GOLDLION HOLDINGS LIMITED
金利來集團有限公司

Stock Code 股份代號：00533

2019
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 and
Registered Public Interest Entity Auditor
Hong Kong

PRINCIPAL BANKERS

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

REGISTRARS

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

REGISTERED OFFICE

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FINANCIAL HIGHLIGHTS

FINANCIAL POSITION

As at 31st December 2019, the Group had cash and bank balances of approximately HK$1,208,001,000, which was HK$121,936,000 lower than that at the end of last year. During the year, the Group recorded a net cash inflow from operating activities of HK$106,001,000 and received interest income of HK$24,469,000. However, the Group also paid dividends of HK$181,691,000, increased fixed assets of HK$38,948,000 and paid principal elements of lease payments of HK$13,390,000. Besides, changes in foreign exchange rate during the year resulted in a decrease in cash and bank balances of HK$18,470,000. As at 31st December 2019, the Group did not have any bank loans or overdrafts.

As at 31st December 2019, the Group's current assets and current liabilities were HK$2,002,519,000 and HK$502,876,000 respectively, with a current ratio at 4. Total current liabilities were 12% of the average capital and reserves attributable to owners of the Company of HK$4,181,027,000.

As at 31st December 2019, the Group did not have any material contingent liabilities and had not charged any of the Group's assets. For the "Goldlion Garden" project in Meixian, the total property development expenditure authorized but not contracted for and contracted but not provided for were HK$183,000,000 and HK$542,057,000 respectively.

DISTRIBUTION NETWORK IN CHINA MAINLAND

NUMBER OF GOLDLION SALES OUTLET

1-10 11-20 21-30 31-40 41-50 51-60 61-70 over 70

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's turnover was HK$1,591,930,000, representing a drop of approximately 5% from HK$1,681,364,000 of last year. The decrease was mainly coming from the wholesaling business of the Group's apparel operation in the China Mainland. There were no significant changes for income from other major business operations during the year.

Gross profit for the year was HK$913,353,000, representing a decrease by approximately 7% from HK$977,426,000 of last year. Overall gross profit margin was 57.4%, down by about 0.7 percentage point from 58.1% of last year. Gross profit margin for the apparel business was 50.2%, representing a drop of 1.8 percentage points from 52% of last year. This was mainly due to the provision for impairment of inventories of HK$16,373,000 for the year against a reversal of impairment of HK$842,000 in last year. If the above impact was excluded, the gross profit margin would be 51.4%, slightly lower than 51.9% of last year for 0.5 percentage point.

Operating expenses and operating profit

Administrative expenses for the year were HK$171,280,000, decreased by 16% from HK$203,437,000 of last year. Apart from the 3% depreciation of RMB, this was mainly due to the reclassification of warehousing salaries and related expenses in China Mainland of approximately HK$10,938,000 from administrative expenses to selling and marketing costs during the year. Also, directors' emoluments are lowered by approximately HK$4,056,000 due to the reduced number of directors. Further, exchange gain of HK$441,000 was recorded during the year, compared to exchange loss of HK$6,877,000 of last year.

Selling and marketing costs were HK$443,324,000, representing an increase of HK$11,145,000 or 3% from last year. This was mainly due to the reclassification of the aforementioned warehousing salaries and related expenses to selling and marketing costs.

During the year, the Group recorded fair value gains on investment properties of HK$51,518,000, compared with HK$91,921,000 of last year.

CHAIRMAN'S STATEMENT

Operating profit for the year amounted to HK$350,267,000, compared with HK$433,731,000 of last year, representing a drop of 19%. The operating profit margin was approximately 22%, also lower than 25.8% of last year. Except for the decrease in fair value gains on investment properties, this was due to the underperformance of the apparel business in China Mainland against last year.

Profit attributable to owners of the Company

Profit attributable to owners of the Company for the year was HK$306,028,000, decreased by 19% from HK$376,244,000 of last year.

Profit for the year would be HK$256,974,000 if fair value gains after tax on investment properties of HK$48,613,000 and exchange gain of HK$441,000 were excluded. Such profit marked a decrease of 13% from HK$294,433,000 of last year if the fair value gains after tax on investment properties of HK$88,688,000 and exchange loss of HK$6,877,000 were excluded.

FINAL DIVIDEND

The Directors have recommended the payment of a final dividend of 9.5 HK cents per share (2018: 13.0 HK cents per share) for the year ended 31st December 2019, totalling HK$93,301,000 (2018: HK$127,675,000). Subject to the shareholders' approval at the forthcoming annual general meeting, the final dividend will be paid on or about 3rd June 2020 to shareholders whose names appear on the Register of Members as at 22nd May 2020.

BUSINESS REVIEW

Apparel Business

China Mainland and Hong Kong SAR Markets

During the year under review, the global economy was impacted by the China-US trade disputes, dragging down the growth of the China Mainland economy. With a soft RMB exchange rate and rising living costs, disposable income of the average consumer was tightened. In turn, the performance of retailers was adversely affected. Sales of products for the related seasons were further dampened by the relatively warm winter in the year.

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. For the year as a whole, turnover amounted to HK$1,222,480,000, representing a year-on-year decrease of approximately 8%. In terms of RMB, the decrease was about 4%.

Regarding our wholesaling operation, the Group's distributors were facing unfavorable market conditions resulted from the weak business environment. As they are cautious in placing orders, their purchases from the Group did not record any growth. To address their operating difficulties, it was necessary to offer them helps including additional sales return. In view of the unsatisfactory sales of fall and winter collections, the return ratio was set at a higher level. After taking up these factors, sales to distributors registered a year-on-year decrease of about 13% in RMB.

CHAIRMAN'S STATEMENT

Likewise implicated by the weak consumer sentiment, business for our self-operated retail shops registered no major growth. Annual turnover in RMB was comparable with last year. While Guangzhou achieved a growth of about 6%, Shanghai fell by about 18% with poor market condition and renovation in shopping malls where some of our shops located. Sales in other locations have been basically at the same level of last year.

During the review year, the Group's factory outlets did not record any growth in sales. In terms of RMB, turnover was comparable with last year. Sale of off-season products was maintained at a proportion of 65%, which was slightly lower than last year's 70%.

At the end of the year, the Group's apparel products were sold through approximately 920 retail outlets in China Mainland, among which around 106 were self-operated (including 38 factory outlets). The total number of our retail outlets was comparable with that at the end of last year.

Following years of rapid growth, the Group's e-commerce slowed down during the year. Annual turnover in RMB was comparable with last year. The focus was on the sale of special selected items, which continued to account for approximately 90% of the Group's total e-commerce sales. Approximately 31% of the Group's apparel sales in China Mainland was contributed by our e-commerce operation.

During the review year, the Group continued to expand its custom-ordering business that aims to produce custom-made corporate uniforms mainly for the Mainland clientele. Annual sales in RMB rose by approximately 31%. Since this business unit is still at a development stage, it contributed only about 6% to the Group's overall apparel sales in the China Mainland market.

At the end of the year, total net inventory balance in China Mainland stood at approximately HK$220,504,000, or about 11% higher than that at the end of last year. The increase was mainly coming from the special selected items and 2020 spring and summer products. In response to the uncertain market conditions, provision for impairment for inventories was raised. For the year as a whole, the provision amounted to approximately HK$12,075,000, or up by approximately HK$10,397,000.

In the year under review, the Group continued to grant licenses for distribution of shoes, leather goods, undergarments, woollen sweaters and casual wear in the China Mainland market. Business was generally stable throughout the entire period. Largely because of the growth in e-commerce sales of the licensees and hence recognition of e-commerce turnover license fees, licensing income grew year-on-year by approximately 4% to stand at HK$120,256,000.

Singapore and Malaysia Markets

Implicated by neighboring economies, Singapore and Malaysia experienced a slowdown in economic growth. To counteract the unfavorable retail conditions, bigger discounts were offered to boost sales. Annual sales stood at HK$63,420,000, rising slightly by approximately 2% over last year. In terms of local currency, the amount was comparable with that of last year. So were the sales of comparable retail outlets in Singapore.

At the end of the review year, there were a total of 6 Goldlion shops and 17 counters in Singapore, or no change in number as compared with the end of last year. Over in Malaysia, there were a total of 11 counters, or down by two when compared with the end of last year.

CHAIRMAN'S STATEMENT

After reviewing the inventory level and market conditions at the end of the year, provisions for impairment for certain stocks were adjusted upward. As a result, provision for impairment of inventories amounting to approximately HK$4,298,000 was made in the year, against a reversal of provision of HK$2,520,000 for last year. In turn, this remarkable increase in inventory provision brought down the overall gross profit margin from last year's 45% to about 39%. Excluding the effects of provisions for stocks, overall profit margin stood at about 45%, which was higher than the approximately 41% for last year.

Rental income and related expenses from two warehousing units in Singapore that had been transferred to investment properties by the end of last year stood at HK$744,000 and HK$247,000 respectively for the review year. For the year as a whole, operating loss for the Group's apparel operation stood at HK$14,753,000, which has been widened from the amount of HK$9,771,000 for last year.

Excluding the aforementioned provisions for stocks and reversal of impairment losses of approximately HK$3,187,000 of last year for loss-making shops, operating loss for the year stood at HK$10,455,000, which was lower than last year's HK$15,478,000.

Property Investment and Development

The Group's investment property portfolio had no significant changes since the end of last year. Fair value gains on investment properties recognized by the Group after independent professional valuations amounted to HK$51,518,000, which was down by HK$40,403,000 from HK$91,921,000 of last year. The gains for last year were mainly coming from the Group's investment properties in Hong Kong. Due to months of social events in the territory, the year-on-year increase for these properties was significantly smaller. As for investment properties in China Mainland, the fair value gains grew only slightly, reflecting the effects of China-US trade disputes on the Mainland market.

Rental income and building management fees for the year amounted to HK$146,798,000 and HK$38,976,000 respectively, representing a year-on-year increase of approximately 3% in total.

Regarding the Group's Goldlion Digital Network Centre in Tianhe, Guangzhou, rental income and building management fees fell by approximately 4% in RMB. This was mainly attributable to a downward adjustment in rents for a renewed lease in accordance with market conditions in the second half of last year. To attract quality tenants, the units of one of the floors were withheld from separate leasing until the entire floor was successfully leased out to a single tenant towards the end of June. Overall occupancy rate was maintained at approximately 90% for the year.

Following the transfer of the Yuan Village warehousing properties in Guangzhou to investment properties by the end of last year, rental income and building management fees generated by this property reached HK$8,000,000 for the year. At present, about 60% of the floor area has already been leased out.

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 5% in RMB.

CHAIRMAN'S STATEMENT

In Hong Kong, leasing of the Group's Goldlion Holdings Centre in Shatin remained stable although the local property market was inevitably hit by incessant social events. Overall rental income and building management fees increased year-on-year by approximately 2%. This was mainly attributable to a continually dropping vacancy rate. Occupancy rate stood at over 95% for the year as a whole. The property at No. 3 Yuk Yat Street, To Kwa Wan, Hong Kong, was offered for lease immediately after the completion of large-scale refurbishment early last year. At present, over 80% of the floor area has been leased out.

Regarding the piece of land with a site area of approximately 75,949 square meters in Meixian, the development project has already been named as "Goldlion Garden". The Group entered into the main construction contract amounting to RMB588,000,000 in mid-March and construction works have commenced immediately afterwards. To be carried out in two phases, this primarily residential development comprises 11 high-rise buildings and 26 low-rise ones, as well as ancillary facilities. There has been minor construction delay owing to relatively more rainy days than expected and revision of some works necessitated by the site conditions. During the year, construction expenditure increased by about RMB77,640,000. Relevant expenditure is expected to be paid by the Group's internal resources and funds received in advance from sales of properties.

PROSPECTS

The year 2019 grappled hard with a hostile business environment. Just when the gloom seemed to be lifted a little when the first phase of the China-US trade deal was concluded in December, the coronavirus disease COVID-19 broke out in Wuhan, Hubei, in early 2020. To contain its spread, the Central Government imposed decisive measures and the highest response level for public health emergencies was put into effect in a number of provinces and municipalities. In line with the anti-epidemic directives and to safeguard the safety and health of our staff and customers, the Group's various retail outlets, including those operated by our distributors, either shortened the opening hours or even closed temporarily. The disruption was most severe in Hubei, the epicenter of the epidemic.

Since the key hinged on social distancing, economic activities had to be largely suspended. Except for the trading of necessity goods, all retailers including those of the apparel products received a heavy blow in their business from the drastic reduction in traffic flow. In the circumstances, the Group's apparel business in China Mainland met with the greatest difficulties in years. Looking into the first half of 2020, conditions are expected to be extremely adverse.

CHAIRMAN'S STATEMENT

As for wholesaling, the business of our distributors for the first quarter of 2020 is suffering tremendously. Sale period for the winter products ended earlier than normal while the launch of spring products had to be deferred. Deliveries of 2020 spring products to our distributors had to be slowed down accordingly. It was also necessary for the Group to offer much more flexible sales arrangements to the distributors, especially our Hubei distributor, and even to provide short-term credit to some of them. Since the 2020 fall and winter collections sales fair could not be held as scheduled in February, the Group is now working out alternatives to ensure sale of these seasonal products can commence in time at our retail outlets. However, the sales of these products to distributors mainly in the second half of 2020 will inevitably be affected. The Group is also not ruling out the chance of revising the current selling model of its wholesaling business.

The epidemic has also taken a toll on the business of the Group's self-operated retail shops and factory outlets. Sales for early 2020 lagged far behind any average year. Although the sale period has been cut short, the Group will closely monitor market developments in response to the epidemic. Once the opportunity arises, the Group will launch its products immediately so that business can resume as normal as soon as possible. To minimize the risk of piled up inventories, efforts will be made to boost the sale of off-season stocks including through our factory outlets.

Although e-commerce sales were not suspended despite the epidemic, the turnover slipped substantially for early 2020. Online sales are less affected than other selling channels during the epidemic. The Group will use features of e-commerce by boosting sales and clearing stocks in order to narrow the sales shortfall and to reduce the inventory level.

The Group understands that the production activities of our suppliers are not severely impacted by the epidemic. Further, the Lunar New Year is not the peak production period for the Group's products. As a result, we are currently not expecting major delay in product supply.

In Singapore, the Group had recorded a substantial loss from its business in the year. With the spread of the COVID-19 in the city, business outlook is not certain. The Group will speed up the stocks clearance in order to lower the inventory level. To improve the current loss-making position, the scale of operation will be adjusted, the number of outlets reduced and the structure streamlined for savings in operational costs.

The Group is also not to be optimistic for its property investment operation in the first half of 2020. The epidemic is expected to exert downside pressure to rentals receivable from the Group's property holdings. The Group will continue to enhance the leasing potential of its properties on hand and to provide quality management services in order to minimize the possible impact. At the same time, the Group will lease out the remaining units at No. 3 Yuk Yat Street, To Kwa Wan, Hong Kong, and those at the Yuan Village in Guangzhou depending on market conditions to maintain an income growth for the property investment operation in 2020.

For the property development project "Goldlion Garden" in Meixian, construction works may be delayed by the spread of the COVID-19. However, we currently expect the works will proceed as planned and be completed by around 2022 as scheduled despite the minor delays in the year. Depending on market conditions and works progress, presale is expected to commence before the end of 2020.

At present, the Group is closely monitoring the market conditions and assessing the operational and financial impacts of the epidemic to the Group. We are confident that the coronavirus will be effectively contained under the concerted efforts of the Central Government and the community at large. With the strong foundation of the Group and the dedication of its staff, it is certain that the adversities will be weathered eventually.

Currently, the epidemic is still serious and the Group is still badly affected. Yet, to support the frontline medical workers and "to show a sign of solidarity, to fight against the coronavirus", the Group has donated 200 hospital-grade air purifiers to hospitals in Wuhan since February.

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 2020

SCHEDULE OF GROUP'S PROPERTIES

As at 31st December 2019

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 and completely refurbished in 2019. 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 530 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 2019

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, Level 7, Units 01 to 05 and Units 09 to 10 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 47,637 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 2019

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 2019

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 2019

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, Units 06 to 07 and Units 11 to 12 on Level 8, 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 5,220 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 2019

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 2019

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 2019

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

ABOUT THIS REPORT/REPORT SCOPE AND FRAMEWORK/OVERVIEW

Goldlion Holdings Limited is delighted to announce the Environmental, Social and Governance (ESG) Report for the financial year of 2019. The reporting boundary is limited to our principal businesses of the Group including apparel distribution and manufacturing, property investments and office operations in China Mainland, Hong Kong SAR, Singapore and Malaysia, unless otherwise specified. This report aims at performing an overall reflection of the efforts and achievements of the Group in the aspect of ESG in 2019.

This report covers the period from 1st January 2019 to 31st December 2019, 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 strictest 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 reviewed and confirmed by the Board.

The Group strives to fulfill its social responsibility and to give back to the community. Leveraging its competitive edge and resources, the Group aims to make positive impacts to the environment, our communities and our people. We value talent and offer our employees diverse opportunities to advance their careers; we act proactively to mitigate environmental impacts of our operations and we actively participate in precise poverty alleviation work.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER ENGAGEMENT AND MATERIALITY IDENTIFICATION

To ensure all ESG aspects are properly covered, the Group has placed high concerns in both the internal and external stakeholders. The Group values the relationship with stakeholders in all perspectives and regards relevant parties as consultation targets in our stakeholder engagement activities.

Our internal stakeholders include the Board, Management as well as the trade union which represents our general staff members in the People's Republic of China (the "PRC"). Through methods such as internal meetings, interviews, internal publications and staff performance appraisal reviews, regular communication is maintained within the Group in order to maintain an understanding of their needs and concerns.

External stakeholders identified by the Group include shareholders, investors, customers, local community groups and suppliers. Methods of engagement adopted by the Group to communicate with its external stakeholders include meetings, site visits, annual general meetings and public announcements.

STAKEHOLDER FEEDBACK

We value stakeholders' feedback 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 include Reduce, Reuse, Recycle, and Replace into a wide range of our activities. We gathered quantitative data on the Group's 2019 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 control the environmental impacts of our local operational activities aiming at lowering their environmental impacts. For example, our subsidiaries in the PRC are operating in full compliance to the national and local environmental protections laws and regulations including:

- the Environmental Protection Law of the PRC;
- the Water Pollution Prevention and Control Law of the PRC;
- 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 jurisdictions where it has business operations. Our goal is to reduce the level of emissions associated with our operations on the environment.

Air Emissions

Air pollution is currently one of the biggest threats to human health. According to the World Health Organization, outdoor and indoor air pollution are leading contributing factors to respiratory and other diseases which may have adverse impacts on public health, and may potentially lead to fatalities.

Some quantities of air pollutants 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 factories in Meizhou. As such, the Group's direct contribution to the emissions of air pollutants from product manufacturing should not be significant.

Except a minimal consumption of gas for our canteen cooking purpose, the Group did not involve in any activities in its production facilities that lead to the direct air pollutant emissions to the atmosphere. However, the transportation vehicles that are responsible for the delivery of our products to different locations emit some quantities of exhaust gases.

With respect to the Group's air emissions, in 2019, the Group emitted 167.8 kg (2018: 28.3 kg) of nitrogen oxides (NOx) where the logistic fleet of the Group accounts for the generation of 1.2 kg (2018: 1.1 kg) of sulphur oxides (SOx) and 15.9 kg (2018: 2.1 kg) of particulate matter (PM) into the atmosphere. The increase is due to the fact that we expanded the collection of consumption data from motor vehicles to our Singapore and Malaysia operation in 2019. As both operations are using medium goods vehicles that have a higher emission factor for transportation, they are responsible for 139.2 kg of NOx and 13.8 kg of PM emissions in total in the year.

The Group's Air Emissions Reduction Measures

To reduce air emissions as well as travelling costs and time, we encourage our employees to make use of conference calls and other electronic channels for communications whenever possible. When it is necessary to go on a business trip, we encourage our employees to take the train instead of the plane so that we can reduce our ecological footprint that is caused by planes.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL *(continued)*

I. Emissions *(continued)*

Reducing our Carbon Footprint

The Group believes it is important to monitor and manage its greenhouse gas (GHG) emissions, which is expressed as tonnes of carbon dioxide equivalent (tCO_2e). In 2019, the Group emitted 8,684 tCO_2e (2018: 6,829 tCO_2e). Expressed in terms of intensity, based on the measuring units 'per employee' and 'per square meter', the intensity of the Group's GHG emissions was 4.68 tCO_2e (2018: 3.78 tCO_2e) per employee and 0.10 tCO_2e (2018: 0.08 tCO_2e) per square meter.

The increase in GHG emissions for 2019 was largely attributed to the commencement of construction works for our Meixian property development project in March 2019. Out of the 2,065 tCO_2e (2018: 536 tCO_2e) of Scope 1 (direct) emissions, approximately 1,509 tCO_2e or 73% was attributed to the project.

During the reporting period, we have emitted GHG both from direct emissions (eg. fossil fuel combustion) and indirect emissions (i.e. generation of purchased electricity). The largest contributor to our GHG emissions is the electricity consumption at our investment properties, factories, offices and property development site (Scope 2: Indirect GHG Emissions). Operation of our truck fleet in Singapore, Malaysia and the PRC as well as the diesel boilers used in the Meizhou factories were the main sources of our direct GHG emissions in 2019. (Scope 1: Direct GHG Emissions)

The Group recognizes the need to help combat global warming. Therefore we have adopted key environmental protection strategies including recycling and the use of energy-efficient equipment and appliances with lower environmental impact. The Group has also encouraged its employees to increase the greenery in and around its offices.

In 2019, we have extended our data collection in Scope 3 (other indirect emissions) coverage to cover GHG emissions associated with business air travels by our employees. Although we encourage the use of environmentally friendly travelling facilities, business air travel is often inevitable. During the reporting period, the total quantity of GHG emissions associated with business air travel was 1,018 tCO_2e.

Managing our Waste

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

2019 Waste Disposal Statistics

In order to monitor the environmental impact, the Group records its hazardous waste generation regularly. The Group did not produce significant amount of hazardous waste in 2019 because most of our products were manufactured by external suppliers. All of our suppliers were required to comply with government laws and regulations pertaining to environmental protection and emissions control. With respect to waste emissions, our suppliers have confirmed their waste disposals have met the government's standards.

In 2019, the amount of non-hazardous waste generated by our operations was 70.4 tonnes (2018: 75.8 tonnes). Following the completion of the large-scale refurbishment in our property at No. 3 Yuk Yat Street, To Kwa Wan, Hong Kong in early 2019, the quantity of non-hazardous waste generated in the year was comparatively lower. Aiming at providing a more comprehensive profile of the Group's waste generation from various operations, we will continue to monitor and improve the waste generation data collection process.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL *(continued)*

I. Emissions *(continued)*

Managing our Waste *(continued)*

Sourcing More Sustainable Raw Materials

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

In our fabric sourcing process, one of our key considerations is whether the fabrics are sustainably-sourced. An example is the use of recycled polyester which is one of the more sustainable fabrics in the apparel industry. In addition, we encourage our suppliers to use biodegradable raw materials as much as possible due to their environmentally friendly nature.

Our Initiatives for Solid Waste Reduction

Designing Apparels that Create Less Material Wastage

One of our key targets is to design apparels that cause less wastage of the fabric during the cutting and production processes.

Educating Customers on Apparel Reuse

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

Reducing our Usage of Plastic Bottles

Managing and reducing the number of plastic bottles that we use is one of the challenges that we have continuously tackled. We encourage our employees to reduce their consumption of bottled water and bring their own mugs to work instead. We also provide clean drinking water in all our workplaces.

Reuse and Recycling Programs

We are always striving to minimize our impact on the environment. In 2019, we continued to implement our reuse and recycling programs.

We encourage our employees to reuse a variety of reusable items including stationery, plastic bags, paper bags and office papers instead of disposing them as waste. To reduce the amount of paper we use, we encourage our employees to reuse blank sides of office papers and adopt two-side printing.

In 2019, the Group's recycling program covered recyclable items including 43.4 tonnes of papers, 5.54 tonnes of metal, 2 tonnes of clothes and 0.11 tonnes of toner cartridges.

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 8,989 MWh (2018: 9,693 MWh) of electricity, 716 kL (2018: 134 kL) of diesel, 72 kL (2018: 68 kL) of petrol and 570 kg (2018: nil) of LPG. In 2019, the Group's electricity intensity was 4.8 MWh (2018: 5.4 MWh) per employee and 105 kWh (2018: 112 kWh) per square meter.

The commencement of construction works of our Meixian property development project in March 2019 was the main reason for the increase in diesel consumption. The construction works consumed 577 kL of diesel consumption during the year and the remaining 139 kL consumption was basically the same as that of 2018. Similarly, the LPG consumption during the year was solely attributed to the Meixian development project.

Energy-Saving Programs

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

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

The key components of our energy-saving programs are:

- Turn off the air conditioners during non-essential hours of the day;
- Switch off all electronic devices during lunch hours and when leaving office;
- Procure equipment with proficient in energy label grade whenever 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 consume 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 2019, the Group consumed 126,586 m^3 (2018: 110,935 m^3) of water in total. The increase in overall water consumption was due to the additional consumption of approximately 20,768 m^3 of water by the Meixian property development project. In terms of intensity, the Group's water consumption intensity was 68.2 m^3 (2018: 61.4 m^3) per employee and 1.5 m^3 (2018: 1.3 m^3) per square meter. Apart from the consumption by the Meixian construction works, most of the water was used for the water-cooled chiller system at the Group's investment properties mainly commercial buildings. The Meizhou factories as our manufacturing support, 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 further strategies and initiatives for using less water.

Our Water Conservation Initiatives

The Group has always been conscientious in the use of water. 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 selects the types of raw material that require less water usage during the production cycle.

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

(ii) 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.

Stringent Controls over Wastewater Treatment and Discharge

The Group adheres to relevant government laws and regulations governing wastewater treatment and discharge of the jurisdictions where it carries out business. It is our Group's practice to treat our wastewater up to the government's standards prior to discharging to the local sewage system.

A. ENVIRONMENTAL *(continued)*

II. Use of Resources *(continued)*

Packaging Materials

During 2019, the Group's total amount of materials purchased for packaging of finished products were 0.27 tonnes (2018: 0.38 tonnes) of plastic, mainly plastic bags and plastic wrappings, and 110.3 tonnes (2018: 125.4 tonnes) of cardboard paper boxes. As we are using the optimal amounts of packaging materials that are needed for our packaging need, we purchased less packaging materials during the year.

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

III. The Environment and Natural Resources

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

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

By adopting a systematic approach in managing environmental aspects and aligning our environmental management practices with international standards, the Meizhou factories are certified with ISO 14001 Environmental Management System.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL *(continued)*

III. The Environment and Natural Resources *(continued)*

Our consolidated data on environmental indicators indicated the following:

Environmental KPIs	Unit	2019	2018
Total GHG emissions	tCO_2e	8,684	6,829
Scope 1 – Direct emissions and removals	tCO_2e	2,065	536
Comprising:			
Meixian property development project	tCO_2e	1,509	–
Others	tCO_2e	556	536
Scope 2 – Energy indirect emissions	tCO_2e	5,498	6,195
Comprising:			
Meixian property development project	tCO_2e	286	–
Others	tCO_2e	5,212	6,195
Scope 3 – Other indirect emissions	tCO_2e	1,121	98
Comprising:			
Meixian property development project	tCO_2e	14	–
*Business air travels**	tCO_2e	1,018	–
Others	tCO_2e	89	98
GHG emissions per employee	tCO_2e	4.68	3.78
GHG emissions by floor area (m^2)	tCO_2e	0.10	0.08
Total NOx emissions	kg	167.8	28.3
Comprising:			
Singapore & Malaysia vehicles#	kg	139.2	–
Others	kg	28.6	28.3
Total SOx emissions	kg	1.2	1.1
Total PM emissions	kg	15.9	2.1
Comprising:			
Singapore & Malaysia vehicles#	kg	13.8	–
Others	kg	2.1	2.1
Total electricity consumption	kWh	8,989,419	9,693,173
Electricity consumption per employee	kWh	4,843	5,364
Electricity consumption by floor area (m^2)	kWh	105	112
Total petrol consumption	L	72,100	68,157
Total diesel consumption	L	715,626	134,388
Water consumption	m^3	126,586	110,935
Comprising:			
Meixian property development project	m^3	20,768	–
Others	m^3	105,818	110,935
Total hazardous waste produced	tonne	N/A	N/A
Total non-hazardous waste produced	tonne	70.4	75.8
Total packaging material	tonne	110.6	125.8

* Collection of Scope 3 emissions data associated with business air travels commenced in 2019

\# Collection of air emissions data associated with the Group's vehicles in Singapore and Malaysia commenced in 2019

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 with attractive remuneration, a good working environment and a rewarding career.

Employees form the foundation of the Group's business. As such, 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 jurisdictions where we have business exposure.

(i) Employment Statistics

As of 31st December 2019, the Group's workforce comprised of 1,856 (2018: 1,850) employees. In terms of the gender breakdown, 73% (2018: 73%) of the Group's total workforce comprised of female employees and 27% (2018: 27%) comprised of male employees. With respect to the geographical location of the Group's employees, about 89% (2018: 89%) of the Group's employees were in China Mainland, about 2% (2018: 2%) were in Hong Kong SAR and the remaining 9% (2018: 9%) were in Singapore and Malaysia.

In terms of age distribution, 13% of our employees were below 30 years old, 74% were between 30 and 50 years old, and 13% were above 50 years old. All of our employees were aged 18 or above.

(ii) Employee Turnover Rate by Geographical Region and Gender

In 2019, the overall Group's employee turnover rate was approximately 19% (2018: 23%) which is further reduced from last year. The turnover rates for our offices in the PRC, Hong Kong SAR and Singapore were 19%, 11% and 19% respectively. Looking at the employee turnover based on gender, female employee turnover was 19% (2018: 19%) while that of male employee was 19% (2018: 32%).

(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 involves adequate resting time and the involvement of social activities. As such, we organize various activities for our employees such as festival celebrations, recreational sporting activities, company tours, annual dinners and team building activities during the year.

(iv) Employee Remuneration

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(continued)*

I. Employment and Labour Practices *(continued)*

Employment *(continued)*

Providing Employees a Rewarding Career (continued)

(v) Retirement Benefit Scheme

In Hong Kong SAR, the Group participates in Mandatory Provident Fund Scheme and contributions are calculated as a percentage of the employees' basic salaries or a fixed sum for each employee in accordance with the rules of the Scheme.

Employees of the Group's subsidiaries in China Mainland are required to participate in social insurance operated by the local government. The Group is required to contribute a certain percentage of their payroll costs to the social insurance scheme in accordance with the relevant regulations.

We also participate in the Central Provident Fund (CPF) and the Employee Provident Fund (EPF) for our employees in Singapore and Malaysia respectively. Both of the CPF and the EPF 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 and is fully funded and provides defined contribution benefits to members.

Total contributions by the Group to these funds in 2019 amounted to approximately HK$40,931,000 (2018: HK$41,393,000), which have 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 along with added responsibilities. For new job postings or when vacancies arise, we believe in providing our employees preferential consideration.

(vii) Equal Opportunities, Diversity and Anti-discrimination

The Group recognizes that 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 along with other positive attributes that will help lead us to greater success. The Group is an equal opportunity employer and is committed to provide our staff with a discrimination-free working environment. When hiring new employees or granting internal promotions, we do not discriminate based on factors such as race, gender, disabilities, religion, sexual orientation, marital status, pregnancy or any other factors that are prohibited by applicable laws.

(viii) Trade Union

To better represent the benefits of our employees, our PRC trade union was established in Guangzhou in March 2019. The union provides a variety of welfare services to meet the needs of its members. Various events and activities including holiday celebrations, sport and fitness activities as well as staff marriage and retirement events were held by the union in the year.

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 with respect to health and safety of the jurisdictions where it has business operations. 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, forming the foundations to our standardized approach in health and safety in the site.

a. *Health Measures Adopted by the Group*

(i) Medical Benefits for Employees

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

(ii) Physical Examinations for Employees

Our employees in China Mainland 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. A procedure has been put in place 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 badminton tournaments. Our basketball team formed by staff of our Guangzhou office had also participated in a local basketball tournament organized by the local District Authority in the year.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(continued)*

I. Employment and Labour Practices *(continued)*

Health and Safety *(continued)*

b. *Occupational Safety Measures Adopted by the Group*

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

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

(ii) Safety Training for Employees

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

- Basics of first aid
- Cardiopulmonary Resuscitation (CPR) (CPR training is offered to certain qualifying employees)
- Safety at the workplace – Lectures on various topics of work safety
- Safety production laws and regulations
- Fire safety lectures 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

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

(iv) Health & Safety – 2019 Statistics

There were no work-related fatalities at the Group during the year. In terms of workplace injuries, the Group recorded the losses of 68 working days (2018: 43 working days) in 2019. Two slip-and-trip incidents occurred at our Singapore office. The injured employees were provided with adequate medical treatment and were fully recovered. Investigations of these incidents were performed and possible prevention measures were implemented.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(continued)*

I. Employment and Labour Practices *(continued)*

Development and Training

a. *Learning Culture*

The Group values learning and 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 ultimately 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 including in-house mini-MBA programs and dedicated training for management trainees. For non-managerial employees, trainings are more focused in operational subjects.

b. *Internal & External Training*

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

(i) In-house Training

– Lunch & Learn
The Group holds in-house "lunch & learn" training sessions regularly for its 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 to staff attending the training. Employees who are keen about enhancing their work-related skills and knowledge are encouraged to participate.

– E-Learning Program
We developed an online learning system for our employees to learn up-to-date material on topics which are highly relevant to them. Allowing our employees to learn 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 during their spare time at their convenience. The program teaches a variety of self-study programs in a virtual class setting. We have strategically aligned the curriculum with the needs and interests of our employees.

As part of our strategy in human asset development, our internal curriculum covers topics for both personal and professional development. Examples of our training topics include communication and presentation, critical thinking, first-aid, information security and coaching.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 take professional training at external educational institutes. The Group will provide qualifying employees with educational subsidy to fund their external training which have been approved by the Group.

We also offer an array of in-house courses to employees that are taught by reputable professional educational institutes. The courses are practical and well-structured to meet the needs of our employees including knowledge on branding and design, accounting and taxation, communication and management and sales and leadership.

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 providing practical 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, occupational health and safety, 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 2019

In 2019, 67% (2018: 57%) of our total workforce received training. Each employee that underwent training in 2019 accumulated approximately 25.4 hours (2018: 26.1 hours) of training.

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

In 2019, 57% (2018: 60%) of our female employees and 79% (2018: 49%) of our male employees received training from the Group. In 2019, 83% (2018: 78%) of our managerial employees and 61% (2018: 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 2019 were 33.1 hours (2018: 30.6 hours) and those of male employee were 10.6 hours (2018: 11.8 hours).

With respect to the 2019 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 25.9 hours (2018: 14.4 hours) and 25.3 hours (2018: 27.4 hours) respectively.

The Group is dedicated to provide continuous training to its staff to promote its learning culture and to enhance the skills of the team.

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 the use of child labour. We have developed an employment screening process that ensures all of our employees are of legal working age (i.e. aged 18 or above). Recruitment personnel shall conduct careful verification on the job applicant's identification documents to confirm 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 rights. Personal data of unsuccessful job applicants will only be used in a subsequent recruitment exercises 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 jurisdictions where it operates. We also committed to prohibit any act of forced labour. The Group is cognizant of what constitutes forced labour and has confirmed that the Group has never had any occurrences of forced labour. The Group is in full compliance with the Employment Ordinance in Hong Kong SAR, 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 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 commercial considerations such as price, quality and work ethics, we also adopt 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 suppliers.

(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 suppliers. Another major social consideration for the Group is safety, including safety to people and 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 carry out in-depth interviews with potential suppliers and conduct site visits at their factories during the selection process. For companies that are on our suppliers list, we monitor on a regular basis via face-to-face meetings, interviews and other communication channels in addition to on-site inspections.

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 the Group as to the type and nature of raw materials of apparels and accessories that our Group buys from them. By carrying out this procedure, we are able to trace the source of the raw materials, what are they made of, and ensure that the new raw materials are non-defective.

c. Number of Suppliers by Geographical Region

In 2019, the Group had a total of 91 (2018: 93) suppliers of which 76 (2018: 77) were suppliers from China Mainland and Hong Kong SAR and 15 (2018: 16) were suppliers from Southeast Asia. There were no significant changes in number of suppliers during the year.

B. SOCIAL *(continued)*

II. Operating Practices *(continued)*

Product Responsibility

Product quality has always been a cornerstone of the Group's business. Founded in 1968, the Group started off with making neckties for men and focused on producing high quality, elegant menswear using the finest fabrics. Till 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 jurisdictions where it has business operations in the manufacturing, quality and safety of our products.

(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 the interest of our customers, we stipulate in our sales contracts the quality standards that our products must meet. To this end, we provide a guarantee to our customers that we only use 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, our products are tested by qualified professional third-party testing institutes. Only products that pass the quality test will be sold to our customers.

(ii) Product Safety & Customer Feedback

The Group puts intense focus 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 feedback from our customers, such as any comments, questions and suggestions regarding our products and services. Customers are encouraged to provide us with feedback by calling our customer hotline or sending an email or letter to our customer service department.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(continued)*

II. Operating Practices *(continued)*

Product Responsibility *(continued)*

b. After-sales Service for Customers

We aim to provide our customers with the very best customer service. To provide after-sales services 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 2019, the Group has received less than 3,000 complaints relating to products or services. A majority of these complaints are linking to the transactions through our e-commerce channel. Each single complaint is of our high concern and we are committing to perform comprehensive investigations into each case.

It is our practice to handle the complaints in a prompt and efficient manner. We have established a systematic approach of dealing with the customer complaints. Upon receipt of a product complaint, our staff will deal with the complaint promptly and will inform the customer how the complaint will be processed, 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 customer enquiry or complaint.

(ii) Handling Product Returns

We have established a policy to handle product returns. The manager-in-charge will decide whether to accept return goods based on the condition the goods as well as the reasons for the return.

In certain cases, our quality control staff will further inspect the returned goods to make a final decision on whether the returned goods will be accepted.

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

c. Protecting the Group's Intellectual Property Rights

The Group's intellectual properties are 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 external legal services are consulted where appropriate. Major actions that we have taken to protect the Group's intellectual property rights include trademark opposition, legal proceedings against trademark infringement and strong action against counterfeits. In addition, our contracts with suppliers include specific terms and conditions with respect to the use of our trademarks, patents and copyrights, and have confidentiality provisions in order to protect the Group's intellectual property rights.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(continued)*

II. Operating Practices *(continued)*

Product Responsibility *(continued)*

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 personal information and other customer data 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 operated 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.

Effective internal controls in anti-corruption and anti-fraud are properly in place. Key areas including the purchase, sales, operational and finance cycles are our prime concern. To ensure its effectiveness, the Board has authorized the Audit Committee to review these controlling systems regularly. The Group has zero tolerance on corruptive acts and disciplinary action would be taken.

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 that are considered conflicts of interest to the Group. The Group's conflict of interest policy prohibits its employees, their spouses and immediate family members from investing in, owning shares, and owning any parts of the company or any of the affiliated enterprises of our business associates.

(iii) 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. The informant may notify the Group directly by telephoning, writing a letter to, or emailing the Group's designated investigation officers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(continued)*

II. Operating Practices *(continued)*

Anti-corruption *(continued)*

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 supplementary 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.

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 enterprise, the Group engages in community investment activities without compromising 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 2019, the Group carried out the following community investment activities:

(i) Caring for Children Foundation (CFCF) Charity Dinner – The Group sponsored the Charity Dinner organized by Caring for Children Foundation in celebration of its 25th anniversary. Since its foundation in 1994, the Foundation has provided rehabilitation, education, foster care and disaster relief assistance to underprivileged children suffering from poverty and physical disabilities, and improved the quality of life for people living in remote regions of China Mainland.

(ii) National Day Celebration Events – The Group supported the celebration events for the 2019 National Day celebration events in Hong Kong SAR, including the People's Republic of China National Day Celebration, and a Youth Concert. In addition, the Group sponsored a charity Chinese Opera session organized by The Chinese General Chamber of Commerce, Hong Kong SAR.

(iii) Clothing Donation – During the year, the Group donated its clothing products including shirts, trousers, and jackets to local authorities in Guangzhou for distribution to the underprivileged citizens.

B. SOCIAL *(continued)*

II. Operating Practices *(continued)*

Community Investment *(continued)*

b. Community Investment Activities (continued)

The Group remains very interested in helping those who are disadvantaged. In 2019, the Group continued with this practice by offering a discounted rent for a non-governmental organization that provides employment opportunities for those who are mentally handicapped. We believe this is a meaningful way for us to provide support to the community and help improve the livelihood of those who are 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.21–24
KPI A1.1	The types of emissions and respective emissions data.	P.22
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P.23
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P.23
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P.23
KPI A1.5	Description of measures to mitigate emissions and results achieved.	P.22–23
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	P.23–24

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.25–27
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.25
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	P.26
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	P.25
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.26
KPI A2.5	Total packaging material used for finished products.	P.27
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	P.27–28
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P.27–28

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		
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.29–30
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	P.29
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	P.29
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.31–32
KPI B2.1	Number and rate of work-related fatalities.	P.32
KPI B2.2	Lost days due to work injury.	P.32
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	P.31–32

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.33–34
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	P.34
KPI B3.2	The average training hours completed per employee by gender and employee category.	P.34
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.35
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	P.35
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	P.35
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	P.35–36
KPI B5.1	Number of suppliers by geographical region.	P.36
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.36

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.37–39
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	P.37
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	P.38
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	P.38
KPI B6.4	Description of quality assurance process and recall procedures.	P.37–38
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	P.39

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.39–40
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.40
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	P.39–40
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.40–41
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	P.40–41
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	P.40–41

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 regarding 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 62 to 63. 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 three Committees including the Audit Committee, the Remuneration Committee and the Nomination Committee. All 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 organizations 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 2019 are set out below:

	Attendance (%)	
Executive Directors		
Mr. Tsang Chi Ming, Ricky	(4/4)	100%
Madam Wong Lei Kuan	(4/4)	100%
Non-executive Director		
Mr. Ng Ming Wah, Charles	(3/4)	75%
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 during the year. As Mr. Tsang Chi Ming, Ricky has joined the Group for thirty 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 independent non-executive Directors without the presence of other 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.

During the year, the Company has adopted a set of nomination policy to formalize the nomination practice. The policy sets out the selection criteria and procedures for the nomination of suitable candidates to the Board. In accordance with the policy, the Committee will evaluate potential candidates by considering various factors including but not limiting to their integrity, personal ethics, qualification and business experience, ability to provide insights and practical intelligence, commitment to enhancing shareholder value, time devotion and ability to maintain good working relationship. The Board will also take Board diversity into consideration.

The Committee will also consider the independence of candidates if they will be appointed as independent non-executive Directors. The Committee will then make recommendation of suitable candidates to the Board for consideration of appointment. In case of re-appointment of retiring Directors, the Committee will review the rotation and retirement of Directors and make recommendations to the Board accordingly.

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 review and monitor the implementation of the diversity policy on a regular basis to ensure its effectiveness on determining the optimal composition of the Board.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(continued)*

Appointments, Re-election and Removal of Directors *(continued)*

The Nomination Committee held one meeting during the year to review the structure, size and composition of the Board including diversity consideration. 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)	(1/1)	100%
Mr. Li Ka Fai, David	(1/1)	100%
Mr. Nguyen, Van Tu Peter	(1/1)	100%
Mr. Ng Ming Wah, Charles	(1/1)	100%
Mr. Tsang Chi Ming, Ricky	(1/1)	100%

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

A: attending seminars and/or conferences

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

Compliance with Model Code

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

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible for overseeing the preparation of financial statements of each financial period which give a true and fair view of the financial position 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 who 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 six meetings during the year and the attendance records were as follows:

Members	Attendance (%)	
Mr. Li Ka Fai, David (Chairman)	(6/6)	100%
Mr. Nguyen, Van Tu Peter (Deputy Chairman)	(6/6)	100%
Dr. Lau Yue Sun	(6/6)	100%
Mr. Ng Ming Wah, Charles	(6/6)	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

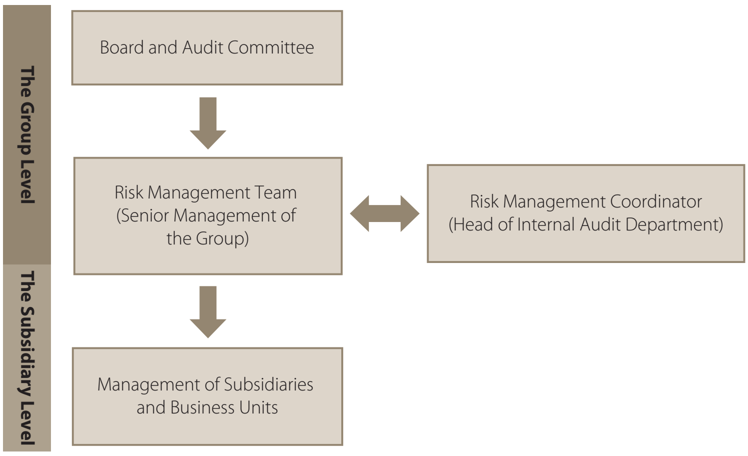
Effective risk management plays a vital role facilitating the Group to attain its vision and mission. In the long run, it raises the value for all stakeholders across the spectrum. Our risk management strategy includes:

- provide clear responsibility and accountability structures for risk management;
- determine 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;
- embed 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.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

Risk Management Structure *(continued)*

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.

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

The Group has adopted a "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. To maintain a sustainable and profitable business model is the major risk of the Group identified from this assignment.

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 internal control system 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 internal control system. 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.

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 2019. 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.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

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 70.

During the year, total auditors' remuneration in relation to statutory audit work of the Group amounted to HK$3,939,000, of which a sum of HK$3,540,000 was paid to PricewaterhouseCoopers. The remuneration for PricewaterhouseCoopers and its affiliated firms, for services rendered is broken down below:

	HK$
Statutory audit and interim review fee	3,540,000
Tax consulting services	122,000
Total	3,662,000

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 2019 annual general meeting was held on 17th May 2019. 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	0/1
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

The Company has also adopted a dividend policy during the year. In considering the declaration and distribution of dividends, the Board will take into account a number of factors including the Group's financial results, cash flow status, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, interests of shareholders, any restrictions on distribution of dividends and any other factors that the Board may consider relevant. In addition, the Group shall maintain adequate cash reserves to meet its working capital requirements, future business expansion and its shareholding value in recommending or declaring dividends.

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 2019, 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 2019.

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 78.

The Directors declared an interim dividend of 5.5 HK cents (2018: 6.5 HK cents) per ordinary share, totalling HK$54,016,000 (2018: HK$63,837,000), which was paid on 17th September 2019.

The Directors recommend the payment of a final dividend of 9.5 HK cents (2018: 13.0 HK cents) per ordinary share totalling HK$93,301,000 (2018: HK$127,675,000) in respect of the year ended 31st December 2019. Subject to the shareholders' approval at the Annual General Meeting to be held on 15th May 2020, the final dividend will be paid on or about 3rd June 2020 to shareholders whose names appear on the register of members as at 22nd May 2020.

BUSINESS REVIEW

The business review of the Group for the year ended 31st December 2019 is set out in the section headed "Chairman's Statement" on pages 6 to 11.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$1,634,000 (2018: HK$490,000).

PRINCIPAL PROPERTIES

Details of the principal properties of the Group held for investment, own use and development purposes at 31st December 2019 are set out on pages 12 to 19.

SHARES ISSUED IN THE YEAR

Details of the shares issued in the year ended 31st December 2019 are set out in note 18 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2019, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap. 622), amounted to HK$308,115,000 (2018: HK$394,732,000).

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 142.

DIRECTORS

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

Executive Directors:

Mr. TSANG Chi Ming, Ricky
Madam WONG Lei Kuan

Non-executive Director:

Mr. NG Ming Wah, Charles

Independent Non-executive Directors:

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

In accordance with Article 101 of the Company's Articles of Association, Madam WONG Lei Kuan and Mr. LI Ka Fai, David retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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

DIRECTORS OF THE COMPANY'S SUBSIDIARIES

During the year and up to the date of this report, 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 53, 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 was re-designated as Chairman in 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, founding 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 82, 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 70, 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 an 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.

REPORT OF THE DIRECTORS

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

Independent Non-executive Directors

Dr. Lau Yue Sun, B.B.S., aged 79, 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 65, is a fellow of the Association of Chartered Certified Accountants, U.K. and currently a senior advisor of Shinewing (HK) CPA Limited. 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), 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) and an independent non-executive director, chairman of the audit committee and chairman of the remuneration committee, member of the nomination committee of CR Construction Group Holdings Limited (stock code: 1582). Mr. Li was appointed to the Board in August 2010.

Mr. Nguyen, Van Tu Peter, S.B.S., aged 76, 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. Mr. Nguyen was appointed to the Board in September 2012.

REPORT OF THE DIRECTORS

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

Senior Management

Mr. Tsang Wing Hong, aged 57, 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 30 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 May 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 57, 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 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 56, 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 52, 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 58, graduated with an Executive Master of Business Administration Degree. Mr. Tu is a qualified accountant in China Mainland and has more than 30 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 47, 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 20 years of experience in human resources. Prior to joining the Group, Ms. Zhou held senior human resources positions from multinational corporations, including P&G and Novartis China.

REPORT OF THE DIRECTORS

SHARE OPTIONS

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

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

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

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

REPORT OF THE DIRECTORS

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

At 31st December 2019, 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 2019

Directors		Number of shares held: Personal interests	Number of shares held: Other interests (note)	Number of shares held: Total	Percentage to total issued share capital
TSANG Chi Ming, Ricky	Long positions	1,404,000	613,034,750	614,438,750	62.56%
	Short positions	–	–	–	–
WONG Lei Kuan	Long positions	1,210,000	613,034,750	614,244,750	62.54%
	Short positions	–	–	–	–

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 2019, 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 2019 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 2019, 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	62,506,454	6.36%
		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.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

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

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

(b) On 30th March 2015, the Group, as lessor, entered into a lease with China Hong Kong Digital Audiovisual Management Company Limited ("CHKDAM"), as lessee, in respect of a unit located at Goldlion Holdings Centre in Hong Kong. The lease was renewed subsequently on 4th January 2017, for 2 years commencing from 1st February 2017. During the year, the Group received HK$47,000 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.

The related party transactions as disclosed under notes 35(a) and 35(b) to the consolidated financial statements constitute connected transactions or continuing connected transactions under the Listing Rules.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

There is no advance (including guarantee given by the Company and any of its subsidiaries), which is of non-trading nature, to any of the affiliated companies as at 31st December 2019 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 9% and 35% of its inventories from its largest supplier and five largest suppliers in aggregate respectively, and sold 3% 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.

REPORT OF THE DIRECTORS

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 47 to 59.

SUBSEQUENT EVENTS

Details of the subsequent events are set out in note 36 to the financial statements.

PERMITTED INDEMNITY PROVISIONS

A permitted indemnity provision for the benefit of the Directors of the Company is currently in force and was in force throughout this year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

AUDITOR

The financial statements for the year ended 31st December 2019 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 2020

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 76 to 141, which comprise:

- the consolidated balance sheet as at 31st December 2019;
- 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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

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

- Carrying value of inventory
- Valuation of investment properties

Key Audit Matter	**How our audit addressed the Key Audit Matter**
Carrying value of inventory	
Refer to note 13 to the consolidated financial statements The Group held inventory of HK$243 million as at 31st December 2019. 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 through rate and 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 2019 and the provision percentages determined by management. Based on the procedures described, we considered management's judgement and estimates, which formed the basis of the carrying value of inventory, were reasonable and acceptable.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to note 9 to the consolidated financial statements The Group held investment properties of HK$2,900 million as at 31st December 2019 which were stated at fair values. The fair value gains from the investment properties for the year ended 31st December 2019 approximates to HK$52 million. We focused on this area because the aggregate carrying amounts represented approximately 56% of total assets of the Group as at 31st December 2019 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

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.

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:

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

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

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

- 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.

INDEPENDENT AUDITOR'S REPORT

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

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 2020

CONSOLIDATED BALANCE SHEET

As at 31st December 2019

	Note	As at 31st December 2019 HK$'000	As at 31st December 2018 HK$'000
ASSETS			
Non-current assets			
Land use rights	6	–	46,698
Property, plant and equipment	7	148,136	160,269
Right-of-use assets	8	69,121	–
Investment properties	9	2,900,247	2,847,372
Financial assets at fair value through other comprehensive income	10	6,209	6,813
Deferred income tax assets	21	54,876	51,282
		3,178,589	3,112,434
Current assets			
Property under development held for sale	12	258,082	174,178
Inventories	13	243,095	221,155
Trade receivables	15	109,704	122,688
Prepayments, deposits and other receivables	15	98,760	40,662
Contract assets	16	84,662	65,037
Tax recoverable		215	160
Bank deposits	17	822,169	906,305
Cash and cash equivalents	17	385,832	423,632
		2,002,519	1,953,817
Total assets		5,181,108	5,066,251
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	18	1,101,358	1,101,358
Reserves	19	3,122,016	3,037,321
Total equity		4,223,374	4,138,679

CONSOLIDATED BALANCE SHEET

As at 31st December 2019

	Note	As at 31st December 2019 HK$'000	As at 31st December 2018 HK$'000
LIABILITIES			
Non-current liabilities			
Other payables and accruals	20	**20,739**	80
Lease liabilities	22	**9,900**	–
Deferred income tax liabilities	21	**424,219**	421,765
		454,858	421,845
Current liabilities			
Trade payables	20	**49,806**	53,854
Other payables and accruals	20	**160,375**	176,206
Contract liabilities	16	**264,340**	249,913
Lease liabilities	22	**16,530**	–
Current income tax liabilities		**11,825**	25,754
		502,876	505,727
Total liabilities		**957,734**	927,572
Total equity and liabilities		**5,181,108**	5,066,251

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 82 to 141 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2019

	Note	2019 HK$'000	2018 HK$'000
Turnover	5	**1,591,930**	1,681,364
Cost of sales	24	**(678,577)**	(703,938)
Gross profit		**913,353**	977,426
Other gains	23	**51,518**	91,921
Selling and marketing costs	24	**(443,324)**	(432,179)
Administrative expenses	24	**(171,280)**	(203,437)
Operating profit		**350,267**	433,731
Interest income, net	29	**22,364**	25,511
Profit before income tax		**372,631**	459,242
Income tax expense	30	**(66,603)**	(82,998)
Profit for the year attributable to owners of the Company		**306,028**	376,244
		HK cents	HK cents
Earnings per share for profit attributable to owners of the Company during the year			
– Basic and diluted	32	**31.16**	38.31

The notes on pages 82 to 141 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2019

	2019 HK$'000	2018 HK$'000
Profit for the year	**306,028**	376,244
Other comprehensive (loss)/income		
Items that will not be reclassified subsequently to profit or loss		
Revaluation of investment property upon reclassification from right-of-use assets and property, plant and equipment (2018: Revaluation of investment property upon reclassification from land use rights and property, plant and equipment)	**5,670**	108,219
Change in fair value of financial assets at fair value through other comprehensive income	**(484)**	1,113
Income tax relating to these items	**(1,296)**	(21,752)
Item that may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of overseas subsidiaries	**(41,791)**	(85,678)
Other comprehensive (loss)/income for the year	**(37,901)**	1,902
Total comprehensive income for the year attributable to owners of the Company	**268,127**	378,146

The notes on pages 82 to 141 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2019

	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000
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
Balance at 1st January 2019	**1,101,358**	**315,336**	**2,721,985**	**4,138,679**
Change in accounting policy (note 2.2(c))	**–**	**–**	**(1,741)**	**(1,741)**
Balance at 1st January 2019, as restated	**1,101,358**	**315,336**	**2,720,244**	**4,136,938**
Comprehensive income				
Profit for the year	**–**	**–**	**306,028**	**306,028**
Other comprehensive loss				
Revaluation of investment property upon reclassification from right-of-use assets and property, plant and equipment	**–**	**4,253**	**–**	**4,253**
Change in fair value of financial assets at fair value through other comprehensive income	**–**	**(363)**	**–**	**(363)**
Currency translation differences	**–**	**(41,791)**	**–**	**(41,791)**
Total other comprehensive loss for the year	**–**	**(37,901)**	**–**	**(37,901)**
Total comprehensive (loss)/income for the year	**–**	**(37,901)**	**306,028**	**268,127**
Final dividend relating to 2018	**–**	**–**	**(127,675)**	**(127,675)**
Interim dividend relating to 2019	**–**	**–**	**(54,016)**	**(54,016)**
Total transactions with owners in their capacity as owners	**–**	**–**	**(181,691)**	**(181,691)**
Balance at 31st December 2019	**1,101,358**	**277,435**	**2,844,581**	**4,223,374**

The notes on pages 82 to 141 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Cash generated from operations	33(a)	**180,406**	356,960
Income tax paid		**(74,405)**	(72,964)
Net cash generated from operating activities		**106,001**	283,996
Cash flows from investing activities			
Purchases of land use rights	6	**–**	(4,547)
Purchases of property, plant and equipment	7	**(7,085)**	(24,845)
Additions to investment properties	9	**(31,863)**	(41,426)
Proceeds from disposals of property, plant and equipment	33(a)(i)	**93**	2,592
Decrease in bank deposits with maturity over 3 months		**73,506**	102,580
Interest received		**24,469**	25,916
Net cash generated from investing activities		**59,120**	60,270
Cash flows from financing activities			
Principal elements of lease payments	33(c)	**(13,390)**	–
Dividends paid to owners of the Company		**(181,691)**	(186,601)
Net cash used in financing activities		**(195,081)**	(186,601)
Net (decrease)/increase in cash and cash equivalents		**(29,960)**	157,665
Cash and cash equivalents at 1st January		**423,632**	283,292
Effect of foreign exchange rate changes		**(7,840)**	(17,325)
Cash and cash equivalents at 31st December	17	**385,832**	423,632

The notes on pages 82 to 141 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

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 2020.

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 ("FVOCI").

The preparation of consolidated 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

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

2.1 Basis of preparation *(continued)*

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

The following new standard, 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 2019:

HKAS 19 (Amendment)	Plan amendment, curtailment or settlement
HKAS 28 (Amendment)	Long-term interests in associates and joint ventures
HKFRS 9 (Amendment)	Prepayment features with negative compensation
HKFRS 16	Leases
HKFRSs (Amendments)	Annual improvements 2015–2017 cycle
HK (IFRIC) 23	Uncertainty over income tax treatments

Except as disclosed in note 2.2 for the adoption of HKFRS 16 "Leases" ("HKFRS 16"), the adoption of the above new interpretation and amended standards are not expected to have a material impact on the consolidated financial statements of the Group.

(b) The following new and amended standards have been issued but are not effective for the financial year beginning on 1st January 2019 and have not been early adopted by the Group

		Effective for accounting periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of material	1st January 2020
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge accounting	1st January 2020
HKFRS 3 (Amendment)	Definition of a business	1st January 2020
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 17	Insurance contracts	1st January 2021
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1st January 2020

The above new and amended standards are not expected to have a material impact on the consolidated financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

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 16 on the Group's financial statements and discloses the new accounting policies that have been applied from 1st January 2019 in note 2.22.

The Group has adopted HKFRS 16 retrospectively from 1st January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from HKFRS 16 are therefore recognized in the opening balance sheet on 1st January 2019.

On adoption of HKFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases" ("HKAS 17"). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1st January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1st January 2019 was 5.3%.

(a) Measurement of lease liabilities

Set out below is a reconciliation of the operating lease commitments disclosed at 31st December 2018 to lease liabilities recognized on 1st January 2019:

	HK$'000
Operating lease commitments disclosed as at 31st December 2018	48,093
Less: Leases committed but not yet commenced	(353)
Less: Short-term leases to be recognized on a straight-line basis as expense	(17,866)
	29,874
Effect of discounting at incremental borrowing rate at the date of initial adoption	(1,877)
Lease liabilities recognized upon initial adoption of HKFRS 16	27,997
Representing:	
Current lease liabilities	11,464
Non-current lease liabilities	16,533
	27,997

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

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

2.2 Changes in accounting policies *(continued)*

(b) Measurement of right-of-use assets

The right-of-use assets were measured on a retrospective basis as if the new rules had always been applied, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at 31st December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. In addition, land use rights previously presented as a separate item on the balance sheet are grouped as part of right-of-use assets with effect from 1st January 2019. The recognized right-of-use assets relate to types of assets as disclosed in note 8.

(c) Adjustments recognized on adoption of HKFRS 16

The change in accounting policy affected the following items in the consolidated balance sheet on 1st January 2019:

Consolidated balance sheets (extract)

	As at 31st December 2018 As originally presented HK$'000	Effects of the adoption of HKFRS 16 HK$'000	As at 1st January 2019 Restated HK$'000
Non-current assets			
Land use rights	46,698	(46,698)	–
Property, plant and equipment	160,269	(199)	160,070
Right-of-use assets	–	72,818	72,818
Deferred income tax assets	51,282	563	51,845
Current assets			
Prepayments, deposits and other receivables	40,662	(237)	40,425
Non-current liabilities			
Lease liabilities	–	16,533	16,533
Deferred income tax liabilities	421,765	(9)	421,756
Current liabilities			
Lease liabilities	–	11,464	11,464
Equity			
Retained earnings	2,721,985	(1,741)	2,720,244

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

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

2.2 Changes in accounting policies *(continued)*

(c) Adjustments recognized on adoption of HKFRS 16 *(continued)*

Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1st January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and HK (IFRIC) 4 "Determining whether an arrangement contains a lease".

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.

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.

In the separate financial statements, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

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

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 FVOCI are recognized in other comprehensive income ("OCI").

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

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

2.5 Foreign currency translation *(continued)*

(d) Disposal of foreign operation and partial disposal

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

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

2.6 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.

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

Unit 31st December 2018, land use rights were stated at cost less accumulated amortization and accumulated impairment losses. Cost mainly represented consideration paid for the rights to use the land on which plants and buildings were situated for a period of between 40 and 70 years from the dates the respective rights were granted. Amortization of land use right was calculated on a straight-line basis over the period of the rights. Land use rights previously presented as a separate item on the balance sheet are grouped as part of right-of-use assets with effect from 1st January 2019 in note 2.2(c).

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

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

2.12 Financial assets *(continued)*

(d) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit loss ("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 "Financial instruments" ("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.

2.13 Offsetting financial instruments

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.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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.

2.15 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.

2.16 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

2.17 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.

2.18 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

2.19 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 2019

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

2.20 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.

2.21 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).

2.22 Leases

As explained in note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 2.2.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

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

2.22 Leases *(continued)*

From 1st January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

(a) Variable lease payments

Estimation uncertainty arising from variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. There is a wide range of sales percentages applied for different stores. For the year ended 31st December 2019, 53% of the total lease payments is charged on a term of variable payment basis. Variable payment terms are used for a variety of reasons, including minimizing the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

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

2.22 Leases *(continued)*

(b) Extension and termination options

Extension and termination options are included in certain property and equipment leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

2.23 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 2019, if Hong Kong dollar had weakened/strengthened by 2% against Renminbi with all other variables held constant, post-tax profit for the year would have been HK$397,000 (2018: HK$351,000) 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.

(ii) Cash flow interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk is managed on a group basis and individual basis. Credit risk arises from cash and cash equivalents and deposits with banks, credit exposures to wholesale and retail customers and other parties, including outstanding receivables and deposits and other receivables.

(i) Risk management

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

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

As at 31st December 2019, the financial assets of the Group that are exposed to credit risk and their maximum exposures are as follows:

	As at 31st December 2019		As at 31st December 2018	
	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	**109,704**	**109,704**	122,688	122,688
Deposits and other receivables	**34,577**	**34,577**	26,208	26,208
Bank deposits and cash and cash equivalents	**1,208,001**	**1,207,915**	1,329,937	1,329,880

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

(ii) Impairment of financial assets

Cash and cash equivalents and pledged bank deposits are also subject to the impairment requirements under HKFRS 9, yet the identified impairment loss is immaterial because the Group only transacts with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC.

Trade receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables and contract assets without financing components.

To measure the ECL, trade receivables have been grouped based on the settlement profiles of customers, shared credit risk characteristics and the days past due. The contract assets arise from the right to recover products from customer on settling right of return obligation. The Group has therefore concluded that the loss rates for contract assets should be considered separately from trade receivables.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31st December 2019 or 1st January 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factor affecting the ability of the customers to settle the receivables.

On this basis, ECL rate of contract assets is assessed to be close to zero, as at 31st December 2019 and 1st January 2019. In respect of trade receivables, the ECL rate is determined according to a provision matrix where overdue balances are provided for at expected losses rate of 1% to 16% (2018: 1% to 9%).

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to engage in a repayment plan with the Group.

Other receivables and deposits

Other receivables and deposits are 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, impairment is measured as lifetime ECL. As at 31st December 2019, no impairment loss of deposits and other receivables was identified.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities. Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The Company employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required and monitoring the working capital of the Group to ensure that all liabilities due and known funding requirements could be met. There were no available banking facilities as at 31st December 2019 (2018: 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 date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	As at 31st December 2019				
	Less than 1 year HK$'000	Between 1 year and 2 years HK$'000	Between 2 years and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Financial liabilities:					
Trade payables	49,806	–	–	–	49,806
Other payables	66,090	6,306	11,672	2,403	86,471
Lease liabilities	17,719	7,597	2,780	–	28,096
	133,615	13,903	14,452	2,403	164,373

	As at 31st December 2018				
	Less than 1 year HK$'000	Between 1 year and 2 years HK$'000	Between 2 years and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Financial liabilities:					
Trade payables	53,854	–	–	–	53,854
Other payables	90,731	–	–	–	90,731
	144,585	–	–	–	144,585

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

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.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value at 31st December 2019 and 2018, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 3	
	2019	2018
	HK$'000	HK$'000
Asset		
Financial assets at fair value through other comprehensive income	**6,209**	6,813

There were no transfers among levels 1, 2 and 3 during the year.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. Since all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

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 9.

(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 right of return obligation

Right of return obligation is recorded based on the estimated expected sales amount in future and they are recorded when the relevant sales of goods are recognized or when there are other contractual obligations on sales return. The Group estimates the sales return provision based on contractually bound sales return amount, special sales return credit granted during the year and past experience as basis to provide for amount of sales returns at each financial report date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

4.2 Critical judgements in applying the entity's accounting policies

Distinction between investment properties and owner-occupied properties

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

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

5 OPERATING SEGMENTS

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

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:

	2019					
	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	1,342,736	63,420	185,774	1,591,930	–	1,591,930
Inter-segment sales	5,413	–	8,701	14,114	(14,114)	–
	1,348,149	63,420	194,475	1,606,044	(14,114)	1,591,930
Segment results	268,168	(14,753)	168,903	422,318		422,318
Unallocated costs						(49,687)
Profit before income tax						372,631
Income tax expense						(66,603)
Profit for the year						306,028
Interest income	7,639	82	8,938	16,659	7,243	23,902
Depreciation of property, plant and equipment	13,755	1,864	4,127	19,746	2,514	22,260
Depreciation of right-of-use assets	13,067	2,188	174	15,429	449	15,878
Reportable segment assets:						
Property, plant and equipment	78,178	9,641	19,759	107,578	40,558	148,136
Right-of-use assets	57,436	7,952	3,312	68,700	421	69,121
Investment properties	–	–	2,900,247	2,900,247	–	2,900,247
Deferred income tax assets	–	–	–	–	54,876	54,876
Property under development held for sale	–	–	258,082	258,082	–	258,082
Inventories	220,504	22,591	–	243,095	–	243,095
Bank deposits and cash and cash equivalents	517,364	7,698	549,060	1,074,122	133,879	1,208,001
Contract assets	84,662	–	–	84,662	–	84,662
Others	126,521	9,874	67,765	204,160	10,728	214,888
Reportable segment liabilities:						
Trade payables	43,667	5,896	225	49,788	18	49,806
Other payables and accruals	67,314	2,855	90,378	160,547	20,567	181,114
Contract liabilities	260,245	30	4,065	264,340	–	264,340
Lease liabilities	18,072	7,917	–	25,989	441	26,430
Current income tax liabilities	–	–	–	–	11,825	11,825
Deferred income tax liabilities	–	–	–	–	424,219	424,219
Capital expenditure	17,093	2,219	19,636	38,948	–	38,948

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

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)*

	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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

5 OPERATING SEGMENTS *(continued)*

(b) Geographical information

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

	2019 HK$'000	2018 HK$'000
China Mainland	**1,475,857**	1,571,462
Hong Kong SAR	**51,909**	47,634
Singapore and Malaysia	**64,164**	62,268
	1,591,930	1,681,364

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

	2019 HK$'000	2018 HK$'000
China Mainland	**1,906,822**	1,903,301
Hong Kong SAR	**1,169,718**	1,119,460
Singapore and Malaysia	**47,173**	38,391
	3,123,713	3,061,152

(c) Information about major customers

In 2019 and 2018, 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 2019

5 OPERATING SEGMENTS *(continued)*

(d) Disaggregation of revenue

	2019 HK$'000	2018 HK$'000
Revenue recognized under HKFRS 15		
Sales of goods	**1,285,900**	1,384,596
Building management fees	**38,976**	36,638
Licensing income	**120,256**	115,530
	1,445,132	1,536,764
Revenue recognized under other accounting standard		
Rental income from investment properties	**146,798**	144,600
	1,591,930	1,681,364
Timing of revenue recognition		
At a point in time	**1,314,627**	1,408,618
Over time	**130,505**	128,146
	1,445,132	1,536,764

6 LAND USE RIGHTS

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

	2019 HK$'000	2018 HK$'000
At 1st January	**46,698**	44,607
Effect of adoption of HKFRS 16 (note 2.2(c))	**(46,698)**	–
At 1st January, as restated	**–**	44,607
Exchange differences	**–**	(1,172)
Additions	**–**	4,547
Transfer from investment properties	**–**	3,523
Transfer to investment properties	**–**	(2,936)
Amortization of prepaid operating lease payment (note 24)	**–**	(1,871)
At 31st December	**–**	46,698

Amortization expense of HK$1,871,000 was included in administrative expenses in 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

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 2018						
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
Year ended 31st December 2019						
Opening net book amount	**120,000**	**691**	**24,849**	**3,824**	**10,905**	**160,269**
Effect of adoption of HKFRS 16 (note 2.2(c))	**–**	**–**	**(199)**	**–**	**–**	**(199)**
Opening net book amount, as restated	**120,000**	**691**	**24,650**	**3,824**	**10,905**	**160,070**
Additions	**37**	**425**	**4,450**	**527**	**1,646**	**7,085**
Disposals	**–**	**–**	**(1,271)**	**(9)**	**–**	**(1,280)**
Transfer from investment properties	**18,482**	**–**	**–**	**–**	**–**	**18,482**
Transfer to investment properties	**(13,084)**	**–**	**–**	**–**	**–**	**(13,084)**
Depreciation	**(10,042)**	**(203)**	**(7,298)**	**(1,583)**	**(3,134)**	**(22,260)**
Exchange differences	**(315)**	**(12)**	**(394)**	**(49)**	**(107)**	**(877)**
Closing net book amount	**115,078**	**901**	**20,137**	**2,710**	**9,310**	**148,136**
At 31st December 2019						
Cost	**265,588**	**46,779**	**102,770**	**38,377**	**29,272**	**482,786**
Accumulated depreciation	**(150,510)**	**(45,878)**	**(82,633)**	**(35,667)**	**(19,962)**	**(334,650)**
Net book amount	**115,078**	**901**	**20,137**	**2,710**	**9,310**	**148,136**

Depreciation expense of HK$735,000 (2018: HK$512,000) has been expensed in cost of sales, HK$1,609,000 (2018: HK$1,662,000) in selling and marketing costs and HK$19,916,000 (2018: HK$21,192,000) 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 2019 (2018: nil). The recoverable amounts of the assets were determined on the value-in-use basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

8 RIGHT-OF-USE ASSETS

	2019 HK$'000
Initial recognition as at 1st January	72,818
Additions	12,559
Disposal	(58)
Transfer to investment properties	(2,940)
Transfer from investment properties	3,604
Depreciation	(15,878)
Exchange differences	(984)
At 31st December	69,121

The recognized right-of-use assets relate to the following types of assets:

	31st December 2019 HK$'000	1st January 2019 HK$'000
Land use rights in China Mainland	44,872	46,698
Buildings	23,612	25,598
Machinery and equipment	350	323
Furniture and fixtures	287	199
Total right-of-use assets	69,121	72,818

Depreciation charge of right-of-use assets:

	2019 HK$'000
Land use rights in China Mainland	1,865
Buildings	13,622
Machinery and equipment	201
Furniture and fixtures	190
	15,878

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

9 INVESTMENT PROPERTIES

	2019 HK$'000	2018 HK$'000
At 1st January	**2,847,372**	2,650,249
Additions	**31,863**	41,426
Transfer from right-of-use assets and property, plant and equipment (2018: Transfer from land use rights and property, plant and equipment)	**21,694**	125,388
Transfer to right-of-use assets and property, plant and equipment (2018: Transfer to land use rights and property, plant and equipment)	**(22,086)**	(3,899)
Fair value gains (note 23)	**51,518**	91,921
Exchange differences	**(30,114)**	(57,713)
At 31st December	**2,900,247**	2,847,372

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

	2019 HK$'000	2018 HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**244,900**	217,800
Leases of between 10 and 50 years	**881,300**	854,900
Outside Hong Kong, held on:		
Leases of over 50 years	**–**	31,111
Leases of between 10 and 50 years	**1,744,467**	1,714,491
Freehold outside Hong Kong	**29,580**	29,070
	2,900,247	2,847,372

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

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 2019 and 2018. The fair value gains were included in "Other gains" in income statement (note 23). The following table analyzes the investment properties carried at fair value, by valuation method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

9 INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy

Description	Fair value measurements at 31st December 2019 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	–	–	1,126,200
– China Mainland	–	–	1,744,467
– Singapore	–	–	29,580

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

9 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 2019	**1,072,700**	**1,745,602**	**29,070**	**2,847,372**
Additions	**13,603**	**18,260**	**–**	**31,863**
Transfer from right-of-use assets and property, plant and equipment	**–**	**21,694**	**–**	**21,694**
Transfer to right-of-use assets and property, plant and equipment	**–**	**(22,086)**	**–**	**(22,086)**
Fair value gains	**39,897**	**11,621**	**–**	**51,518**
Exchange differences	**–**	**(30,624)**	**510**	**(30,114)**
At 31st December 2019	**1,126,200**	**1,744,467**	**29,580**	**2,900,247**

	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

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).

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For the year ended 31st December 2019

9 INVESTMENT PROPERTIES *(continued)*

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

Description	Fair value at 31st December 2019 HK$'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties – China Mainland	**1,744,467**	Income approach (term and reversionary method)	Monthly rental value	RMB38–1,050/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	**1,126,200**	Income approach (term and reversionary method)	Monthly rental value	HK$91–123/$m^2$	The higher the assumed monthly rental value, the higher the fair value
			Gross reversionary yield	4.25% to 4.5% p.a.	The higher the assumed reversionary yield, the lower the fair value
Investment properties – Singapore	**29,580**	Direct comparison	Price per square meter	S$5,517–8,120/$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 2019

9 INVESTMENT PROPERTIES *(continued)*

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

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

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 HK$'000	2018 HK$'000
At 1st January	**6,813**	–
Reclassification from available-for-sale financial assets	**–**	5,900
Fair value (loss)/gain transfer to equity (note 19)	**(484)**	1,113
Exchange differences	**(120)**	(200)
At 31st December	**6,209**	6,813

The fair value of the unlisted equity investment that is not traded in an active market is denominated in RMB and determined by an independent professional valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited. The valuation falls within level 3 of the fair value measurement hierarchy, for details, please refer to note 3.3.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

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 2019	Group's equity interest 2018
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%
Goldlion Distribution (M) Sdn. Bhd.	Malaysia Limited liability company	Distribution of garments in Malaysia	1,200,000 ordinary shares of MYR1 each	100%	100%
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%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

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 2019	Group's equity interest 2018
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%
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

For the year ended 31st December 2019

12 PROPERTY UNDER DEVELOPMENT HELD FOR SALE

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

	2019 HK$'000	2018 HK$'000
Land use rights	**109,200**	113,026
Development costs	**148,882**	61,152
	258,082	174,178

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$258,082,000 (2018: HK$174,178,000).

13 INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	**2,611**	2,906
Work in progress	**16,857**	17,887
Finished goods	**223,627**	200,362
	243,095	221,155

The cost of inventories recognized as expense and included in cost of sales amounted to HK$623,757,000 (2018: HK$665,141,000) (note 24).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

14 FINANCIAL INSTRUMENTS BY CATEGORY

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

	2019 HK$'000	2018 HK$'000
Financial assets at amortized cost		
Trade receivables (note 15)	**109,704**	122,688
Deposits and other receivables (note 15)	**34,577**	26,208
Bank deposits and cash and cash equivalents (note 17)	**1,208,001**	1,329,937
Financial assets at fair value through other comprehensive income (note 10)	**6,209**	6,813
Total	**1,358,491**	1,485,646
Financial liabilities, at amortized cost		
Trade payables (note 20)	**49,806**	53,854
Other payables	**86,471**	90,731
Lease liabilities	**26,430**	–
Total	**162,707**	144,585

15 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	**111,306**	122,688
Less: provision for impairment	**(1,602)**	–
Trade receivables – net	**109,704**	122,688
Purchase deposits	**4,689**	8,016
Prepayments	**59,494**	6,438
General deposits	**12,632**	9,879
Interest receivable	**9,081**	9,648
VAT recoverable	**8,787**	1,336
Others	**4,077**	5,345
Total of prepayments, deposits and other receivables	**98,760**	40,662

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

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

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 or credit terms ranging from 30 days to 180 days after delivery. At 31st December 2019, an ageing analysis of the trade receivables based on invoice date was as follows:

	2019 HK$'000	2018 HK$'000
1–30 days	99,093	100,073
31–90 days	7,594	6,994
Over 90 days	4,619	15,621
Trade receivables	111,306	122,688
Less: provision for impairment of trade receivables	(1,602)	–
Trade receivables – net	109,704	122,688

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

	2019 HK$'000	2018 HK$'000
Renminbi	189,181	146,566
Singapore dollar	9,875	9,664
Hong Kong dollar	9,408	7,120
	208,464	163,350

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

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

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

	2019 **HK$'000**	2018 HK$'000
Impairment loss – impaired receivables	**1,602**	–

16 CONTRACT ASSETS AND CONTRACT LIABILITIES

	2019 **HK$'000**	2018 HK$'000
Contract assets		
Arising from the right to recover products from customers on settling right of return obligation	**84,662**	65,037
Contract liabilities		
Receipt in advance from customers	**32,073**	36,518
Right of return obligation	**184,263**	145,908
Deferred revenue	**48,004**	67,487
	264,340	249,913

17 BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2019 **HK$'000**	2018 HK$'000
Cash at bank and in hand	**374,701**	173,501
Bank deposits with maturity less than 3 months	**11,131**	250,131
Cash and cash equivalents as stated in the consolidated cash flow statement	**385,832**	423,632
Bank deposits with maturity over 3 months	**822,169**	906,305
Bank deposits and cash and cash equivalents as stated in the balance sheet	**1,208,001**	1,329,937
Maximum exposure to credit risk	**1,207,915**	1,329,880

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

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:

	2019 HK$'000	2018 HK$'000
Renminbi	**938,115**	958,024
Singapore dollar	**7,698**	9,704
Hong Kong dollar	**262,188**	362,209
	1,208,001	1,329,937

These bank balances and cash of the Group denominated in different currencies and held in PRC are subject to the rules and regulations of foreign exchange control promulgated by the Chinese government.

18 SHARE CAPITAL

	2019		2018	
	Number of shares (thousands)	**Share capital HK$'000**	Number of shares (thousands)	Share capital HK$'000
Ordinary shares, issued and fully paid:				
At 1st January and 31st December	**982,114**	**1,101,358**	982,114	1,101,358

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

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 2019	(34,204)	97,097	99,393	153,050	315,336	2,721,985	3,037,321
Change in accounting policy (note 2.2(c))	–	–	–	–	–	(1,741)	(1,741)
Balance at 1st January 2019, as restated	(34,204)	97,097	99,393	153,050	315,336	2,720,244	3,035,580
Profit for the year	–	–	–	–	–	306,028	306,028
Revaluation of investment property upon reclassification from right-of-use assets and property, plant and equipment	–	4,253	–	–	4,253	–	4,253
Change in fair value of financial assets at fair value through other comprehensive income	–	(363)	–	–	(363)	–	(363)
Currency translation differences	–	–	–	(41,791)	(41,791)	–	(41,791)
Total comprehensive income	–	3,890	–	(41,791)	(37,901)	306,028	268,127
2018 final dividend paid	–	–	–	–	–	(127,675)	(127,675)
2019 interim dividend paid	–	–	–	–	–	(54,016)	(54,016)
Balance at 31st December 2019	(34,204)	100,987	99,393	111,259	277,435	2,844,581	3,122,016
Representing:							
Reserves	(34,204)	100,987	99,393	111,259	277,435	2,751,280	3,028,715
2019 final dividend proposed	–	–	–	–	–	93,301	93,301
	(34,204)	100,987	99,393	111,259	277,435	2,844,581	3,122,016

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

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 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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

20 TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2019 HK$'000	2018 HK$'000
Trade payables (note a)	**49,806**	53,854
Other payables and accruals (note b)	**181,114**	176,286
Less: non-current portion	**(20,739)**	(80)
Current portion	**160,375**	176,206

Notes:

(a) At 31st December 2019, the ageing analysis of the trade payables based on invoice date was as follows:

	2019 HK$'000	2018 HK$'000
1–30 days	**46,516**	37,918
31–90 days	**2,627**	11,823
Over 90 days	**663**	4,113
	49,806	53,854

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

	2019 HK$'000	2018 HK$'000
Renminbi	**43,892**	43,315
Singapore dollar	**5,896**	10,513
Hong Kong dollar	**18**	26
	49,806	53,854

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

	2019 HK$'000	2018 HK$'000
Deposits received	**63,517**	61,269
Accruals and others	**117,597**	115,017
	181,114	176,286

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

21 DEFERRED INCOME TAX

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

	2019 HK$'000	2018 HK$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**(18,358)**	(15,439)
– Deferred income tax assets to be recovered within 12 months	**(36,518)**	(35,843)
	(54,876)	(51,282)
Deferred income tax liabilities:		
– Deferred income tax liabilities to be recovered after more than 12 months	**424,219**	421,765
	424,219	421,765
Deferred income tax liabilities (net)	**369,343**	370,483

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

	2019 HK$'000	2018 HK$'000
At 1st January	**370,483**	347,917
Effect of adoption of HKFRS 16 (note 2.2(c))	**(572)**	–
At 1st January, as restated	**369,911**	347,917
Charged to consolidated income statement (note 30)	**6,182**	11,452
Charged to other comprehensive income	**1,296**	21,752
Exchange differences	**(8,046)**	(10,638)
At 31st December	**369,343**	370,483

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$894,461,000 (2018: HK$855,212,000), of which HK$545,624,000 (2018: HK$547,903,000), HK$31,349,000 (2018: HK$48,556,000) and HK$47,792,000 (2018: HK$46,968,000) 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. Out of the unrecognized tax losses, HK$863,112,000 (2018: HK$806,656,000) have no expiry date and the remaining amount will expire at various dates up to and including 2024.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

21 DEFERRED INCOME TAX *(continued)*

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	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
At 1st January	**139,816**	138,295	**271,197**	254,552	**43,905**	35,945	**24,147**	10,511	**479,065**	439,303
Effect of adoption of HKFRS 16 (note 2.2(c))	**–**	–	**–**	–	**–**	–	**5,793**	–	**5,793**	–
At 1st January, as restated	**139,816**	138,295	**271,197**	254,552	**43,905**	35,945	**29,940**	10,511	**484,858**	439,303
Exchange differences	**(2,585)**	(5,033)	**(4,687)**	(8,539)	**(1,966)**	(140)	**(825)**	(374)	**(10,063)**	(14,086)
Charged to consolidated income statement	**2,174**	6,554	**3,094**	3,432	**6,568**	8,100	**1,492**	14,010	**13,328**	32,096
Charged to other comprehensive income	**–**	–	**1,296**	21,752	**–**	–	**–**	–	**1,296**	21,752
At 31st December	**139,405**	139,816	**270,900**	271,197	**48,507**	43,905	**30,607**	24,147	**489,419**	479,065

Deferred income tax assets

	Provisions		Others		Total	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
At 1st January	**(51,149)**	(51,625)	**(57,433)**	(39,761)	**(108,582)**	(91,386)
Effect of adoption of HKFRS 16 (note 2.2(c))	**–**	–	**(6,365)**	–	**(6,365)**	–
At 1st January, as restated	**(51,149)**	(51,625)	**(63,798)**	(39,761)	**(114,947)**	(91,386)
Exchange differences	**898**	1,772	**1,119**	1,676	**2,017**	3,448
Credited to consolidated income statement	**(3,019)**	(1,296)	**(4,127)**	(19,348)	**(7,146)**	(20,644)
At 31st December	**(53,270)**	(51,149)	**(66,806)**	(57,433)	**(120,076)**	(108,582)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

21 DEFERRED INCOME TAX *(continued)*

Deferred income tax assets *(continued)*

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:

	2019 HK$'000	2018 HK$'000
Deferred income tax assets	**(54,876)**	(51,282)
Deferred income tax liabilities	**424,219**	421,765
	369,343	370,483

22 LEASE LIABILITIES

	31st December 2019 HK$'000	1st January 2019 HK$'000
Current liabilities	**16,530**	11,464
Non-current liabilities	**9,900**	16,533
Total lease liabilities	**26,430**	27,997

The total cash payment for lease for the year ended 31st December 2019 was HK$96,894,000.

The Group's leasing activities and how these are accounted for

The Group leases various retail spaces and premises, warehouses, offices, equipment and cars. Rental contracts are typically made for fixed periods of 1 to 5 years but may have extension options as described in note 2.22(b). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The Group also leases certain land use rights in China Mainland. These land use rights are leased for a period of between 40 and 70 years on which plants and buildings of the Group are situated on.

The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Future aggregate minimum lease payment under non-cancellable leases amounted to HK$12,938,000.

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

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23 OTHER GAINS

	2019 HK$'000	2018 HK$'000
Fair value gains on investment properties	**51,518**	91,921

24 EXPENSES BY NATURE

	2019 HK$'000	2018 HK$'000
Cost of inventories sold	**623,757**	665,141
Provision for/(reversal of) impairment of inventories	**16,373**	(842)
Direct operating expenses arising from investment properties that generated rental income	**37,712**	39,127
Expenses relating to:		
– short-term leases	**30,835**	–
– variable lease payments	**51,131**	–
– other leases	**–**	97,830
Amortization of land use rights (note 6)	**–**	1,871
Depreciation of property, plant and equipment (note 7)	**22,260**	23,366
Depreciation of right-of-use assets (note 8)	**15,878**	–
Reversal of impairment of property, plant and equipment (note 7)	**–**	(219)
Staff costs including directors' emoluments (note 25)	**236,393**	242,935
Auditors' remuneration – audit services	**3,939**	4,482
Advertising and promotion expenses	**112,063**	124,843
Provision for impairment of trade receivables (note 15)	**1,602**	–
Reversal of provision for onerous contract	**–**	(1,925)
Net exchange (gain)/loss	**(441)**	6,877
Other expenses	**141,679**	136,068
	1,293,181	1,339,554
Representing:		
Cost of sales	**678,577**	703,938
Selling and marketing costs	**443,324**	432,179
Administrative expenses	**171,280**	203,437
	1,293,181	1,339,554

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

25 STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	2019 HK$'000	2018 HK$'000
Staff costs		
– Wages and salaries	**194,158**	200,676
– Retirement benefit costs (note 26)	**40,931**	41,393
– Post-retirement benefit costs (note)	**1,304**	866
	236,393	242,935

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

26 RETIREMENT BENEFIT COSTS

	2019 HK$'000	2018 HK$'000
Defined contribution schemes for:		
Hong Kong employees (note (a))	**1,052**	1,017
Singapore employees (note (b))	**3,531**	3,594
China Mainland employees (note (c))	**36,348**	36,782
	40,931	41,393

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$1,052,000 (2018: HK$1,017,000) without any forfeited contributions (2018: 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 (2018: nil) to the MPF scheme at the year end. There were no unutilized forfeited contributions at year end (2018: nil).

(b) Contributions paid and payable by the Group to the schemes amounted to HK$3,531,000 (2018: HK$3,594,000). Contributions totalling HK$446,000 (2018: HK$442,000) payable to the schemes at the year end were included in other payables. There were no unutilized forfeited contributions at year end (2018: 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 (2018: nil) to the municipal governments at year end.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

27 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 2019:

	2019					
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						
Madam Wong Lei Kuan	**–**	**1,951**	**1,647**	**36**	**–**	**3,634**
Mr. Ng Ming Wah, Charles	**360**	**–**	**–**	**–**	**–**	**360**
Dr. Lau Yue Sun	**360**	**–**	**–**	**–**	**–**	**360**
Mr. Li Ka Fai, David	**360**	**–**	**–**	**–**	**–**	**360**
Mr. Nguyen, Van Tu Peter	**360**	**–**	**–**	**–**	**–**	**360**
Director and Chief Executive						
Mr. Tsang Chi Ming, Ricky	**–**	**4,935**	**6,587**	**8**	**18**	**11,548**

	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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

27 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 (2018: 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 (2018: 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 (2018: 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 (2018: 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 (2018: nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

28 EMOLUMENTS OF SENIOR MANAGEMENT

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year includes two (2018: three) Directors whose emoluments are reflected in the analysis presented in note 27(a) above. The emoluments payable to the remaining three (2018: two) individuals during the year are as follows:

	2019 HK$'000	2018 HK$'000
Basic salaries, housing and other allowances	11,558	9,644
Bonuses	4,106	6,675
Retirement benefit costs	570	510
	16,234	16,829

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
Emolument bands		
HK$3,000,001–HK$3,500,000	1	–
HK$4,500,001–HK$5,000,000	1	1
HK$8,000,001–HK$8,500,000	1	–
HK$12,000,001–HK$12,500,000	–	1

(b) Other than disclosed in notes 27(a) and 28(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.

(c) Emoluments of senior management

Other than the emoluments of Directors and five highest paid individuals disclosed in notes 27(a) and 28(a) respectively, the emoluments of the senior management fell within the following bands:

	Number of individuals	
	2019	2018
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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

29 INTEREST INCOME, NET

	2019 HK$'000	2018 HK$'000
Interest income:		
– Interest income from bank deposits	23,902	25,511
Interest expense:		
– Interest expense on lease liabilities	(1,538)	–
	22,364	25,511

30 INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
Hong Kong profits tax:		
Current year	572	528
Over-provision in prior year	(111)	(20)
	461	508
Taxation outside Hong Kong:		
Current year	60,002	70,930
(Over)/under-provision in prior year	(42)	108
	59,960	71,038
Deferred income tax (note 21)	6,182	11,452
Total income tax expense	66,603	82,998

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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% (2018: 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

30 INCOME TAX EXPENSE *(continued)*

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:

	2019 HK$'000	2018 HK$'000
Profit before income tax	**372,631**	459,242
Calculated at a tax rate of 16.5%	**61,484**	75,775
Effect of different taxation rates in other countries	**2,236**	7,563
Income not subject to tax	**(15,694)**	(19,439)
Expenses not deductible for tax purposes	**3,114**	2,813
Utilization of unrecognized tax losses	**(635)**	(33)
Tax losses not recognized	**9,605**	7,757
Withholding tax on profits retained by the PRC subsidiaries	**6,568**	8,100
Others	**(75)**	462
Total income tax expense	**66,603**	82,998

Corporate withholding income tax on dividend distribution

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

31 DIVIDENDS

	2019 HK$'000	2018 HK$'000
2018 interim dividend, paid, of 6.5 HK cents per ordinary share	–	63,837
2018 final dividend, paid, of 13.0 HK cents per ordinary share	–	127,675
2019 interim dividend, paid, of 5.5 HK cents per ordinary share	54,016	–
2019 final dividend, proposed, of 9.5 HK cents per ordinary share (note)	93,301	–
	147,317	191,512

Note:

At a meeting held on 18th March 2020, the Directors declared a final dividend of 9.5 HK cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2019.

32 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.

	2019	2018
Profit attributable to owners of the Company (HK$'000)	306,028	376,244
Number of shares in issue	982,114,035	982,114,035
Basic earnings per share (HK cents)	31.16	38.31

(b) Diluted

The calculation of diluted earnings per share is based on the Group's profit attributable to owners of the Company of HK$306,028,000 (2018: HK$376,244,000) and the number of ordinary shares in issue of 982,114,035 (2018: 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 2019 and 2018.

33 CASH FLOW INFORMATION

(a) Cash generated from operations

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

	2019 HK$'000	2018 HK$'000
Profit before income tax	**372,631**	459,242
Adjustments for:		
– Amortization of land use rights (note 6)	**–**	1,871
– Depreciation of property, plant and equipment (note 7)	**22,260**	23,366
– Depreciation of right-of-use assets (note 8)	**15,878**	–
– Reversal of impairment of property, plant and equipment (note 7)	**–**	(219)
– Reversal of provision for onerous contract	**–**	(1,925)
– Provision for/(reversal of) impairment of inventories	**16,373**	(842)
– Interest income	**(23,902)**	(25,511)
– Losses on disposals of property, plant and equipment (note 33(a)(i))	**1,187**	11
– Gains on disposal of right-of-use assets	**(5)**	–
– Fair value gains on investment properties	**(51,518)**	(91,921)
– Provision for impairment of trade receivables (note 15)	**1,602**	–
Changes in working capital:		
– Property under development held for sale	**(86,960)**	(40,565)
– Inventories	**(34,930)**	48,245
– Trade receivables, prepayments, deposits, other receivables and contract assets	**(67,140)**	(82,554)
– Trade payables, other payables, accruals and contract liabilities	**14,930**	67,762
Net cash generated from operations	**180,406**	356,960

Note:

(i) Disposals of property, plant and equipment

	2019 HK$'000	2018 HK$'000
Net book amount	**1,280**	2,603
Losses on disposals of property, plant and equipment	**(1,187)**	(11)
Proceeds received	**93**	2,592

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

33 CASH FLOW INFORMATION *(continued)*

(b) Major non-cash financing activities

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$12,559,000 and HK$12,281,000, respectively, in respect of lease arrangements for buildings and equipment (2018: nil) and disposals of right-of-use assets and lease liabilities of HK$58,000 and HK$63,000, respectively, in respect of lease arrangements for equipment (2018: nil).

(c) Reconciliation of liabilities arising from financing activities

Lease liabilities

	2019 HK$'000	2018 HK$'000
At 1st January	–	–
Effect of adoption of HKFRS 16 (note 2.2(c))	27,997	–
At 1st January, as restated	27,997	–
Changes from financing cash flows	(13,390)	–
Additions	12,281	–
Disposal	(63)	–
Exchange differences	(395)	–
At 31st December	26,430	–

34 COMMITMENTS

(a) Capital commitments

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

	2019 HK$'000	2018 HK$'000
Property, plant and equipment		
Contracted but not provided for	297	303
Investment properties		
Contracted but not provided for	622	18,142

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

34 COMMITMENTS *(continued)*

(b) Commitments for property development expenditure

	2019 HK$'000	2018 HK$'000
Contracted but not provided for	542,057	5,283
Authorized but not contracted for	183,000	870,000
	725,057	875,283

(c) At 31st December 2019, the Group had future aggregate minimum lease payments receivable under non-cancellable leases as follows:

	2019 HK$'000	2018 HK$'000
Rental receivables		
– not later than one year	123,960	122,746
– later than one year and not later than five years	183,264	165,221
– later than five years	26,088	6,521
	333,312	294,488

35 RELATED PARTY TRANSACTIONS

The Company is controlled by the Tsang Family (comprising Madam Wong Lei Kuan, Mr. Tsang Chi Ming, Ricky and the other direct descendants of the late Dr. Tsang Hin Chi) 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

	2019 HK$'000	2018 HK$'000
Rental and building management fees received from related companies	47	2,014
Early termination compensations received from related companies	–	748

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

35 RELATED PARTY TRANSACTIONS *(continued)*

(a) Sales of services *(continued)*

Note:

Rental and management fees were received 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$47,000. Rental and management fees were charged at rate based on the relevant lease agreements entered into. Mr. Tsang Chi Hung has an indirect beneficial interest in CHKDAM 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 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

	2019 HK$'000	2018 HK$'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.

(c) Key management compensation

	2019 HK$'000	2018 HK$'000
Salaries, directors' emoluments and other short-term employee benefits	39,121	48,916
Retirement benefit costs	660	638
	39,781	49,554

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

	2019 HK$'000	2018 HK$'000
Accruals		
– Equitas Capital Limited	160	160

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

36 SUBSEQUENT EVENTS

Since January 2020, there have been numerous confirmed cases of Coronavirus ("COVID-19") in China Mainland, Singapore and Hong Kong SAR. The COVID-19 outbreak is considered a non-adjusting subsequent event and its related financial impact has not been reflected in the financial statements of the Group as at and for the year ended 31st December 2019.

Following the COVID-19 outbreak, the Group understands that the normal operation of a number of wholesale customers' sales channels have been affected due to controls imposed by various preventive measures, and encountered difficulties in onward selling of the Group's product to the end customers. As such, the Group reviewed the situation in February 2020 and considered individual requests from locations severely affected by the epidemic, and the Board specifically approved additional sales return credit. According to this arrangement, the sales return credit under epidemic supporting policy amounted to approximately HK$5,400,000. Additional sales return credit of HK$34,000,000 was also given for the sales of 2020 spring and summer goods. Among which, HK$10,400,000 was shipped during the period. The related inventory items need to be returned to the Group by end of October 2020. After that, the Group will consider the market conditions and sell these inventory items through other sales channels.

Further, the Group measures its investment properties using fair value model. Additionally, the Group's property development project in Meixian, China Mainland, is originally expected to commence pre-sale in the second half of 2020. Management considers, for the time being, that the COVID-19 epidemic will not significantly affect the fair value of the Group's investment properties, nor affect the pre-sale schedule of the Meixian project, but there may be impact if the epidemic continues.

Apart from disclosed above, the outbreak is expected to affect the financial results of the Group and the macro-economic environment in China Mainland, Singapore and Hong Kong SAR as a whole, the effect of which cannot be estimated as of the date of the report.

The Group will pay close attention to the development of the outbreak, perform further assessment of its impact and take relevant measures.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

37 BALANCE SHEET OF THE COMPANY

		As at 31st December 2019 HK$'000	As at 31st December 2018 HK$'000
ASSETS			
Non-current assets			
Investment in a subsidiary		**10**	10
Current assets			
Amount due from a subsidiary		**1,408,289**	1,496,685
Prepayments		**172**	172
Cash and cash equivalents		**2,226**	1,033
		1,410,687	1,497,890
Total assets		**1,410,697**	1,497,900
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**1,101,358**	1,101,358
Retained earnings	note (a)	**308,115**	394,732
Total equity		**1,409,473**	1,496,090
LIABILITIES			
Current liabilities			
Accruals		**1,224**	1,810
Total equity and liabilities		**1,410,697**	1,497,900

On behalf of the Board

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

Madam Wong Lei Kuan
Executive Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2019

37 BALANCE SHEET OF THE COMPANY *(continued)*

Note:

(a) Retained earnings movement of the Company

	Retained earnings HK$'000
At 1st January 2019	**394,732**
2018 final dividend paid	**(127,675)**
2019 interim dividend paid	**(54,016)**
Profit for the year	**95,074**
At 31st December 2019	**308,115**
Representing:	
Reserves	**214,814**
2019 final dividend proposed	**93,301**
	308,115
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

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31st December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Profit attributable to owners of the Company	**306,028**	376,244	322,275	388,844	401,872
Assets and liabilities					
Total assets	**5,181,108**	5,066,251	4,808,220	4,407,978	4,342,882
Total liabilities	**(957,734)**	(927,572)	(861,086)	(717,850)	(724,281)
Total equity	**4,223,374**	4,138,679	3,947,134	3,690,128	3,618,601

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