman of Guangdong Federation of Industry & Commerce, vice chairman of Guangdong Province Federation of Returned Overseas Chinese, vice chairman of the Chinese General Chamber of Commerce, chairman of Hong Kong Guangdong Youth Association, executive chairman of Hong Kong Hakka Associations, executive chairman of Hong Kong Federation of Meizhou Associations, chairman of Hong Kong Meizhou General Chamber of Commerce, vice president of Centum Charitas Foundation, chairman of Proactive Think Tank Limited and an honorary citizen of Guangzhou and Meizhou. He is a son of Madam Wong Lei Kuan, executive Director of the Company.

Madam Wong Lei Kuan, aged 81, is a founder of the Group. She is honorary executive committee member of the All-China Women's Federation, life honorary chairman of Hong Kong Meizhou General Chamber of Commerce and a supervising advisor of the Hong Kong Federation of Women. Madam Wong is also honorary chairman of Ladies' Sub-Committee of the Chinese General Chamber of Commerce and director of the China Council for the Promotion of Peaceful National Reunification. Besides, Madam Wong has served as standing committee member of the Chinese General Chamber of Commerce, standing council member of the China Women's Development Foundation and a member of the C.P.P.C.C. Guangdong of the PRC from the Seventh through the Ninth session. She is the mother of Mr. Tsang Chi Ming, Ricky, executive Director of the Company.

Non-executive Director

Mr. Ng Ming Wah, Charles, aged 69, was appointed to the Board in July 1992. Mr. Ng graduated from Loughborough University in England in 1972 with a B.Sc. degree in Electronic and Electrical Engineering and from London Graduate School of Business Studies (London Business School) in England in 1974 with a M.Sc. degree in Business Studies. Mr. Ng has over 40 years of experience in corporate finance and investment banking. He is a director of Somerley Capital Limited, the principal business of which is the provision of corporate financial advisory services. During the last three years, Mr. Ng was an independent non-executive director of China Aircraft Leasing Group Holdings Limited (stock code: 1848) and retired in May 2016.

REPORT OF THE DIRECTORS

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

Independent Non-executive Directors

Dr. Lau Yue Sun, B.B.S., aged 78, is the managing director of New Products Investment Limited and Jip Fair Development Limited. Dr. Lau has over 40 years of experience in manufacturing, electronics, plastic injection products and import/export business. He is a member of the Election Committee of Hong Kong SAR, an honorary standing committee member of the Chinese General Chamber of Commerce, permanent honorary president of Hong Kong Industrial & Commercial Association and director of Hong Kong Guangdong Chamber of Foreign Investors. He is also an advisor of Guangdong Education Foundation, vice chairman of Zhongkai University of Agriculture and Engineering, as well as honorary citizen of Shenzhen, Heyuan, Meizhou and Xingning. Previously, Dr. Lau served as member of the National Committee of the C.P.P.C.C. from the Eighth through the Eleventh session. He was appointed to the Board in December 1994.

Mr. Li Ka Fai, David, aged 64, is currently the deputy managing partner of Li, Tang, Chen & Co. CPA (Practising). He is a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, U.K. as well as the Institute of Chartered Accountants in England and Wales. Mr. Li is an independent non-executive director and chairman of the audit committee of each of Shanghai Industrial Urban Development Group Limited (stock code: 563) and Wai Yuen Tong Medicine Holdings Limited (stock code 897). He is also an independent non-executive director, chairman of the audit committee, member of the nomination committee and member of the remuneration committee of each of China-Hongkong Photo Products Holdings Limited (stock code: 1123) and Cosmopolitan International Holdings Limited (stock code: 120), an independent non-executive director, member of the audit committee, member of the nomination committee and chairman of the remuneration committee of China Merchants Port Holdings Company Limited (stock code: 144) and an independent non-executive director, member of the audit committee and member of the remuneration committee of AVIC International Holding (HK) Limited (stock code: 232). Mr. Li was appointed to the Board in August 2010.

Mr. Nguyen, Van Tu Peter, S.B.S., aged 75, is a Senior Counsel and was called to the Bar in England by the Honourable Society of the Middle Temple in 1970. He was an Assistant Crown Counsel and Crown Counsel in the Legal Department of Hong Kong during the period from August 1970 to November 1974 and was in private practice as a barrister in Hong Kong subsequently for approximately twenty years. Mr. Nguyen was appointed as the Director of Public Prosecutions in the Legal Department of Hong Kong during the period from July 1994 to October 1997 and was the first Chinese to hold such position. Mr. Nguyen became a Queen's Counsel in 1995 and was appointed as a Judge of the Court of First Instance of the High Court, Hong Kong from February 1998 to April 2009. Currently, Mr. Nguyen is an independent non-executive director of Greenheart Group Limited (stock code: 94) and Pacific Andes International Holdings Limited (stock code: 1174). During the last three years, Mr. Nguyen was an independent non-executive director of Combest Holdings Limited (stock code: 8190) and Integrated Waste Solutions Group Holdings Limited (stock code: 923) and resigned in February 2018 and August 2018 respectively. He was also an independent non-executive director of IPE Group Limited (stock code: 929) and retired in May 2016. Mr. Nguyen was appointed to the Board in September 2012.

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

Senior Management

Mr. Tsang Wing Hong, aged 56, was appointed as the Deputy Chief Executive Officer of the Group in May 2012 and also as the chief executive officer of the Group's China Mainland operations in December 2012. He reports to the Chief Executive Officer of the Group and assists in discharging executive duties relating to the supervision and management of the day-to-day operations. Mr. Tsang graduated from the University of Birmingham in the United Kingdom with a Bachelor's Degree in Mathematics in 1986 and obtained his MBA Degree from the Kellogg School of Management at Northwestern University and the Hong Kong University of Science and Technology EMBA Program in 2008. In addition, He has completed executive programs in leading universities including Harvard University, INSEAD and TsingHua University. Mr. Tsang has over 25 years of experience in retail management, sales and marketing management, and operational management. He was a member of the Retail Industry Training Advisory Committee under the Education Bureau of the Hong Kong SAR Government from September 2010 to December 2014. Prior to joining the Company, Mr. Tsang spent 8 years with the Hong Kong Jockey Club (the "Club"). He was the Club's Head of Betting Services (Off-course) from May 2004 to March 2009 and the Head of Betting Services (Cashbet) from April 2009 to March 2012 respectively. Before that, Mr. Tsang worked in Hong Kong Telecommunications Limited (and subsequently PCCW Limited) for 10 years, where he held several general manager positions before he was made the director of retail and direct sales.

Mr. Kam Yiu Kwok, aged 56, is the Chief Financial Officer and Company Secretary of the Group. Mr. Kam joined the Group in 1999 as an accounting manager. He was appointed as Secretary of the Company in 2000 and as Chief Financial Officer in 2010. Mr. Kam takes full responsibility for the Group's financial management, investor relations and company secretarial functions. He has extensive experience in accounting and finance, and is a fellow member of each of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales.

Mr. Wang Bing Hong, aged 55, re-joined the Group in January 2016 as the Deputy Executive General Manager and was appointed as the General Manager of the Group's China Mainland apparel operation in January 2018. He oversees the sales and operations of our apparel activities in the Mainland. Mr. Wang graduated from the Hunan Normal University with a Bachelor's Degree in Mathematics in 1985 and obtained a Master of Engineering Management from the Ocean University of China in 1988. He has over 20 years solid experience in sales and marketing of apparel products in China Mainland. Mr. Wang worked with the Group from 1994 and was the project director of our China Mainland apparel operation prior to his leave in 2009.

Mr. Tsang Pui Yuen, aged 51, joined the Group in December 2013 as the Group's General Manager, Property. He is fully in charge of the Group's property activities in China Mainland and Hong Kong. Mr. Tsang is a Registered Professional Surveyor and is a member of the Hong Kong Institute of Surveyors, the Royal Institution of Chartered Surveyors and the Chartered Institute of Arbitrators. Mr. Tsang has over 25 years of experience in the real estate profession. Prior to joining the Group, Mr. Tsang held senior position in a Hong Kong listed company with wide range of property investment and development activities.

Mr. Tu Wu Yi, aged 57, graduated with an Executive Master of Business Administration Degree. Mr. Tu is a qualified accountant in China Mainland and has more than 25 years of experience in finance. He has extensive experience in working with large enterprises and listed companies in China Mainland. He joined the Group in 2000 and is now the chief financial officer of the Group's operations in China Mainland in charge of various financial matters of our Mainland operation.

Ms. Zhou Yan Ling, aged 46, joined the Group in February 2013 as the human resources director of our China Mainland operation. Ms. Zhou graduated from Nankai University in the PRC with a Bachelor's Degree in Physical Electronics and obtained a Master's Degree in Business Administration from the Sun Yat-sen University in the PRC. She has over 15 years of experience in human resources. Prior to joining the Group, Ms. Zhou held senior human resources positions from multinational corporations, including P&G and Novartis China.

REPORT OF THE DIRECTORS

SHARE OPTIONS

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

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

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

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

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

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

(a) Ordinary shares of the Company at 31st December 2018

Directors		Number of shares held			Percentage to total issued share capital
		Personal interests	Other interests (note)	Total	
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	–	–	–	–

Note:

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) Save as disclosed above, as at 31st December 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.

(c) Save as disclosed above, at no time during the year ended 31st December 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 undertakings or other associated corporation.

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

REPORT OF THE DIRECTORS

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

The register of substantial shareholders maintained under section 336 of Part XV of the SFO shows that as at 31st December 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.

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	58,583,331	5.97%
		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.

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

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

CONNECTED TRANSACTIONS

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

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

(b) On 30th March 2015, the Group, as lessor, entered into a lease with China Hong Kong Digital Audiovisual Management Company Limited ("CHKDAM"), as lessee, in respect of a unit located at Goldlion Holdings Centre in Hong Kong. The lease was renewed subsequently on 4th January 2017, for 2 years commencing from 1st February 2017. During the year, the Group received HK$553,000 from CHKDAM as rental and building management fee income under the lease. Mr. Tsang Chi Hung has an indirect beneficial interest in CHKDAM as he is a major shareholder of the holding company of CHKDAM. Madam Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in this transaction as Mr. Tsang Chi Hung is a son of Madam Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.

(c) On 13th July 2015 and 11th April 2018, the Group, as lessor, entered into leases with Guangzhou World Trade Center Club Company Limited ("GWTCCL"), as lessee, in respect of business centres and facilities therein located at Goldlion Digital Network Centre, Guangzhou, for a term of 3 years commencing from 15th July 2015 and 1st April 2018 respectively. The first lease was renewed on 27th July 2018, for 3 years commencing from 15th July 2018. Both leases were subsequently terminated with effect from 30th November 2018. During the year, the Group received HK$1,189,000 from GWTCCL as rental and building management fee income under the leases and HK$570,000 as compensations for terminating the leases. Mr. Tsang Chi Hung has an indirect beneficial interest in GWTCCL as he is a major shareholder of the holding company of GWTCCL. Madam Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in this transaction as Mr. Tsang Chi Hung is a son of Madam Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.

(d) On 19th March 2018, the Group, as lessor, entered into a lease with Guangdong World Trade Crape Myrtle Culture and Tourism Development Limited ("GWTCM"), as lessee, in respect of a business centre and facilities therein located at Goldlion Digital Network Centre, Guangzhou, for a term of 3 years commencing from 1st April 2018. The lease was subsequently terminated with effect from 30th November 2018. During the year, the Group received HK$272,000 from GWTCM as rental and building management fee income under the lease and HK$178,000 as compensation for terminating the lease. Mr. Tsang Chi Hung has an indirect beneficial interest in GWTCM as he is a major shareholder of the holding company of GWTCM. Madam Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in this transaction as Mr. Tsang Chi Hung is a son of Madam Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.

The related party transactions as disclosed under notes 33(a) and 33(b) to the consolidated financial statements constitute connected transactions or continuing connected transactions under the Listing Rules.

REPORT OF THE DIRECTORS

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

There is no advance (including guarantee given by the Company and any of its subsidiaries), which is of non-trading nature, to any of the affiliated companies as at 31st December 2018 as defined under Chapter 13 of the Listing Rules.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased 8% and 33% of its inventories from its largest supplier and five largest suppliers in aggregate respectively, and sold 4% and 13% of its goods to its largest customer and five largest customers in aggregate respectively.

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

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 45 to 58.

AUDITOR

The financial statements for the year ended 31st December 2018 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

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

Hong Kong, 18th March 2019

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Goldlion Holdings Limited (the "Company") and its subsidiaries ("the Group") set out on pages 75 to 143, which comprise:

- the consolidated balance sheet as at 31st December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

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

- Carrying value of inventory
- Valuation of investment properties
- Information technology (IT) systems and controls of apparel business in China Mainland

Key Audit Matter	How our audit addressed the Key Audit Matter
Carrying value of inventory	
Refer to note 13 to the consolidated financial statements The Group held inventory of HK$221 million as at 31st December 2018. When assessing the carrying value of inventory at each period end, the Group consistently applies a provisioning methodology for slow moving inventory based on inventory ageing and makes specific provision for obsolete inventory. We focused on this area because the estimation of provision percentages applied to different aged inventory categories and the estimation of specific provision for obsolete inventory involved high-level of judgement based on historical experience of selling products of similar nature through various sales channels as well as expectation of future sales under current market condition. These estimations are also subject to uncertainty as a result of change of market trends, customer taste and competitor actions.	We examined the basis of the methodology with respect to inventory provision and evaluated, amongst others, the outcome of management's estimations in prior year, analysis and assessment made by management with respect to slow moving and obsolete inventory. We also evaluated the assumptions and estimates applied by management to determine the provisioning percentages applicable to individual ageing category of inventory by testing the accuracy of historical information involved, comparing with current year and historical sales trends of similar products and performing sensitivity analysis on changes of major assumptions of future sales, such as sales margin. We tested the accuracy of the ageing profile of the inventory used in the calculation of provision. We performed a recalculation of the inventory provision and the net realizable value using the ageing profile of the inventory as at 31st December 2018 and the provision percentages determined by management. Based on the procedures described, we considered management's judgement and estimates, which formed the basis of the carrying value of inventory, were reasonable and acceptable.

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to note 8 to the consolidated financial statements The Group held investment properties of HK$2,847 million as at 31st December 2018 which were stated at fair values. The fair value gains from the investment properties for the year ended 31st December 2018 approximates to HK$92 million. We focused on this area because the aggregate carrying amounts represented approximately 56% of total assets of the Group as at 31st December 2018 and the fair values are dependent on the methodologies used and are sensitive to changes of inputs used in the valuations. Fair values of the Group's investment properties are supported by valuation performed by independent professional valuers. The valuers adopted the income approach, which took into account the rental values and gross reversionary yields, and direct comparison approach, which largely used unobservable inputs including market rent, yield, etc.	We assessed the competency, capability and objectivity of the independent external valuers by considering their qualifications, relevant experience and relationship with the Group. We involved our internal valuation specialist in our discussion with the external valuers to understand the rationale of the chosen valuation methods and the assumptions applied; and based on which we assessed the appropriateness of the methodologies used and the reasonableness of assumptions applied, where applicable, we further compared, on a sample basis, the data inputs and assumptions used in the valuation models, such as gross reversionary yields and rental values, to market and industry data. Based on the procedures described, we considered the methodologies used and key assumptions applied in the valuation of the Group's investment properties were reasonable.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Information technology (IT) systems and controls of apparel business in China Mainland	
During the year, the Group started to upgrade its IT systems for apparel business in China Mainland ("Mainland apparel business") by phases. The first phase included the implementation and pilot-run of a new point-of-sale system ("POS system"). The Group rely on the data possessed, recorded and generated from the IT systems to record the revenue and cost of sales of its Mainland apparel business. We focused on this area because the key financial reporting processes (in particular the revenue and inventory cycles) of the Mainland apparel business are dependent on automated controls, system generated information and system interfaces. The design and operating effectiveness of the IT general controls over the key IT systems (i.e. ERP and financial reporting systems) and its associated application controls over the processes and the implementation of the new POS system are critical to the integrity of the financial accounting and reporting processes and our level of reliance on the IT systems and controls for the Mainland apparel business.	We obtained understanding of the key business processes and financial reporting processes and identified the key IT systems, IT general controls and key automated controls of the Mainland apparel business. We evaluated and tested the relevant IT systems and controls that we planned to rely on in our audit with the involvement of our IT specialists. Our procedures included: • We assessed the IT control environment and its general controls over the IT systems. We tested the relevant general controls in place and its continued operating effectiveness in the year of system implementation, covering access to programs and data, program changes, computer operations and program development; and we evaluated deficiencies identified in the control procedures and, where required, performed other procedures, such as testing of compensating controls and additional substantive testing. • In respect of the pilot-run of the new POS system, we assessed management's controls and processes in place over the new IT systems implementation project. We tested the management's reconciliation of record from the new POS system and the ERP system and sample checked the transactions recognized in the new POS system to the source documents. • We also tested the operating effectiveness of identified application controls of key IT systems, which are critical to key business processes and financial reporting processes of the Mainland apparel business. Our testing procedures included the testing of system logical access, system automated calculations and system generated information. Based on the results of the procedures described above, we obtained sufficient evidence to determine and justify the level of our reliance on the IT systems and controls of the Mainland apparel business for the purpose of our audit.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18th March 2019

CONSOLIDATED BALANCE SHEET

As at 31st December 2018

	Note	As at 31st December 2018 HK$'000	As at 31st December 2017 HK$'000
ASSETS			
Non-current assets			
Land use rights	6	**46,698**	44,607
Property, plant and equipment	7	**160,269**	177,320
Investment properties	8	**2,847,372**	2,650,249
Available-for-sale financial assets	9	**–**	5,900
Financial assets at fair value through other comprehensive income	10	**6,813**	–
Deferred income tax assets	21	**51,282**	70,751
		3,112,434	2,948,827
Current assets			
Property under development held for sale	12	**174,178**	138,301
Inventories	13	**221,155**	261,407
Trade receivables	15	**122,688**	102,839
Prepayments, deposits and other receivables	15	**40,662**	43,398
Contract assets	16	**65,037**	–
Tax recoverable		**160**	1,190
Bank deposits	17	**906,305**	1,028,966
Cash and cash equivalents	17	**423,632**	283,292
		1,953,817	1,859,393
Total assets		**5,066,251**	4,808,220
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	18	**1,101,358**	1,101,358
Reserves	19	**3,037,321**	2,845,776
Total equity		**4,138,679**	3,947,134

CONSOLIDATED BALANCE SHEET

As at 31st December 2018

	Note	**As at 31st December 2018 HK$'000**	As at 31st December 2017 HK$'000
LIABILITIES			
Non-current liabilities			
Other payables and accruals	20	**80**	869
Deferred income tax liabilities	21	**421,765**	418,668
		421,845	419,537
Current liabilities			
Trade payables	20	**53,854**	73,924
Other payables and accruals	20	**176,206**	339,423
Contract liabilities	16	**249,913**	–
Current income tax liabilities		**25,754**	28,202
		505,727	441,549
Total liabilities		**927,572**	861,086
Total equity and liabilities		**5,066,251**	4,808,220

On behalf of the Board

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

Madam Wong Lei Kuan
Executive Director

The notes on pages 81 to 143 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2018

	Note	**2018 HK$'000**	2017 HK$'000
Turnover	5	**1,681,364**	1,602,786
Cost of sales	23	**(703,938)**	(696,946)
Gross profit		**977,426**	905,840
Other gains	22	**91,921**	91,722
Selling and marketing costs	23	**(432,179)**	(438,074)
Administrative expenses	23	**(203,437)**	(171,567)
Operating profit		**433,731**	387,921
Interest income		**25,511**	20,253
Profit before income tax		**459,242**	408,174
Income tax expense	28	**(82,998)**	(85,899)
Profit for the year attributable to owners of the Company		**376,244**	322,275
		HK cents	HK cents
Earnings per share for profit attributable to owners of the Company during the year			
– Basic and diluted	30	**38.31**	32.81

The notes on pages 81 to 143 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2018

	2018 HK$'000	2017 HK$'000
Profit for the year	**376,244**	322,275
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	**108,219**	1,730
Change in fair value of financial assets at fair value through other comprehensive income	**1,113**	–
Income tax relating to these items	**(21,752)**	(434)
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of overseas subsidiaries	**(85,678)**	120,037
Other comprehensive income for the year	**1,902**	121,333
Total comprehensive income for the year attributable to owners of the Company	**378,146**	443,608

The notes on pages 81 to 143 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2018

	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
Comprehensive income				
Profit for the year	–	–	322,275	322,275
Other comprehensive income				
Revaluation of investment property upon reclassification from land use rights, and property, plant and equipment	–	1,296	–	1,296
Currency translation differences	–	120,037	–	120,037
Total other comprehensive income for the year	–	121,333	–	121,333
Total comprehensive income for the year	–	121,333	322,275	443,608
Final dividend relating to 2016	–	–	(127,675)	(127,675)
Interim dividend relating to 2017	–	–	(58,927)	(58,927)
Total transactions with owners in their capacity as owners	–	–	(186,602)	(186,602)
Balance at 31st December 2017	1,101,358	313,434	2,532,342	3,947,134
Balance at 1st January 2018	**1,101,358**	**313,434**	**2,532,342**	**3,947,134**
Comprehensive income				
Profit for the year	**–**	**–**	**376,244**	**376,244**
Other comprehensive income				
Revaluation of investment property upon reclassification from land use rights, and property, plant and equipment	**–**	**86,745**	**–**	**86,745**
Change in fair value of financial assets at fair value through other comprehensive income	**–**	**835**	**–**	**835**
Currency translation differences	**–**	**(85,678)**	**–**	**(85,678)**
Total other comprehensive income for the year	**–**	**1,902**	**–**	**1,902**
Total comprehensive income for the year	**–**	**1,902**	**376,244**	**378,146**
Final dividend relating to 2017	**–**	**–**	**(122,764)**	**(122,764)**
Interim dividend relating to 2018	**–**	**–**	**(63,837)**	**(63,837)**
Total transactions with owners in their capacity as owners	**–**	**–**	**(186,601)**	**(186,601)**
Balance at 31st December 2018	**1,101,358**	**315,336**	**2,721,985**	**4,138,679**

The notes on pages 81 to 143 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2018

	Note	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Cash generated from operations	31	**356,960**	307,468
Income tax paid		**(72,964)**	(61,776)
Net cash generated from operating activities		**283,996**	245,692
Cash flows from investing activities			
Purchases of land use rights	6	**(4,547)**	–
Purchases of property, plant and equipment	7	**(24,845)**	(16,770)
Additions to investment properties	8	**(41,426)**	(1,562)
Proceeds from disposals of property, plant and equipment	31(a)	**2,592**	442
Decrease/(increase) in bank deposits with maturity over 3 months		**102,580**	(31,606)
Interest received		**25,916**	19,488
Net cash generated from/(used in) investing activities		**60,270**	(30,008)
Cash flows from financing activities			
Dividends paid to owners of the Company		**(186,601)**	(186,602)
Net cash used in financing activities		**(186,601)**	(186,602)
Net increase in cash and cash equivalents		**157,665**	29,082
Cash and cash equivalents at 1st January		**283,292**	231,721
Effect of foreign exchange rate changes		**(17,325)**	22,489
Cash and cash equivalents at 31st December	17	**423,632**	283,292

The notes on pages 81 to 143 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 11 to the financial statements.

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

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

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 18th March 2019.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

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

2.1 Basis of preparation *(continued)*

(a) New standards, new interpretation and amended standards adopted by the Group

The following new standards, new interpretation and amended standards have been adopted by the Group for the first time for the financial year beginning on or after 1st January 2018:

HKAS 40 (Amendment)	Transfers of investment property
HKFRS 1 and HKAS 28 (Amendments)	Annual improvements 2014–2016 cycle
HKFRS 2 (Amendment)	Classification and measurement of share-based payment transactions
HKFRS 4 (Amendment)	Applying HKFRS 9 "Financial instruments" with HKFRS 4 "Insurance contracts"
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HKFRS 15 (Amendment)	Clarifications to HKFRS 15
HK (IFRIC) 22	Foreign currency transactions and advance consideration

The impact of the adoption of these standards are disclosed in note 2.2 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

(b) The following new standards, new interpretation and amended standards have been issued but are not effective for the financial year beginning on 1st January 2018 and have not been early adopted by the Group

		Effective for accounting periods beginning on or after
HKAS 19 (Amendment)	Plan amendment, curtailment or settlement	1st January 2019
HKAS 28 (Amendment)	Long-term interests in an associate and joint ventures	1st January 2019
HKFRS 9 (Amendment)	Prepayment features with negative compensation	1st January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	Not yet established by HKICPA
HKFRS 16	Leases	1st January 2019[i]
HKFRS 17	Insurance contracts	1st January 2021
HKFRSs (Amendments)	Annual improvements 2015–2017 cycle	1st January 2019
HK (IFRIC) 23	Uncertainty over income tax treatments	1st January 2019
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1st January 2020

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

2.1 Basis of preparation *(continued)*

(b) The following new standards, new interpretation and amended standards have been issued but are not effective for the financial year beginning on 1st January 2018 and have not been early adopted by the Group *(continued)*

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

(i) HKFRS 16 "Leases"

Nature of change

HKFRS 16 was issued in May 2016. It will result in almost all leases being recognized on the balance sheet by lessees, 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.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately HK$48,093,000 (note 32). Of these commitments, approximately HK$18,294,000 relate to short-term leases which will be recognized on a straight-line basis as expense in profit or loss in the year ending 31st December 2019. For the remaining lease commitments, the Group expects to recognize right-of-use assets of approximately HK$25,858,000 and lease liabilities of HK$27,928,000 (after adjustments for prepayments and accrued lease payments) on 1st January 2019 with a corresponding adjustment of HK$2,307,000 to the opening balance of retained earnings.

Date of adoption by the Group

HKFRS 16 is mandatory for financial years starting on or after 1st January 2019. The new standard is not expected to be applied by the Group until the financial year ending 31st December 2019. The Group intends to apply the modified retrospective approach and will recognize the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1st January 2019 and will not restate comparative information. Right-of-use assets will be measured on transition as if the new rules had always been applied (adjusted for any prepaid or accrued lease expenses).

Apart from aforementioned HKFRS 16, the Group is in the process of assessing the financial impact of the adoption of other new standards, amendments to existing standards and interpretation. The Group will adopt the new standards, amendments to existing standards and interpretation after they become effective.

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

2.2 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 statements 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 statements

As explained in notes 2.2(b) and 2.2(c) 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.

Consolidated balance sheets (extract)

	As at 31st December 2017 HK$'000	HKFRS 9 HK$'000	HKFRS 15 HK$'000	As at 1st January 2018 HK$'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 assets				
Contract assets	–	–	58,396	58,396
Current liabilities				
Other payables and accruals	339,423	–	(184,507)	154,916
Contract liabilities	–	–	242,903	242,903

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

2.2 Changes in accounting policies *(continued)*

(b) HKFRS 9 "Financial instruments"

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 2.12 below. In accordance with the transition provisions in HKFRS 9 (7.2.15), comparative figures have not been restated.

(i) 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.

The Group subsequently measures all equity investments at fair values. 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 consolidated income statement following the derecognition of the investment. Dividends from such investments continue to be recognized in consolidated income statement as other income when the Group's right to receive payments is established.

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

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

2.2 Changes in accounting policies *(continued)*

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

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss ("ECL") model:

- trade receivables
- other financial assets carried at amortized cost

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets.

While restricted cash, short-term bank deposits and cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected losses for all trade receivables. To measure the ECL, receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. ECL are also estimated by grouping the remaining receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer, its geographical location and its ageing category, and applying ECL rates to the respective gross carrying amounts of the receivables. The ECL rates are determined based on historical credit losses experienced from the past 3 years and are adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables. Management has closely monitored the credit qualities and the collectability of the trade receivables. The adoption of the simplified ECL approach under HKFRS 9 has not resulted in any additional impairment loss for trade receivables as at 1st January 2018.

Other financial assets carried at amortized cost

For other financial assets carried at amortized cost, the ECL is based on the 12-month ECL. It is the portion of lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the impairment will be based on the lifetime ECL. Management has closely monitored the credit qualities and the collectability of the other financial assets at amortized cost and considers that the ECL is immaterial.

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

2.2 Changes in accounting policies *(continued)*

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

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 2.19 below. The impacts of the adoption of HKFRS 15 are as follows:

Refund liabilities with the adoption of HKFRS 15

It is the Group's policy to sell goods to wholesale customers with a right of returns in a designated time period for specific seasons of goods. Prior to the adoption of HKFRS 15, 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 which was measured on a net basis at the margin on the sale based on accumulated experience and the terms in the sales contracts with distributors.

Upon the adoption of HKFRS 15, the Group has reclassified HK$139,810,000 from other payables and accruals to refund liabilities and recognized a contract asset for the right to recover products from customers upon return of HK$58,396,000 separately in the consolidated balance sheet as at 1st January 2018 to reflect the adoption of the new standard.

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$60,240,000 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 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Subsidiaries

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

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

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

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Translation differences on non-monetary assets such as equities classified as financial assets at FVOCI are recognized in OCI.

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

2.5 Foreign currency translation *(continued)*

(c) Group companies

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

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

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

(iii) all resulting exchange differences are recognized in OCI.

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

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

(d) Disposal of foreign operation and partial disposal

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2018

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

2.6 Property, plant and equipment

Land and buildings comprise mainly factories, retail outlets and offices other than investment properties as mentioned in note 2.8. Leasehold land classified as finance lease and all other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.9).

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

2.7 Land use rights

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

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

2.8 Investment properties

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

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

2.9 Impairment of investments in subsidiaries and non-financial assets

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

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

2.10 Property under development held for sale

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

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

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

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

2.11 Inventories

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

2.12 Financial assets

(a) 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.

(b) Recognition and derecognition

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

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

2.12 Financial assets *(continued)*

(d) 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.

(e) Accounting policies applied until 31st December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31st December 2017, the Group classifies its financial assets into loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. The Group determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise of "trade and other receivables" and "cash and cash equivalents" (notes 2.13 and 2.14).

(ii) Available-for-sale financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2018

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

2.12 Financial assets *(continued)*

(e) Accounting policies applied until 31st December 2017 *(continued)*

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

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

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

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

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

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

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

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

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement – is removed from equity and recognized in the income statement. Impairment losses on equity instruments that were recognized in the income statement are not reversed through the income statement in a subsequent period. In the case of loans and receivables, the impairment policy is set out in note 2.13.

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

2.13 Trade and other receivables

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

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

2.14 Cash and cash equivalents

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

2.15 Share capital

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

2.16 Trade and other payables

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

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

2.17 Current and deferred income tax

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

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

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

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

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

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

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

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

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

2.18 Employee benefits

(a) Employee leave entitlements

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

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

(b) Profit sharing and bonus plans

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

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

(c) Pension obligations

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2018

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

2.19 Revenue recognition

(a) 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.

(b) 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.

(c) Rental income from investment properties

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

(d) Licensing income and building management fee

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

2.20 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

2.21 Leases (as the lessee for operating leases)

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

2.22 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

At 31st December 2018, if Hong Kong dollar had weakened/strengthened by 3% against Renminbi with all other variables held constant, post-tax profit for the year would have been HK$526,000 (2017: HK$2,475,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Renminbi denominated bank deposits, cash and cash equivalents, trade receivables and interest receivables.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2018

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(ii) Cash flow interest rate risk

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

(b) Credit risk

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

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

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

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

As at 31st December 2018, the financial assets of the Group that are exposed to credit risk and their maximum exposures are as follows:

	As at 31st December 2018		As at 31st December 2017	
	Carrying amount in balance sheet HK$'000	**Maximum exposure to credit risk HK$'000**	Carrying amount in balance sheet HK$'000	Maximum exposure to credit risk HK$'000
Financial assets:				
Trade receivables	**122,688**	**122,688**	102,839	102,839
Deposits and other receivables	**26,208**	**26,208**	28,156	28,156
Bank deposits and cash and cash equivalents	**1,329,937**	**1,329,880**	1,312,258	1,312,205

(c) Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities. Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The Company employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required and monitoring the working capital of the Group to ensure that all liabilities due and known funding requirements could be met. There were no available banking facilities as at 31st December 2018 (2017: nil).

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

	2018 HK$'000	2017 HK$'000
Trade payables and other payables		
Less than 1 year	**144,585**	161,119

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

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

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

(b) Estimate of fair value of investment properties

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

4.1 Critical accounting estimates and assumptions *(continued)*

(c) Income taxes

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

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

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

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

(e) Recognition of refund liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2018

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

4.2 Critical judgements in applying the entity's accounting policies

Distinction between investment properties and owner-occupied properties

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

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

5 OPERATING SEGMENTS

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

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

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

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

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

5 OPERATING SEGMENTS *(continued)*

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

	2018					
	Apparel in China Mainland and Hong Kong SAR HK$'000	Apparel in Singapore and Malaysia HK$'000	Property investment and development HK$'000	Segment total HK$'000	(Elimination)/ unallocated HK$'000	Group HK$'000
Turnover	1,437,858	62,268	181,238	1,681,364	–	1,681,364
Inter-segment sales	3,781	–	8,848	12,629	(12,629)	–
	1,441,639	62,268	190,086	1,693,993	(12,629)	1,681,364
Segment results	323,094	(9,771)	207,287	520,610		520,610
Unallocated costs						(61,368)
Profit before income tax						459,242
Income tax expense						(82,998)
Profit for the year						376,244
Interest income	6,465	109	9,159	15,733	9,778	25,511
Depreciation of property, plant and equipment	15,374	2,026	3,685	21,085	2,281	23,366
Amortization of land use rights	1,691	–	180	1,871	–	1,871
Reversal of provision for onerous contract	–	(1,925)	–	(1,925)	–	(1,925)
Reportable segment assets:						
Property, plant and equipment	86,176	9,321	21,738	117,235	43,034	160,269
Investment properties	–	–	2,847,372	2,847,372	–	2,847,372
Deferred income tax assets	–	–	–	–	51,282	51,282
Property under development held for sale	–	–	174,178	174,178	–	174,178
Inventories	198,240	22,915	–	221,155	–	221,155
Bank deposits and cash and cash equivalents	460,192	9,704	604,430	1,074,326	255,611	1,329,937
Contract assets	65,037	–	–	65,037	–	65,037
Others	181,687	9,665	15,452	206,804	10,217	217,021
Reportable segment liabilities:						
Trade payables	43,205	10,513	110	53,828	26	53,854
Other payables and accruals	72,617	3,332	74,622	150,571	25,715	176,286
Contract liabilities	246,915	34	2,964	249,913	–	249,913
Current income tax liabilities	–	–	–	–	25,754	25,754
Deferred income tax liabilities	–	–	–	–	421,765	421,765
Capital expenditure	22,218	1,037	47,563	70,818	–	70,818

5 OPERATING SEGMENTS *(continued)*

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

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

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.

5 OPERATING SEGMENTS *(continued)*

(b) Geographical information

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

	2018	2017
	HK$'000	HK$'000
China Mainland	**1,571,462**	1,493,175
Hong Kong SAR	**47,634**	43,604
Singapore and Malaysia	**62,268**	66,007
	1,681,364	1,602,786

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

	2018	2017
	HK$'000	HK$'000
China Mainland	**1,903,301**	1,859,648
Hong Kong SAR	**1,119,460**	1,001,557
Singapore and Malaysia	**38,391**	16,871
	3,061,152	2,878,076

(c) Information about major customers

In 2018 and 2017, the revenue from the Group's largest customer amounted to less than 10 per cent of the Group's total revenue.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2018

5 OPERATING SEGMENTS *(continued)*

(d) Disaggregation of revenue

	2018 **HK$'000**	2017 HK$'000
Revenue recognized under HKFRS 15		
Sales of goods	**1,384,596**	1,324,163
Building management fees	**36,638**	35,441
Licensing income	**115,530**	102,396
	1,536,764	1,462,000
Revenue recognized under other accounting standard		
Rental income from investment properties	**144,600**	140,786
	1,681,364	1,602,786
Timing of revenue recognition		
At a point in time	**1,408,618**	1,341,062
Over time	**128,146**	120,938
	1,536,764	1,462,000

6 LAND USE RIGHTS

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

	2018 **HK$'000**	2017 HK$'000
At 1st January	**44,607**	42,549
Exchange differences	**(1,172)**	1,715
Additions	**4,547**	–
Transfer from investment properties	**3,523**	3,349
Transfer to investment properties	**(2,936)**	(1,240)
Amortization of prepaid operating lease payment (note 23)	**(1,871)**	(1,766)
At 31st December	**46,698**	44,607

Amortization expense of HK$1,871,000 (2017: HK$1,766,000) has been included in administrative expenses.

7 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Computers HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1st January 2017						
Cost	305,598	52,912	93,956	44,021	28,825	525,312
Accumulated depreciation	(164,357)	(52,801)	(80,156)	(39,340)	(22,913)	(359,567)
Net book amount	141,241	111	13,800	4,681	5,912	165,745
Year ended 31st December 2017						
Opening net book amount	141,241	111	13,800	4,681	5,912	165,745
Additions	–	322	12,500	1,917	2,031	16,770
Disposals	–	–	(19)	(23)	(203)	(245)
Reclassification	–	–	378	(378)	–	–
Transfer from investment properties	17,171	–	–	–	–	17,171
Transfer to investment properties	(5,580)	–	–	–	–	(5,580)
Depreciation	(12,261)	(348)	(4,249)	(1,260)	(2,586)	(20,704)
Exchange differences	2,802	6	905	250	200	4,163
Closing net book amount	143,373	91	23,315	5,187	5,354	177,320
At 31st December 2017						
Cost	324,211	56,107	107,217	47,750	28,992	564,277
Accumulated depreciation	(180,838)	(56,016)	(83,902)	(42,563)	(23,638)	(386,957)
Net book amount	143,373	91	23,315	5,187	5,354	177,320
Year ended 31st December 2018						
Opening net book amount	**143,373**	**91**	**23,315**	**5,187**	**5,354**	**177,320**
Additions	**4,475**	**1,147**	**9,614**	**895**	**8,714**	**24,845**
Disposals	**(5)**	**(336)**	**(1,178)**	**(452)**	**(632)**	**(2,603)**
Transfer from investment properties	**376**	**–**	**–**	**–**	**–**	**376**
Transfer to investment properties	**(14,233)**	**–**	**–**	**–**	**–**	**(14,233)**
Depreciation	**(12,815)**	**(197)**	**(6,269)**	**(1,723)**	**(2,362)**	**(23,366)**
Reversal of impairment	**–**	**–**	**171**	**48**	**–**	**219**
Exchange differences	**(1,171)**	**(14)**	**(804)**	**(131)**	**(169)**	**(2,289)**
Closing net book amount	**120,000**	**691**	**24,849**	**3,824**	**10,905**	**160,269**
At 31st December 2018						
Cost	**265,762**	**47,192**	**105,506**	**38,625**	**28,091**	**485,176**
Accumulated depreciation	**(145,762)**	**(46,501)**	**(80,657)**	**(34,801)**	**(17,186)**	**(324,907)**
Net book amount	**120,000**	**691**	**24,849**	**3,824**	**10,905**	**160,269**

7 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Depreciation expense of HK$512,000 (2017: HK$658,000) has been expensed in cost of sales, HK$1,662,000 (2017: HK$1,697,000) in selling and marketing costs and HK$21,192,000 (2017: HK$18,349,000) in administrative expenses.

The management has reviewed the carrying values of the property, plant and equipment and there was no impairment charge for the year ended 31st December 2018 (2017: nil). The recoverable amounts of the assets were determined on the value-in-use basis.

8 INVESTMENT PROPERTIES

	2018 **HK$'000**	2017 HK$'000
At 1st January	**2,650,249**	2,484,052
Additions	**41,426**	1,562
Transfer from land use rights, and property, plant and equipment	**125,388**	8,550
Transfer to land use rights, and property, plant and equipment	**(3,899)**	(20,520)
Fair value gains (note 22)	**91,921**	91,722
Exchange differences	**(57,713)**	84,883
At 31st December	**2,847,372**	2,650,249

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

	2018 **HK$'000**	2017 HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**217,800**	175,400
Leases of between 10 to 50 years	**854,900**	780,900
Outside Hong Kong, held on:		
Leases of over 50 years	**31,111**	27,411
Leases of between 10 to 50 years	**1,714,491**	1,666,538
Freehold outside Hong Kong	**29,070**	–
	2,847,372	2,650,249

The periods of operating leases whereby the Group leases out its investment properties range from 1 month to 120 months.

8 INVESTMENT PROPERTIES *(continued)*

Independent valuations of the Group's investment properties were performed by the independent professional valuers, Jones Lang LaSalle Corporate Appraisal and Advisory Limited and Jones Lang LaSalle Property Consultants Pte Ltd, to determine the fair values of the investment properties as at 31st December 2018 and 2017. The fair value gains were included in "Other gains" in income statement (note 22). The following table analyzes the investment properties carried at fair value, by valuation method.

Fair value hierarchy

Description	**Fair value measurements at 31st December 2018 using**		
	Quoted prices in active markets for identical assets (Level 1) HK$'000	**Significant other observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**
Recurring fair value measurements			
Investment properties:			
– Hong Kong	**–**	**–**	**1,072,700**
– China Mainland	**–**	**–**	**1,745,602**
– Singapore	**–**	**–**	**29,070**

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

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

8 INVESTMENT PROPERTIES *(continued)*

Fair value measurements using significant unobservable inputs (Level 3)

	Hong Kong HK$'000	**China Mainland HK$'000**	**Singapore HK$'000**	**Total HK$'000**
At 1st January 2018	**956,300**	**1,693,949**	**–**	**2,650,249**
Additions	**37,414**	**4,012**	**–**	**41,426**
Transfer from land use rights, and property, plant and equipment	**–**	**96,318**	**29,070**	**125,388**
Transfer to land use rights, and property, plant and equipment	**–**	**(3,899)**	**–**	**(3,899)**
Fair value gains	**78,986**	**12,935**	**–**	**91,921**
Exchange differences	**–**	**(57,713)**	**–**	**(57,713)**
At 31st December 2018	**1,072,700**	**1,745,602**	**29,070**	**2,847,372**

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

Valuation techniques

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

8 INVESTMENT PROPERTIES *(continued)*

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

Description	Fair value at 31st December 2018 HK$'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties – China Mainland	**1,745,602**	Income approach (term and reversionary method)	Monthly rental value	RMB38-725/m^2	The higher the assumed monthly rental value, the higher the fair value
			Gross reversionary yield	3% to 8% p.a.	The higher the assumed reversionary yield, the lower the fair value
Investment properties – Hong Kong	**1,072,700**	Income approach (term and reversionary method)	Monthly rental value	HK$85-144/$m^2$	The higher the assumed monthly rental value, the higher the fair value
			Gross reversionary yield	4% to 4.75% p.a.	The higher the assumed reversionary yield, the lower the fair value
Investment properties – Singapore	**29,070**	Direct comparison	Price per square meter	S$6,215-6,995/$m^2$	The higher the assumed price per square meter, the higher the fair value

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For the year ended 31st December 2018

8 INVESTMENT PROPERTIES *(continued)*

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

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

9 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018 HK$'000	2017 HK$'000
At 1st January	**5,900**	5,600
Reclassification to financial assets at fair value through other comprehensive income	**(5,900)**	–
Exchange differences	**–**	300
At 31st December	**–**	5,900

The valuation falls within level 3 of the fair value measurement hierarchy. The Group's available-for-sale financial assets as at 31st December 2017 were unquoted and denominated in Renminbi.

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018 HK$'000
At 1st January	–
Reclassification from available-for-sale financial assets	5,900
Fair value gain	1,113
Exchange differences	(200)
At 31st December	6,813

The valuation falls within level 3 of the fair value measurement hierarchy. The Group's financial assets at fair value through other comprehensive income are unquoted and denominated in Renminbi.

11 SUBSIDIARIES

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

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Group's equity interest 2018	2017
Goldlion (China) Limited (2)	PRC Limited liability company	Distribution and manufacturing of garments in the PRC	US$18,000,000	100%	100%
Goldlion Clothes Making Company Limited (2)	PRC Limited liability company	Distribution and manufacturing of garments in the PRC	US$6,934,000	100%	100%
Goldlion Enterprise (Singapore) Pte Limited	Singapore Limited liability company	Distribution of garments in Singapore	10,000 ordinary shares of S$100 each	100%	100%
Goldion Distribution (M) Sdn. Bhd.	Malaysia Limited liability company	Distribution of garments in Malaysia	1,200,000 ordinary shares of MYR1 each	100%	100%

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11 SUBSIDIARIES *(continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Group's equity interest 2018	2017
Goldlion (Far East) Limited	Hong Kong Limited liability company	Distribution of garments and property holding in Hong Kong, and licensing of brand name in the PRC	2 ordinary shares and 500,000 non-voting deferred shares	**100%**	100%
Goldlion Group (B.V.I.) Limited [1]	British Virgin Islands Limited liability company	Investment holding in Hong Kong	10,000 ordinary shares of US$1 each	**100%**	100%
Goldlion (Guangdong) Limited	Hong Kong Limited liability company	Investment holding in Hong Kong	2 ordinary shares	**100%**	100%
Guangzhou Goldlion Investment Consultancy Company Limited [2]	PRC Limited liability company	Property holding in the PRC	HK$10,000,000	**100%**	100%
Hallman Properties Limited	British Virgin Islands Limited liability company	Investment holding in the British Virgin Islands	50,000 ordinary shares of US$1 each	**100%**	100%
Renard Investments Limited	British Virgin Islands Limited liability company	Property holding in Hong Kong	2 ordinary shares of HK$1 each and 59,999,998 redeemable shares of HK$1 each	**100%**	100%
Meizhou Silver Dip Property Management Limited [2]	PRC Limited liability company	Property management in the PRC	RMB595,000	**100%**	100%
Shenyang Goldlion Commercial Mansion Limited [2]	PRC Limited liability company	Property holding in the PRC	RMB70,000,000	**100%**	100%
Rich Smart Resources Limited	Hong Kong Limited liability company	Property holding in Hong Kong	2 ordinary shares	**100%**	100%

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For the year ended 31st December 2018

11 SUBSIDIARIES *(continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Group's equity interest 2018	2017
Smart View Investment Limited	Hong Kong Limited liability company	Investment holding in Hong Kong	2 ordinary shares	**100%**	100%
Meizhou Goldlion Properties Development Limited (2)	PRC Limited liability company	Property holding and development in the PRC	HK$50,000,000	**100%**	100%
Guangzhou Silver Dip Property Management Company Limited (2)	PRC Limited liability company	Property management in the PRC	HK$1,000,000	**100%**	100%
Shenyang Sliver Dip Property Management Company Limited (2)	PRC Limited liability company	Property management in the PRC	HK$1,000,000	**100%**	100%
Guangzhou Goldlion City Properties Company Limited (2)	PRC Limited liability company	Property holding in the PRC	RMB360,681,188	**100%**	100%
Joint Corporation Limited	Hong Kong Limited liability company	Investment holding in Hong Kong	1 ordinary share	**100%**	100%
Meizhou Goldlion Leather Investment Company Limited (2)	PRC Limited liability company	Investment holding in the PRC	RMB5,100,000	**100%**	100%

(1) Subsidiary held directly by the Company

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

NOTES TO THE FINANCIAL STATEMENTS

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12 PROPERTY UNDER DEVELOPMENT HELD FOR SALE

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

	2018 HK$'000	2017 HK$'000
Land use rights	**113,026**	118,934
Development costs	**61,152**	19,367
	174,178	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 and completion of construction works of the project after 18th June 2014 and 24th January 2017 respectively may be subject to a penalty. 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$174,178,000 (2017: HK$138,301,000).

13 INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials	**2,906**	4,439
Work in progress	**17,887**	13,768
Finished goods	**200,362**	243,200
	221,155	261,407

The cost of inventories recognized as expense and included in cost of sales amounted to HK$665,141,000 (2017: HK$617,755,000) (note 23).

14 FINANCIAL INSTRUMENTS BY CATEGORY

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

	2018 **HK$'000**	2017 HK$'000
Financial assets at amortized cost		
Trade receivables (note 15)	**122,688**	102,839
Deposits and other receivables (note 15)	**26,208**	28,156
Bank deposits and cash and cash equivalents (note 17)	**1,329,937**	1,312,258
Available-for-sale financial assets (note 9)	**–**	5,900
Financial assets at fair value through other comprehensive income (note 10)	**6,813**	–
Total	**1,485,646**	1,449,153
Financial liabilities, at amortized cost		
Trade payables (note 20)	**53,854**	73,924
Other payables	**90,731**	87,195
Total	**144,585**	161,119

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

15 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	**122,688**	102,839
Less: provision for impairment	**–**	–
Trade receivables – net	**122,688**	102,839
Purchase deposits (note)	**8,016**	10,688
Prepayments	**6,438**	4,554
General deposits	**9,879**	10,434
Interest receivable	**9,648**	10,053
VAT recoverable	**1,336**	555
Others	**5,345**	7,114
Total of prepayments, deposits and other receivables	**40,662**	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.

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

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

The Group's sales are on cash on delivery, letter of credit or credit terms ranging from 30 days to 90 days after delivery. At 31st December 2018, an ageing analysis of the trade receivables based on invoice date was as follows:

	2018 HK$'000	2017 HK$'000
1-30 days	**100,073**	90,056
31-90 days	**6,994**	6,030
Over 90 days	**15,621**	6,753
	122,688	102,839

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

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

As of 31st December 2018, trade receivables of HK$28,000,000 (2017: HK$14,035,000) were past due but not considered impaired. The ageing analysis of these trade receivables is as follows:

	2018 HK$'000	2017 HK$'000
Overdue up to 3 months	**17,717**	12,349
Overdue over 3 months and up to 6 months	**1,972**	791
Overdue over 6 months	**8,311**	895
	28,000	14,035

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

	2018 HK$'000	2017 HK$'000
Renminbi	**146,566**	124,089
Singapore dollar	**9,664**	13,730
Hong Kong dollar	**7,120**	8,418
	163,350	146,237

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance for all trade receivables and contract assets.

There was no provision for impaired receivables for the year (2017: nil).

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

	2018 HK$'000	2017 HK$'000
Impairment loss – individually impaired receivables	**–**	1,764

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For the year ended 31st December 2018

16 CONTRACT ASSETS AND CONTRACT LIABILITIES

	2018 **HK$'000**
Contract assets	
Arising from the right to recover products from customers on settling refund liabilities	**65,037**
Contract liabilities	
Receipt in advance from customers	**36,518**
Refund liabilities	**145,908**
Deferred revenue	**67,487**
	249,913

Note: The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1st January 2018.

17 BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2018 **HK$'000**	2017 HK$'000
Cash at bank and in hand	**173,501**	216,205
Bank deposits with maturity less than 3 months	**250,131**	67,087
Cash and cash equivalents as stated in the consolidated cash flow statement	**423,632**	283,292
Bank deposits with maturity over 3 months	**906,305**	1,028,966
Bank deposits and cash and cash equivalents as stated in the balance sheet	**1,329,937**	1,312,258
Maximum exposure to credit risk	**1,329,880**	1,312,205

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

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

	2018 HK$'000	2017 HK$'000
Renminbi	**958,024**	919,588
Singapore dollar	**9,704**	16,676
Hong Kong dollar	**362,209**	375,994
	1,329,937	1,312,258

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

18 SHARE CAPITAL

	2018		2017	
	Number of shares (thousands)	**Share capital HK$'000**	Number of shares (thousands)	Share capital HK$'000
Ordinary shares, issued and fully paid:				
At 1st January and 31st December	**982,114**	**1,101,358**	982,114	1,101,358

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19 RESERVES

	Capital reserve HK$'000	Revaluation reserve HK$'000	Other reserves(i) HK$'000	Exchange reserve HK$'000	Sub-total HK$'000	Retained earnings HK$'000	Total reserves HK$'000
Balance at 1st January 2018	(34,204)	9,517	99,393	238,728	313,434	2,532,342	2,845,776
Profit for the year	–	–	–	–	–	376,244	376,244
Revaluation of investment property upon reclassification from land use rights, and property, plant and equipment	–	86,745	–	–	86,745	–	86,745
Change in fair value of financial assets at fair value through other comprehensive income	–	835	–	–	835	–	835
Currency translation differences	–	–	–	(85,678)	(85,678)	–	(85,678)
Total comprehensive income	–	87,580	–	(85,678)	1,902	376,244	378,146
2017 final dividend paid	–	–	–	–	–	(122,764)	(122,764)
2018 interim dividend paid	–	–	–	–	–	(63,837)	(63,837)
Balance at 31st December 2018	(34,204)	97,097	99,393	153,050	315,336	2,721,985	3,037,321
Representing:							
Reserves	(34,204)	97,097	99,393	153,050	315,336	2,594,310	2,909,646
2018 final dividend proposed	–	–	–	–	–	127,675	127,675
	(34,204)	97,097	99,393	153,050	315,336	2,721,985	3,037,321

19 RESERVES *(continued)*

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

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

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For the year ended 31st December 2018

20 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2018 HK$'000	2017 HK$'000
Trade payables (note a)	**53,854**	73,924
Other payables and accruals (note b)	**176,286**	340,292
Less: non-current portion		
Other payables and accruals	**(80)**	(869)
Current portion	**176,206**	339,423

Notes:

(a) At 31st December 2018, the ageing analysis of the trade payables based on invoice date was as follows:

	2018 HK$'000	2017 HK$'000
1-30 days	**37,918**	59,813
31-90 days	**11,823**	4,976
Over 90 days	**4,113**	9,135
	53,854	73,924

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

	2018 HK$'000	2017 HK$'000
Renminbi	**43,315**	67,835
Singapore dollar	**10,513**	6,070
Hong Kong dollar	**26**	19
	53,854	73,924

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

Notes: *(continued)*

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

	2018 HK$'000	2017 HK$'000
Receipt in advance from customers	**–**	42,853
Deposits received	**61,269**	56,811
Deferred revenue	**–**	141,654
Accruals and others	**115,017**	98,974
	176,286	340,292

21 DEFERRED INCOME TAX

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

	2018 HK$'000	2017 HK$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**(15,439)**	(38,668)
– Deferred income tax assets to be recovered within 12 months	**(35,843)**	(32,083)
	(51,282)	(70,751)
Deferred income tax liabilities:		
– Deferred income tax liabilities to be recovered after more than 12 months	**421,765**	418,668
	421,765	418,668
Deferred income tax liabilities (net)	**370,483**	347,917

21 DEFERRED INCOME TAX *(continued)*

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

	2018 **HK$'000**	2017 HK$'000
At 1st January	**347,917**	316,060
Charged to consolidated income statement (note 28)	**11,452**	14,471
Charged to other comprehensive income	**21,752**	434
Exchange differences	**(10,638)**	16,952
At 31st December	**370,483**	347,917

Deferred income tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefit through the future taxable profits is probable. The Group has unrecognized tax losses of HK$855,212,000 (2017: HK$818,915,000), of which HK$547,903,000 (2017: HK$514,498,000), HK$48,556,000(2017: HK$52,061,000) and HK$46,968,000 (2017: HK$40,571,000) are subject to agreement by the Inland Revenue Department in Hong Kong and the relevant tax authorities in the PRC and Singapore, respectively, to carry forward against future taxable income. HK$806,656,000 of unrecognized tax losses (2017: HK$766,854,000) have no expiry date and the remaining losses will expire at various dates up to and including 2023.

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

Deferred income tax liabilities

	Accelerated taxation depreciation		Fair values gains		Dividend withholding tax		Others		Total	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
At 1st January	**138,295**	124,335	**254,552**	231,411	**35,945**	25,689	**10,511**	7,539	**439,303**	388,974
Exchange differences	**(5,033)**	7,060	**(8,539)**	12,334	**(140)**	1,526	**(374)**	190	**(14,086)**	21,110
Charged to consolidated income statement	**6,554**	6,900	**3,432**	10,373	**8,100**	8,730	**14,010**	2,782	**32,096**	28,785
Charged to other comprehensive income	**–**	–	**21,752**	434	**–**	–	**–**	–	**21,752**	434
At 31st December	**139,816**	138,295	**271,197**	254,552	**43,905**	35,945	**24,147**	10,511	**479,065**	439,303

21 DEFERRED INCOME TAX *(continued)*

Deferred income tax assets

	Provisions		Others		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1st January	**(51,625)**	(39,963)	**(39,761)**	(32,951)	**(91,386)**	(72,914)
Exchange differences	**1,772**	(2,303)	**1,676**	(1,855)	**3,448**	(4,158)
Credited to consolidated income statement	**(1,296)**	(9,359)	**(19,348)**	(4,955)	**(20,644)**	(14,314)
At 31st December	**(51,149)**	(51,625)	**(57,433)**	(39,761)	**(108,582)**	(91,386)

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

	2018	2017
	HK$'000	HK$'000
Deferred income tax assets	**(51,282)**	(70,751)
Deferred income tax liabilities	**421,765**	418,668
	370,483	347,917

22 OTHER GAINS

	2018	2017
	HK$'000	HK$'000
Fair value gains on investment properties	**91,921**	91,722

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23 EXPENSES BY NATURE

	2018 **HK$'000**	2017 HK$'000
Cost of inventories sold	**665,141**	617,755
(Reversal of)/provision for impairment of inventories	**(842)**	40,408
Direct operating expenses arising from investment properties that generated rental income	**39,127**	38,125
Operating lease rentals – land and buildings	**89,249**	89,742
Amortization of land use rights (note 6)	**1,871**	1,766
Depreciation of property, plant and equipment (note 7)	**23,366**	20,704
Reversal of impairment of property, plant and equipment (note 7)	**(219)**	–
Staff costs including directors' emoluments (note 24)	**242,935**	230,006
Auditors' remuneration – audit services	**4,482**	3,785
Advertising and promotion expenses	**124,843**	129,408
Write off of trade receivables	**–**	1,764
Reversal of provision for onerous contract	**(1,925)**	(3,729)
Net exchange loss/(gain)	**6,877**	(301)
Other expenses	**144,649**	137,154
	1,339,554	1,306,587
Representing:		
Cost of sales	**703,938**	696,946
Selling and marketing costs	**432,179**	438,074
Administrative expenses	**203,437**	171,567
	1,339,554	1,306,587

24 STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	2018 HK$'000	2017 HK$'000
Staff costs		
– Wages and salaries	**200,676**	191,275
– Retirement benefit costs (note 25)	**41,393**	38,731
– Post-retirement benefit costs (note)	**866**	–
	242,935	230,006

Note: Post-retirement benefit costs represent the medical expenses reimbursement paid to Dr. Tsang Hin Chi, who retired as Chairman on 16th April 2018.

25 RETIREMENT BENEFIT COSTS

	2018 HK$'000	2017 HK$'000
Defined contribution schemes for:		
Hong Kong employees (note (a))	**1,017**	977
Singapore employees (note (b))	**3,594**	4,327
China Mainland employees (note (c))	**36,782**	33,427
	41,393	38,731

Notes:

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

The amount represents contributions paid and payable by the Group to the MPF scheme totalling HK$1,017,000 (2017: HK$977,000) without any forfeited contributions (2017: nil). The forfeited contributions represent contributions to the retirement scheme prior to the MPF scheme for those employees who leave prior to vesting fully on the employer's contributions. There was no contribution payable (2017: nil) to the MPF scheme at the year end. There were no unutilized forfeited contributions at year end (2017: nil).

(b) Contributions paid and payable by the Group to the schemes amounted to HK$3,594,000 (2017: HK$4,327,000). Contributions totalling HK$442,000 (2017: HK$529,000) payable to the schemes at the year end were included in other payables. There were no unutilized forfeited contributions at year end (2017: nil).

(c) This represents gross contributions made by the Group to employee pension schemes operated by the municipal governments of various cities in the PRC. There was no contribution payable (2017: nil) to the municipal governments at year end.

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26 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

(a) Directors' and Chief Executive's emoluments

Pursuant to section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefit of Directors) Regulation (Cap. 622G) and the Listing Rules, the remuneration of every Director and the Chief Executive for the year ended 31st December 2018:

	2018					
Name	**Fees HK$'000**	**Salary HK$'000**	**Discretionary bonuses HK$'000**	**Estimated money value of other benefits[1] HK$'000**	**Employer's contribution to a retirement benefit scheme HK$'000**	**Total HK$'000**
Director						
Dr. Tsang Hin Chi[2]	**–**	**1,133**	**3,261**	**985**	**–**	**5,379**
Madam Wong Lei Kuan	**–**	**1,951**	**1,894**	**23**	**–**	**3,868**
Mr. Ng Ming Wah, Charles	**300**	**–**	**–**	**–**	**–**	**300**
Dr. Lau Yue Sun	**300**	**–**	**–**	**–**	**–**	**300**
Mr. Li Ka Fai, David	**300**	**–**	**–**	**–**	**–**	**300**
Mr. Nguyen, Van Tu Peter	**300**	**–**	**–**	**–**	**–**	**300**
Director and Chief Executive						
Mr. Tsang Chi Ming, Ricky	**–**	**4,822**	**6,354**	**8**	**18**	**11,202**

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

Notes:

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

(2) Retired as Chairman and resigned as Executive Director on 16th April 2018.

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

(b) Directors' retirement benefits

During the year, no retirement benefits were paid to or receivable by the Directors in respect of their services as Directors of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiary undertaking through defined benefit pension plans (2017: nil).

(c) Directors' termination benefits

During the year, no payments or benefits in respect of termination of Directors' services were paid or made, directly or indirectly, to the Directors; nor are any payable (2017: nil).

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

During the year, no consideration was provided to or receivable by third parties for making available Directors' services (2017: nil).

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

During the year, there are no loans, quasi-loans or other dealings in favor of the Directors, their controlled body corporates and connected entities (2017: nil).

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

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2017: nil).

27 EMOLUMENTS OF SENIOR MANAGEMENT

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year includes three (2017: two) Directors whose emoluments are reflected in the analysis presented in note 26(a) above. The emoluments payable to the remaining two (2017: three) individuals during the year are as follows:

	2018 HK$'000	2017 HK$'000
Basic salaries, housing and other allowances	**9,644**	11,281
Bonuses	**6,675**	5,729
Retirement benefit costs	**510**	527
	16,829	17,537

The emoluments fell within the following bands:

	Number of individuals 2018	2017
Emolument bands		
HK$3,500,001 – HK$4,000,000	**–**	1
HK$4,500,001 – HK$5,000,000	**1**	1
HK$9,000,001 – HK$9,500,000	**–**	1
HK$12,000,001 – HK$12,500,000	**1**	–

(b) Other than disclosed in notes 26(a) and 27(a) above, no emoluments have been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. None of the Directors or the five highest paid individuals waived or agreed to waive any emoluments during the year.

27 EMOLUMENTS OF SENIOR MANAGEMENT *(continued)*

(c) Emoluments of senior management

Other than the emoluments of Directors and five highest paid individuals disclosed in notes 26(a) and 27(a) respectively, the emoluments of the senior management fell within the following bands:

	Number of individuals	
	2018	2017
Emolument bands		
HK$1,500,001 – HK$2,000,000	**1**	1
HK$2,500,001 – HK$3,000,000	**2**	2
HK$3,500,001 – HK$4,000,000	**1**	–

28 INCOME TAX EXPENSE

	2018 **HK$'000**	2017 HK$'000
Hong Kong profits tax:		
Current year	**528**	733
Over-provision in prior year	**(20)**	(42)
	508	691
Taxation outside Hong Kong:		
Current year	**70,930**	70,587
Under-provision in prior year	**108**	150
	71,038	70,737
Deferred income tax (note 21)	**11,452**	14,471
Total income tax expense	**82,998**	85,899

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2018

28 INCOME TAX EXPENSE *(continued)*

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

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

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

	2018 HK$'000	2017 HK$'000
Profit before income tax	**459,249**	408,174
Calculated at a tax rate of 16.5%	**75,776**	67,349
Effect of different taxation rates in other countries	**7,563**	8,261
Income not subject to tax	**(19,439)**	(10,474)
Expenses not deductible for tax purposes	**2,813**	2,533
Utilization of unrecognized tax losses	**(33)**	(35)
Tax losses not recognized	**7,757**	9,477
Withholding tax on profits retained by the PRC subsidiaries	**8,100**	8,730
Others	**461**	58
Total income tax expense	**82,998**	85,899

Corporate withholding income tax on dividend distribution

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

29 DIVIDENDS

	2018 **HK$'000**	2017 HK$'000
2017 interim dividend, paid, of 6.0 HK cents per ordinary share	**–**	58,927
2017 final dividend, paid, of 12.5 HK cents per ordinary share	**–**	122,764
2018 interim dividend, paid, of 6.5 HK cents per ordinary share	**63,837**	–
2018 final dividend, proposed, of 13.0 HK cents per ordinary share (note)	**127,675**	–
	191,512	181,691

Note:

At a meeting held on 18th March 2019, the Directors declared a final dividend of 13.0 HK cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2018.

30 EARNINGS PER SHARE

(a) Basic

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

	2018	2017
Profit attributable to owners of the Company (HK$'000)	**376,244**	322,275
Number of shares in issue	**982,114,035**	982,114,035
Basic earnings per share (HK cents)	**38.31**	32.81

(b) Diluted

The calculation of diluted earnings per share is based on the Group's profit attributable to owners of the Company of HK$376,244,000 (2017: HK$322,275,000) and the number of ordinary shares in issue of 982,114,035 (2017: 982,114,035) during the year.

Diluted earnings per share equals basic earnings per share as there were no potential dilutive ordinary shares in issue during the years ended 31st December 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2018

31 CASH GENERATED FROM OPERATIONS

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

	2018 HK$'000	2017 HK$'000
Profit before income tax	**459,242**	408,174
Adjustments for:		
– Amortization of land use rights (note 6)	**1,871**	1,766
– Depreciation of property, plant and equipment (note 7)	**23,366**	20,704
– Reversal of impairment of property, plant and equipment (note 7)	**(219)**	–
– Reversal of provision for onerous contract	**(1,925)**	(3,729)
– (Reversal of)/provision for impairment of inventories	**(842)**	40,408
– Interest income	**(25,511)**	(20,253)
– Losses/(gains) on disposals of property, plant and equipment (note 31(a))	**11**	(197)
– Fair value gains on investment properties	**(91,921)**	(91,722)
– Write off of trade receivables	**–**	1,764
Changes in working capital:		
– Property under development held for sale	**(40,565)**	(8,731)
– Inventories	**48,245**	(100,285)
– Trade receivables, prepayments, deposits, other receivables and contract assets	**(82,554)**	(30,338)
– Trade payables, other payables, accruals and contract liabilities	**67,762**	89,907
Net cash generated from operations	**356,960**	307,468

Note:

(a) Disposals of property, plant and equipment

	2018 HK$'000	2017 HK$'000
Net book amount	**2,603**	245
(Losses)/gains on disposals of property, plant and equipment	**(11)**	197
Proceeds received	**2,592**	442

32 COMMITMENTS

(a) Capital commitments

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

	2018 HK$'000	2017 HK$'000
Property, plant and equipment		
Contracted but not provided for	**303**	8,486
Investment property		
Contracted but not provided for	**18,142**	2,519
Property under development held for sale		
Contracted but not provided for	**5,283**	5,848
Authorized but not contracted for	**870,000**	–
	875,283	5,848

(b) At 31st December 2018, the Group had future aggregate minimum lease payments receivable and payable under non-cancellable operating leases as follows:

	2018 HK$'000	2017 HK$'000
Rental receivables		
– not later than one year	**122,746**	123,434
– later than one year and not later than five years	**165,221**	134,882
– later than five years	**6,521**	348
	294,488	258,664
Rental payables		
– not later than one year	**30,926**	10,361
– later than one year and not later than five years	**17,167**	12,292
	48,093	22,653

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2018

33 RELATED PARTY TRANSACTIONS

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

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

(a) Sales of services

	2018 HK$'000	2017 HK$'000
Rental and building management fees received from related companies	**2,014**	1,537
Early termination compensations received from related companies	**748**	–

Note:

Rental and management fees were 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 amounting to HK$1,189,000 and HK$272,000 respectively and from China Hong Kong Digital Audiovisual Management Company Limited ("CHKDAM") for lease of a unit located at Goldlion Holdings Centre in Hong Kong amounting to HK$553,000. Rental and management fees were charged at rate based on the relevant lease agreements entered into. The leases with GWTCCL and GWTCM were early terminated in the year and compensations of HK$570,000 and HK$178,000 were received respectively. Mr. Tsang Chi Hung has an indirect beneficial interest in CHKDAM, GWTCM and GWTCCL as he is a major shareholder of the holding company of CHKDAM, GWTCM and GWTCCL. 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.

(b) Purchases of services

	2018 HK$'000	2017 HK$'000
Professional fees paid to a related company	**320**	320

Note:

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

33 RELATED PARTY TRANSACTIONS *(continued)*

(c) Key management compensation

	2018 **HK$'000**	2017 HK$'000
Salaries, directors' emoluments and other short-term employee benefits	**48,916**	44,863
Retirement benefit costs	**638**	581
	49,554	45,444

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

	2018 **HK$'000**	2017 HK$'000
Accruals		
– Equitas Capital Limited	**160**	160

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2018

34 BALANCE SHEET OF THE COMPANY

		As at 31st December 2018 HK$'000	As at 31st December 2017 HK$'000
ASSETS			
Non-current assets			
Investment in a subsidiary		**10**	10
Current assets			
Amount due from a subsidiary		**1,496,685**	1,486,330
Prepayments		**172**	173
Cash and cash equivalents		**1,033**	2,492
		1,497,890	1,488,995
Total assets		**1,497,900**	1,489,005
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**1,101,358**	1,101,358
Retained earnings	note (a)	**394,732**	386,437
Total equity		**1,496,090**	1,487,795
LIABILITIES			
Current liabilities			
Accruals		**1,810**	1,210
Total equity and liabilities		**1,497,900**	1,489,005

On behalf of the Board

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

Madam Wong Lei Kuan
Executive Director

34 BALANCE SHEET OF THE COMPANY *(continued)*

Note:

(a) Retained earnings movement of the Company

	Retained earnings HK$'000
At 1st January 2018	**386,437**
2017 final dividend paid	**(122,764)**
2018 interim dividend paid	**(63,837)**
Profit for the year	**194,896**
At 31st December 2018	**394,732**
Representing:	
Reserves	**267,057**
2018 final dividend proposed	**127,675**
	394,732
At 1st January 2017	276,916
2016 final dividend paid	(127,675)
2017 interim dividend paid	(58,927)
Profit for the year	296,123
At 31st December 2017	386,437
Representing:	
Reserves	263,673
2017 final dividend proposed	122,764
	386,437

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31st December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Profit attributable to owners of the Company	**376,244**	322,275	388,844	401,872	421,042
Assets and liabilities					
Total assets	**5,066,251**	4,808,220	4,407,978	4,342,882	4,400,743
Total liabilities	**(927,572)**	(861,086)	(717,850)	(724,281)	(826,108)
Total equity	**4,138,679**	3,947,134	3,690,128	3,618,601	3,574,635

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