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 FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2019

RESULTS

The Board of Directors (the "Board") is pleased to announce the consolidated results of Goldlion Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st December 2019 together with the comparative figures for the previous year as follows:

Consolidated Income Statement
For the year ended 31st December 2019

	Note	**2019** HK$'000	**2018** HK$'000
Turnover	3	1,591,930	1,681,364
Cost of sales	5	(678,577)	(703,938)
Gross profit		913,353	977,426
Other gains	4	51,518	91,921
Selling and marketing costs	5	(443,324)	(432,179)
Administrative expenses	5	(171,280)	(203,437)
Operating profit		350,267	433,731
Interest income, net		22,364	25,511
Profit before income tax		372,631	459,242
Income tax expense	6	(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	7	31.16	38.31

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

Consolidated Balance Sheet
As at 31st December 2019

	Note	As at 31.12.2019 HK$'000	As at 31.12.2018 HK$'000
ASSETS			
Non-current assets			
Land use rights		-	46,698
Property, plant and equipment		148,136	160,269
Right-of-use assets		69,121	-
Investment properties		2,900,247	2,847,372
Financial assets at fair value through other comprehensive income		6,209	6,813
Deferred income tax assets		54,876	51,282
		3,178,589	3,112,434
Current assets			
Property under development held for sale		258,082	174,178
Inventories		243,095	221,155
Trade receivables	9	109,704	122,688
Prepayments, deposits and other receivables		98,760	40,662
Contract assets		84,662	65,037
Tax recoverable		215	160
Bank deposits		822,169	906,305
Cash and cash equivalents		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		1,101,358	1,101,358
Reserves		3,122,016	3,037,321
Total equity		4,223,374	4,138,679
LIABILITIES			
Non-current liabilities			
Other payables and accruals		20,739	80
Lease liabilities		9,900	-
Deferred income tax liabilities		424,219	421,765
		454,858	421,845
Current liabilities			
Trade payables	10	49,806	53,854
Other payables and accruals		160,375	176,206
Contract liabilities		264,340	249,913
Lease liabilities		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**

Notes:

1. Principal accounting policies

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

The preparation of 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 financial information relating to the years ended 31st December 2019 and 2018 included in this preliminary announcement of annual results of 2019 does not constitute the Company's statutory annual consolidated financial statements for those years 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 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 and will deliver the financial statements for the year ended 31st December 2019 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

(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

1. Principal accounting policies *(continued)*

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

Except as disclosed in note 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.

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(d) 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.

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%.

2. Changes in accounting policies *(continued)*

(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

(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 the following types of assets:

	As at 31.12.2019 HK$'000	**As at 1.1.2019** HK$'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

2. Changes in accounting policies *(continued)*

(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 sheet (extract)

	As at 31.12.2018 As originally presented HK$'000	**Effects of the adoption of HKFRS 16** HK$'000	**As at 1.1.2019 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

(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

2. Changes in accounting policies *(continued)*

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

(i) Practical expedients applied *(continued)*

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".

(d) 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(d)(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.

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

2. Changes in accounting policies *(continued)*

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

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. 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.

(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 brand name, and property investment and development. Turnover recognized during the year is as follows:

	2019	**2018**
	HK$'000	HK$'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

The segments are managed separately as each business offers different products and services and requires different marketing strategies. The Group has three reportable segments including apparel in China Mainland and Hong Kong SAR, apparel in Singapore and Malaysia as well as property investment and development.

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

3. Turnover and segment information *(continued)*

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

	2019 Segment turnover HK$'000	**2018 Segment turnover** HK$'000	**2019 Segment results** HK$'000	**2018 Segment results** HK$'000
Operating segments				
Apparel in China Mainland and Hong Kong SAR	1,348,149	1,441,639	268,168	323,094
Apparel in Singapore and Malaysia	63,420	62,268	(14,753)	(9,771)
Property investment and development	194,475	190,086	168,903	207,287
Inter-segment sales	(14,114)	(12,629)	-	-
	1,591,930	1,681,364	422,318	520,610
Unallocated costs			(49,687)	(61,368)
Profit before income tax			372,631	459,242
Income tax expense			(66,603)	(82,998)
Profit for the year			306,028	376,244

4. Other gains

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

5. 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	-	1,871
Depreciation of property, plant and equipment	22,260	23,366
Depreciation of right-of-use assets	15,878	-
Reversal of impairment of property, plant and equipment	-	(219)
Staff costs including directors' emoluments	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	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

6. 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	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.

7. Earnings per share

The calculation of basic earnings per share is based on the 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.

8. Dividend

	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	93,301	-
	147,317	191,512

9. Trade receivables

The Group grants credit terms to customers ranging from cash on delivery or 30 to 180 days after delivery. The ageing of the trade receivables based on the invoice date was as follows:

	As at 31.12.2019 HK$'000	As at 31.12.2018 HK$'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

10. Trade payables

The ageing of the trade payables based on invoice date was as follows:

	As at 31.12.2019 HK$'000	As at 31.12.2018 HK$'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

11. 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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING 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 of approximately HK$10,938,000 from administrative expenses to selling and marketing costs during the year. Also, directors' emoluments are lower 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.

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.

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.

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, 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 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. 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.

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.

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 met with the greatest difficulties in years. Looking into the first half of 2020, conditions are expected to be extremely adverse.

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 slow 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.

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.

HUMAN RESOURCES

At 31st December 2019, the Group had approximately 1,860 employees. Staff costs including directors' emoluments of the year amounted to HK$236,393,000. The Group ensures that employees' remuneration packages are competitive and are determined mainly on factors including job nature, market conditions, 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

The Register of Members of the Company will be closed for the following periods:

(a) For the purpose of determining shareholders' entitlement to attend and vote at the forthcoming annual general meeting to be held on 15th May 2020 (the "2020 AGM"), the Register of Members of the Company will be closed from 12th May 2020 to 15th May 2020 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2020 AGM, all transfers accompanied by the relevant shares certificates must be lodged by 4:30 p.m. on Monday, 11th May 2020 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.

(b) For the purpose of determining shareholders' entitlement to the proposed final dividend, the Register of Members of the Company will be closed on 21st May 2020 and 22nd May 2020 (two days), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend of the year, all transfers accompanied by the relevant shares certificates must be lodged by 4:30 p.m. on Wednesday, 20th May 2020 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 year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

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 year ended 31st December 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 year, 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, risk management 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 STATEMENTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31st December 2019. Also, the figures in respect of this results announcement have been agreed by the Company's external auditors, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year ended 31st December 2019. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this results announcement.

PUBLICATION OF DETAILED FINANCIAL AND RELATED INFORMATION ON THE WEBSITE OF THE COMPANY AND THE STOCK EXCHANGE

This announcement is published on the website of the Company (www.goldlion.com) and the Stock Exchange (www.hkexnews.hk). The Company's 2019 annual report, containing all the information required by Appendix 16 of 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, 18th March 2020