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金利來

**GOLDLION HOLDINGS LIMITED**

金利來集團有限公司

*(Incorporated in Hong Kong under the Hong Kong Companies Ordinance)*

**(Stock code: 533)**

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30TH JUNE 2019**

**RESULTS**

The Board of Directors (the “Board”) announces the unaudited condensed consolidated interim results of Goldlion Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) for the six months ended 30th June 2019 as follows:

**Condensed Consolidated Interim Income Statement  
For the six months ended 30th June 2019**

	Note	Unaudited Six months ended	
		30.6.2019 HK\$'000	30.6.2018 HK\$'000
Turnover	3	744,851	783,156
Cost of sales	5	(312,018)	(325,297)
Gross profit		432,833	457,859
Other gains	4	49,261	51,645
Selling and marketing costs	5	(211,789)	(218,518)
Administrative expenses	5	(83,940)	(96,202)
Operating profit		186,365	194,784
Interest income		12,344	12,747
Interest expense		(712)	-
Profit before income tax		197,997	207,531
Income tax expense	6	(34,668)	(36,435)
Profit for the period attributable to owners of the Company		163,329	171,096
Earnings per share		<i>HK cents</i>	<i>HK cents</i>
- Basic and diluted	7	16.63	17.42

**Condensed Consolidated Interim Statement of Comprehensive Income**  
**For the six months ended 30th June 2019**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30.6.2019</b>	<b>30.6.2018</b>
	HK\$'000	HK\$'000
Profit for the period	163,329	171,096
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Revaluation of investment property upon reclassification from land use rights, and property, plant and equipment	-	2,434
Change in fair value of financial assets at fair value through other comprehensive income	-	1,564
Income tax relating to these items	-	(1,000)
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of financial statements of overseas subsidiaries	2,855	232
Other comprehensive income for the period	2,855	3,230
Total comprehensive income for the period attributable to owners of the Company	166,184	174,326

**Condensed Consolidated Interim Balance Sheet  
As at 30th June 2019**

	Note	As at 30.6.2019 (Unaudited) HK\$'000	As at 31.12.2018 (Audited) HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights		-	46,698
Property, plant and equipment		151,373	160,269
Right-of-use assets		69,448	-
Investment properties		2,917,723	2,847,372
Financial assets at fair value through other comprehensive income		6,813	6,813
Deferred income tax assets		58,036	51,282
		<u>3,203,393</u>	<u>3,112,434</u>
<b>Current assets</b>			
Property under development held for sale		196,708	174,178
Inventories		207,454	221,155
Trade receivables	9	79,805	122,688
Prepayments, deposits and other receivables		63,889	40,662
Contract assets		62,997	65,037
Tax recoverable		5,040	160
Bank deposits		902,952	906,305
Cash and cash equivalents		381,325	423,632
		<u>1,900,170</u>	<u>1,953,817</u>
<b>Total assets</b>		<b><u>5,103,563</u></b>	<b><u>5,066,251</u></b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital		1,101,358	1,101,358
Reserves		3,074,089	3,037,321
<b>Total equity</b>		<u>4,175,447</u>	<u>4,138,679</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Other payables and accruals		21,302	80
Lease liabilities		12,696	-
Deferred income tax liabilities		428,468	421,765
		<u>462,466</u>	<u>421,845</u>
<b>Current liabilities</b>			
Trade payables	10	48,224	53,854
Other payables and accruals		111,092	176,206
Contract liabilities		277,472	249,913
Lease liabilities		13,161	-
Current income tax liabilities		15,701	25,754
		<u>465,650</u>	<u>505,727</u>
<b>Total liabilities</b>		<u>928,116</u>	<u>927,572</u>
<b>Total equity and liabilities</b>		<b><u>5,103,563</u></b>	<b><u>5,066,251</u></b>

Notes:

## 1. Principal accounting policies

This condensed consolidated interim financial information for the six months ended 30th June 2019 has been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants, and applicable requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2018, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The financial information relating to the year ended 31st December 2018 that is included in this preliminary announcement of interim results for the six months ended 30th June 2019 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31st December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor has reported on those financial statements for the year ended 31st December 2018. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

The accounting policies applied by the Group are consistent with those of the annual financial statements for the year ended 31st December 2018, except for the adoption of new and amended standards as set out below.

### (a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting HKFRS 16 “Leases” (“HKFRS 16”) by applying the modified retrospective approach.

The impact of the adoption of HKFRS 16 and the new accounting policies are disclosed in note 2 below.

The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

## 2. Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 on the Group's financial information and discloses the new accounting policies that have been applied from 1st January 2019 in note 2(b) below.

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.

### (a) Adjustments recognized on adoption of HKFRS 16

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%.

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	<u>(17,866)</u>
	29,874
Effect of discounting at incremental borrowing rate at the date of initial adoption	<u>(1,877)</u>
Lease liabilities recognized upon initial adoption of HKFRS 16	<u>27,997</u>
Representing:	
Current lease liabilities	11,464
Non-current lease liabilities	<u>16,533</u>
	<u>27,997</u>

## 2. Changes in accounting policies (*continued*)

### (a) Adjustments recognized on adoption of HKFRS 16 (*continued*)

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 the following types of assets:

	<b>As at 30.6.2019</b>	<b>As at 1.1.2019</b>
	HK\$'000	HK\$'000
Land use rights in China Mainland	45,754	46,698
Buildings	23,025	25,598
Machinery and equipment	457	323
Furniture and fixtures	212	199
Total right-of-use assets	<u>69,448</u>	<u>72,818</u>

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

	<b>As at 31.12.2018</b>	<b>Effects of the adoption of HKFRS 16</b>	<b>As at 1.1.2019</b>
Condensed consolidated interim balance sheet (extract)	<b>As originally presented</b>	<b>HK\$'000</b>	<b>Restated</b>
	HK\$'000	HK\$'000	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	<u>2,721,985</u>	<u>(1,741)</u>	<u>2,720,244</u>

## 2. Changes in accounting policies (*continued*)

### (a) Adjustments recognized on adoption of HKFRS 16 (*continued*)

#### (i) 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”.

### (b) 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(b)(ii) below. 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 to 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.

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.

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.

## 2. Changes in accounting policies (*continued*)

### (b) The Group's leasing activities and how these are accounted for (*continued*)

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.

#### (i) 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. For individual stores, up to 100 percent of lease payments are on the basis of variable payment terms and there is a wide range of sales percentages applied. 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.

## 2. Changes in accounting policies (*continued*)

(b) The Group's leasing activities and how these are accounted for (*continued*)

(ii) 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.

## 3. Turnover and segment information

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

	<b>Six months ended</b>	
	<b>30.6.2019</b>	<b>30.6.2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue recognized under HKFRS 15		
Sales of goods	611,080	644,152
Building management fees	19,070	18,043
Licensing income	42,063	47,757
	<u>672,213</u>	<u>709,952</u>
Revenue recognized under other accounting standard		
Rental income from investment properties	72,638	73,204
	<u>744,851</u>	<u>783,156</u>
Timing of revenue recognition		
At a point in time	611,080	644,152
Over time	61,133	65,800
	<u>672,213</u>	<u>709,952</u>

### 3. Turnover and segment information (*continued*)

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

	Six months ended		Six months ended	
	30.6.2019	30.6.2018	30.6.2019	30.6.2018
	Segment	Segment	Segment	Segment
	turnover	turnover	results	results
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating segments				
Apparel in China Mainland and Hong Kong SAR	625,121	661,066	119,395	130,949
Apparel in Singapore and Malaysia	31,044	32,599	(6,766)	(4,159)
Property investment and development	96,171	95,882	109,914	111,400
Inter-segment sales	(7,485)	(6,391)	-	-
	<u>744,851</u>	<u>783,156</u>	<u>222,543</u>	<u>238,190</u>
Unallocated costs			<u>(24,546)</u>	<u>(30,659)</u>
Profit before income tax			197,997	207,531
Income tax expense			<u>(34,668)</u>	<u>(36,435)</u>
Profit for the period			<u>163,329</u>	<u>171,096</u>

#### 4. Other gains

	Six months ended	
	30.6.2019	30.6.2018
	HK\$'000	HK\$'000
Fair value gains on investment properties	49,261	51,645

#### 5. Expenses by nature

	Six months ended	
	30.6.2019	30.6.2018
	HK\$'000	HK\$'000
Cost of inventories sold	295,166	299,138
(Reversal of)/provision for impairment of inventories	(1,294)	7,158
Direct operating expenses arising from investment properties that generated rental income	17,852	18,768
Expenses relating to short-term leases and variable lease payments	41,357	46,703
Amortization of land use rights	-	923
Depreciation of property, plant and equipment	11,125	10,974
Depreciation of right-of-use assets	7,080	-
Reversal of impairment of property, plant and equipment	-	(223)
Provision for impairment of trade receivables	896	-
Staff costs including directors' emoluments	122,909	128,621
Advertising and promotion expenses	43,194	54,364
Other expenses	69,462	73,591
	<u>607,747</u>	<u>640,017</u>
Representing:		
Cost of sales	312,018	325,297
Selling and marketing costs	211,789	218,518
Administrative expenses	83,940	96,202
	<u>607,747</u>	<u>640,017</u>

## 6. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the period.

Taxation on profits generated in the PRC has been calculated on the estimated assessable profit for the period at the rate of 25% (2018: 25%). Taxation on profits outside Hong Kong and the PRC has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	Six months ended	
	30.6.2019 HK\$'000	30.6.2018 HK\$'000
Current tax		
- Hong Kong	233	239
- PRC enterprise income tax	32,696	35,050
Deferred income tax	1,739	1,146
Total income tax expense	<u>34,668</u>	<u>36,435</u>

## 7. Earnings per share

The calculation of earnings per share is based on profit attributable to owners of the Company of HK\$163,329,000 (six months ended 30th June 2018: HK\$171,096,000) and the number of ordinary shares in issue of 982,114,035 (six months ended 30th June 2018: 982,114,035) during the period.

Diluted earnings per share equals basic earnings per share as there were no potential dilutive ordinary shares in issue during the six months ended 30th June 2019 and 2018.

## 8. Dividend

	Six months ended	
	30.6.2019 HK\$'000	30.6.2018 HK\$'000
Interim dividend of 5.5 HK cents (2018: 6.5 HK cents) per ordinary share	<u>54,016</u>	<u>63,837</u>

## 9. Trade receivables

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

	<b>As at 30.6.2019</b> HK\$'000	<b>As at 31.12.2018</b> HK\$'000
1-30 days	47,163	100,073
31-90 days	16,409	6,994
Over 90 days	16,233	15,621
	<u>79,805</u>	<u>122,688</u>

## 10. Trade payables

Trade payables are aged as follows:

	<b>As at 30.6.2019</b> HK\$'000	<b>As at 31.12.2018</b> HK\$'000
1-30 days	41,179	37,918
31-90 days	4,735	11,823
Over 90 days	2,310	4,113
	<u>48,224</u>	<u>53,854</u>

## INTERIM DIVIDEND

The Directors have recommended the payment of an interim dividend of 5.5 HK cents per share (2018: 6.5 HK cents per share) for the year ending 31st December 2019, totalling HK\$54,016,000 (2018: HK\$63,837,000), which is expected to be payable on or about 17th September 2019 to shareholders whose names appear on the Register of Members as at 6th September 2019.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OPERATING RESULTS**

#### **Turnover and gross profit**

Due to the impact of external trade conflicts on domestic economy, the growth of the economy in China Mainland was slowing down and the consumer market condition was under a relative downturn during the period under review. However, the Central Government at the same time implemented various tax reduction and concession measures, which offset the economic downturn to a certain extent.

The Group's turnover for the first half of the year was HK\$744,851,000, representing a decrease of approximately 5% from HK\$783,156,000 of the same period last year. This was mainly attributable to the depreciation of 5% in the Renminbi ("RMB") from the same period last year. Turnover in RMB for business operations in China Mainland for the period was not significant different from that of the same period last year. However, the sales of the apparel business in Singapore decreased compared with last year.

Gross profit for the period was HK\$432,833,000, representing a decrease of about 5%, from HK\$457,859,000 of the same period last year. The decrease was approximately the same as the decrease in total turnover. The overall gross profit margin was 58.1%, slightly lower than 58.5% of the same period last year by about 0.4 percentage point. Gross profit margin for the apparel business in China Mainland was approximately 52.4%, which dropped by about 0.3 percentage point. If excluding the impact of the reversal of impairment provision for inventories by HK\$2,694,000 (impairment provision of HK\$9,266,000 of the same period last year), the gross profit margin would drop by 2.3 percentage points, mainly due to offer of higher discount.

#### **Operating expenses and operating profit**

Selling and marketing costs for the period were HK\$211,789,000, decreased by about 3% from the same period last year. Apart from the depreciation of RMB, the decrease was mainly attributable to the delay of certain marketing and promotional projects compared to last year in China Mainland. Percentage of selling and marketing costs to the overall turnover was 28.4%, slightly increased by about 0.5 percentage point from 27.9% of the same period last year.

Administrative expenses for the period were HK\$83,940,000, also decreased by 13% from HK\$96,202,000 of the same period last year. Apart from the depreciation of RMB, this was mainly due to the exchange gain of HK\$462,000 (exchange loss of HK\$2,200,000 of the same period last year), as well as the resignation of the ex-Chairman in April last year, resulting in a drop in directors' emoluments by approximately HK\$4,465,000 during the period.

During the period, the Group recorded fair value gains on investment properties of HK\$49,261,000, compared with HK\$51,645,000 of the same period last year.

Operating profit for the period amounted to HK\$186,365,000, compared with HK\$194,784,000 of the same period last year, representing a decrease of 4%. The operating profit margin was approximately 25%, which was broadly comparable with that of the same period last year.

#### **Profit attributable to owners of the Company**

In response to the above factors, profit attributable to owners of the Company for the period was HK\$163,329,000, decreased by 5% from HK\$171,096,000 of the same period last year.

Profit for the period would be HK\$117,018,000 if fair value gains after tax on investment properties of HK\$46,311,000 were excluded. Such profit marked a decrease of 3% from HK\$120,856,000 of the same period last year if the fair value gains after tax on investment properties of HK\$50,240,000 were excluded.

## **BUSINESS REVIEW**

### **Apparel Business**

#### *China Mainland and Hong Kong SAR Markets*

During the period under review, consumer confidence was eroded by the drawn-out China-US trade disputes, a weak RMB and market fluctuations. The relative warm winter further impacted on the sales of products for related seasons.

In China Mainland, the Group has continued to conduct its apparel operation primarily through wholesaling to distributors in various cities and provinces, through self-operated retail shops (including factory outlets) located mainly in Guangzhou, Shanghai, Beijing and Chongqing, as well as through e-commerce and custom-ordering. Overall turnover for the period amounted to HK\$580,036,000, representing a year-on-year decrease of approximately 5% but remaining largely comparable in RMB.

Regarding our wholesaling operation, sales of the Group's distributors did not show any sign of improvement and there was little growth in order amount owing to unfavorable market conditions. Since less exchange arrangements were offered, sales to the distributors registered a year-on-year increase of about 8% in RMB.

Business for our self-operated retail shops also had room for improvement. Sales of self-operated retail shops (excluding factory outlets) in RMB were comparable with the corresponding period last year. Guangzhou topped with a growth of about 5% whereas other cities including Beijing, Shanghai and Chongqing all registered single-digit decreases.

With certain special selected items arriving not as scheduled, the Group's factory outlets raised the sale proportion of off-season stocks accordingly. Since these off-season products were sold at bigger discounts and hence generated lower sales, sales of self-operated factory outlets in RMB decreased by approximately 10% when compared with the same period last year. As a result of the corresponding drop in gross profit margin, the overall performance of our factory outlets compared less favorably with that of last year.

At the end of the period, the Group's apparel products were sold through approximately 935 retail outlets in China, among which around 100 were self-operated (including 35 factory outlets). During the period, the total number of our retail outlets was comparable with that at the end of last year.

During the review period, the Group's e-commerce maintained its focus on the sale of special selected items, which continued to account for approximately 90% of the Group's total e-commerce sales. With sales in RMB comparable with the corresponding period last year, e-commerce made up about 33% of the Group's China Mainland apparel sales.

Owing to delays in production and hence deliveries, sales of custom-made corporate uniforms recorded a year-on-year decrease of approximately 26% in RMB. Since this business unit is only at a development stage, it contributed only about 3% to the Group's overall apparel sales in the China Mainland market.

The review period also saw the Group continuing to grant licenses for distribution of shoes, leather goods, undergarments, woollen sweaters and casual wear in the China Mainland market. Licensing income for the period decreased year-on-year by approximately 12% to stand at HK\$42,063,000. This was attributable to a drop of 5% in the value of the RMB and fee reduction of individual licensees during the period.

#### *Singapore and Malaysia Markets*

Implicated by sluggish neighboring economies, local retail conditions changed for the worse. As the Group's apparel business was adversely affected and some sales outlets were closed in the second half of last year, apparel sales for the review period of HK\$31,044,000 is approximately 5% lower than same period last year. Overall performance was less than satisfactory.

In terms of local currency, sales of comparable retail outlets in Singapore dropped by approximately 1%. At the end of the review period, there were a total of 5 Goldlion shops and 18 counters in Singapore, or no change in number since the end of last year.

The gross profit margin for the local market during the review period was approximately 42.2%, lower than the 47.8% of the same period last year. This was mainly attributable to the inventory provision that amounted to HK\$1,399,000 (reversal of HK\$2,108,000 of the same period 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\$372,000 and HK\$122,000 respectively for the review period. Excluding these amounts, operating loss for the Group's Singapore and Malaysia apparel operation for the review period stood at HK\$6,766,000, which has been widened from the amount of HK\$4,159,000 of the same period last year.

#### **Property Investment and Development**

The Group's investment property portfolio had no significant changes since the end of last year and performance remained to be stable. Fair value gains on investment properties recognized by the Group after independent professional valuations amounted to HK\$49,261,000. The gains originated mainly from the Group's property holdings in Hong Kong, especially the Goldlion Holdings Centre in Shatin. Fair value gains of the same period last year stood at HK\$51,645,000.

Rental income and building management fees for the period amounted to HK\$72,638,000 and HK\$19,070,000 respectively, total of which were largely comparable with those of the corresponding period last year.

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 tenant, the units of one of the floors were withheld from separate leasing, resulting in an overall occupancy rate of approximately 87% for the period. The whole floor was successfully leased out with tenant before the end of June.

Following the transfer of Yuan Village warehousing properties in Guangzhou to investment properties by the end of last year, the properties generated rental income and building management fees amounting to HK\$3,659,000 for the period. 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 6% in RMB.

In Hong Kong, leasing of the Group's Goldlion Holdings Centre in Shatin was equally good. Overall rental income and building management fees increased year-on-year by approximately 6%. This was mainly attributable to an almost full occupancy rate for the review period in contrast with the vacancy of certain units in last year. Turning to the property at No. 3 Yuk Yat Street, To Kwa Wan, Hong Kong, it was offered for lease immediately after the completion of large-scale refurbishment early this year. At present, about 50% 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". Works have commenced since the Group entered into the main construction contract amounting to RMB588,000,000 in mid-March. 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. Depending on market conditions and construction progress, presale is expected to begin by around the middle of next year and the whole project is expected to be completed around the year 2022. In view of the short construction period in first half of the year, construction expenditure only increased by about RMB20,000,000 during the period. Relevant expenditure is expected to be paid by the Group's internal resources and funds received in advance from sales of properties.

## **PROSPECTS**

The Group maintains a prudent view as far as business outlook for the remainder of 2019 is concerned. As a result of the fluctuating RMB exchange rate and the expected slowdown of China Mainland economy under downside pressure, difficulties facing the retail sector are unlikely to alleviate.

Chances are grim for the business of the Group's distributors in China Mainland to pick up in the second half of the year. In response, our operating structure will be vigorously reviewed for adjustment. We will also review performance of the distributors to provide appropriate measures for sales increase. At the Group's 2020 spring and summer collections sales fair held in late July, initial figures reflected the reservation of our distributors in the market outlook and there was an approximately double-digit decrease in order amount when compared with the corresponding season last year.

Although there is yet any improvement in China's retail market, the Group will continue to consolidate the business of its self-operated retail shops and factory outlets. To ensure sustained business growth, there are plans to open self-operated retail shops with a bigger floor area and to provide a greater variety of products to meet market demand. As for e-commerce and custom-ordering, sales are expected to surpass those in the first half of the year since such transactions tend to cluster in the second half of any given year.

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

As for property investment, the Group will continue to enhance the leasing potential of its properties on hand for maintaining a reasonable level of rental income. At the same time, the Group will lease out 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. Construction works for the "Goldlion Garden" in Meixian will be carried out as scheduled.

## **FINANCIAL POSITION**

As at 30th June 2019, the Group had cash and bank balances of approximately HK\$1,284,277,000, which was HK\$45,660,000 lower than that at the end of last year. During the period, the Group recorded a net cash inflow from operating activities of HK\$94,847,000 and received interest income of HK\$14,554,000. The Group also paid dividends of HK\$127,675,000, purchased fixed assets of HK\$22,816,000 and paid principal of lease liabilities of HK\$5,711,000. As at 30th June 2019, the Group did not have any bank loans or overdrafts.

As at 30th June 2019, the Group's current assets and liabilities were HK\$1,900,170,000 and HK\$465,650,000 respectively, with current ratio at approximately 4.1. Total current liabilities were 11.2% of the average capital and reserves attributable to owners of the Company of HK\$4,157,063,000.

As at 30th June 2019, the Group did not have any significant contingent liabilities and there were no charges on any of the Group's assets. For the "Goldlion Garden" project in Meixian, the total capital expenditure authorized but not contracted for and contracted but not provided for were HK\$249,000,000 and HK\$604,289,000 respectively.

## **HUMAN RESOURCES**

At 30th June 2019, the Group had approximately 1,830 employees. Staff costs during the first six months of the year including directors' emoluments amounted to HK\$122,909,000. The Group ensures that employees' remuneration packages are competitive and are determined mainly on factors including job nature, market conditions and individual performance, qualification and experience. The Group also provides other benefits to its employees and training as and when required.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining shareholders' entitlement to the proposed dividend, the Register of Members of the Company will be closed on 5th September 2019 and 6th September 2019 (two days), during which period no transfer of shares will be registered.

In order to qualify for the above-mentioned interim dividend, all transfers accompanied by the relevant share certificates must be lodged by 4:30 p.m. on Wednesday, 4th September 2019 with the Company's Registrars, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

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

## **CORPORATE GOVERNANCE**

The Company has complied with the Code Provisions in the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the six months ended 30th June 2019. In respect of Code Provision A.2.1, the positions of the Chairman of the Board and the Chief

Executive Officer are held by the same individual, namely, Mr. Tsang Chi Ming, Ricky. The Board believes that holding the positions of both Chairman and Chief Executive Officer by Mr. Tsang Chi Ming, Ricky provides the Group with more effective planning and execution of long-term business strategies and enhances efficiency in decision-making. The Board also believes that an effective corporate governance structure of the Group has been in place to ensure an appropriate monitoring of Management.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules. During the six months ended 30th June 2019, all the Directors have complied with the relevant requirements under the Model Code regarding their dealing in the securities of the Company.

## **AUDIT COMMITTEE**

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

## **REVIEW OF FINANCIAL INFORMATION**

The Audit Committee has reviewed the Group’s unaudited interim financial information for the six months ended 30th June 2019. At the request of the Board of Directors, the Company’s external auditor, PricewaterhouseCoopers, has carried out a review of this unaudited interim financial information in accordance with Hong Kong Standard on Review Engagements 2410 issued by the Hong Kong Institute of Certified Public Accountants.

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

The interim results announcement is published on the website of the Company ([www.goldlion.com](http://www.goldlion.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2019 interim report, containing all the information required by Appendix 16 to the Listing Rules, will be dispatched to shareholders and made available on the above websites in due course.

## **BOARD OF DIRECTORS**

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

By order of the Board  
**Kam Yiu Kwok**  
Company Secretary

Hong Kong, 15th August 2019